

Scheme Registration No. 10133971

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)**

**Annual Report
31 December 2016**

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)**

CONTENTS	Page
TRUSTEES AND ADVISERS	3
TRUSTEES' REPORT	7
STATEMENT OF TRUSTEES' RESPONSIBILITIES	22
INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES	23
INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS	24
FUND ACCOUNT	25
STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)	26
NOTES TO THE FINANCIAL STATEMENTS	27
SUMMARY OF CONTRIBUTIONS	39
CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS	40

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

PRINCIPAL EMPLOYER

The People's Dispensary for Sick Animals (the Employer / the Society)

TRUSTEES

Whitechapel Associates Limited (appointed 13 March 2017)

Directors

R Beck (appointed 13 March 2017)

K Hailes (appointed 13 March 2017)

J Miller (appointed 13 March 2017)

R Newcombe (member-nominated) (appointed 13 March 2017)

Capital Cranfield Pension Trustees Limited (Chair) (retired 31 December 2016)

R Beck (removed 13 March 2017)

K Hailes (removed 13 March 2017)

J Miller (removed 13 March 2017)

R Newcombe (member-nominated) (removed 13 March 2017)

ADDRESS FOR GENERAL AND BENEFIT ENQUIRIES

Karen Waters-Hewitt

PDSA

Whitechapel Way

Priorslee

Telford

Shropshire

TF2 9PQ

PLAN ACTUARY

Alistair Russell-Smith FIA

Hymans Robertson LLP

One London Wall

London

EC2Y 5EA

ADMINISTRATION SERVICES

Hymans Robertson LLP

One London Wall

London

EC2Y 5EA

INVESTMENT ADVISERS

Barnett Waddingham LLP

St James' House

St James' Square

Cheltenham

GL50 3PR

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

SOLICITORS

Burges Salmon
One Glass Wharf
Bristol
BS2 0ZX

INVESTMENT MANAGERS

BlackRock Investment Management (UK) Limited
12 Throgmorton Avenue
London
EC2N 2DL

Schroders Property Investment Management Limited
31 Gresham Street
London
EC2V 7QA

Invesco Perpetual Life Limited
125 London Wall
Sixth Floor
London
EC2Y 5AS

Aviva Investment Management Limited
1 Poultry
London
EC2R 8EJ

Insight Investment Management (Global) Limited
160 Queen Victoria Street
London
EC4V 4LA

AVC INVESTMENT MANAGERS

Scottish Friendly Assurance Society Limited
Scottish Friendly House
Blythswood Square
Glasgow
G2 4HJ

Prudential
Lancing
BN15 8GB

Equitable Life Assurance Society
Walton Street
Aylesbury
Buckinghamshire
HP21 7QW

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

Legal & General Assurance Society Limited
Legal & General House
Kingswood
Tadworth
Surrey
KT20 6EU

BANKERS

Lloyds Bank Corporate Markets
Large Corporate
2nd Floor, 125 Colmore Row
Birmingham
B3 3SF

AUDITOR

RSM UK Audit LLP
Statutory Auditor
St Philips Point
Temple Row
Birmingham
B2 5AF

CUSTODIANS

Bank of New York Mellon, on behalf of BlackRock Investment Management (UK) Limited
1 Royal Mint Court
London
EC3N 4HH

UBS Fund Services (Cayman) Limited, on behalf of BlackRock Investment Management (UK) Limited (BlackRock Alternative Advisers)
UBS House, 227 Elgin Avenue
P O Box 852
Grand Cayman
KY1-1103
Cayman Islands

Custodian of the assets held in the Schrodgers Continental Europe Fund II is:
Brown Brothers Harriman (Luxembourg) SCA, on behalf of Schroder Property Investment Management Limited
2-8 Avenue Charles de Gaulle
L-1653 Luxembourg
Grand Duchy of Luxembourg

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

Custodian of the assets held with Invesco Perpetual Life Ltd is:
Citibank
Paternoster House
St Pauls Churchyard
London
EC4M 8AB

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

The Trustees of The People's Dispensary For Sick Animals Retirement Benefits Plan (1978) (RBP/'Plan') present their report and the audited financial statements for the year ended 31 December 2016, together with reports from the Plan's Actuary and Investment Managers. The financial statements have been prepared and audited in accordance with regulations made under Section 41 (1) and (6) of the Pensions Act 1995. The purpose of the report is to describe how the Plan and its investments have been managed during the year.

INTRODUCTION

Constitution of the Plan

The Employer provides a defined benefit scheme governed by a Trust Deed dated 18 June 1979, as amended from time to time for members who joined the Plan or were categorised as Eligible Employees on or before 4 June 2006. On 5 June 2006, the Plan closed to new joiners and all new employees are now automatically enrolled into the Employers' Group Personal Pension Plan, if eligible.

Recent Developments

During the year, the Society confirmed the closure of the Plan to future accrual from 6 April 2019. Active members were given choices regarding how to build up their pension during the transition period of 1 July 2016 to 6 April 2019. The choices were as follows:

Option 1

Pay increased pension contributions to the Plan in order to maintain the current accrual rate for pension earned within the transition period.

Option 2

Continue to pay current pension contributions to the Plan and reduce the rate of accrual for pension earned in the transition period.

Option 3

Leave the Plan on 30 June 2016 and join the Group Personal Pension Plan on a non-contributory basis.

A large proportion of the Plan members opted to cease accruing benefits in the Plan and begin building up benefits in the Group Personal Pension Plan instead.

The aim of the closure was to reduce risk in the Plan, which should improve the security of benefits for all members over time. The Employer engaged the Trustees well in advance of taking this step, and the Trustees were involved in the process from the outset to ensure that all members of the Plan were able to make an informed decision about their retirement plans.

For any member who did not choose either to increase contributions or reduce the rate of accrual in the transition period, accrual was ceased with effect from 30 June 2016 and the member moved into the Group Personal Pension Plan at the statutory minimum level of contributions. For these members, the deferred pension will be subject to a final salary link underpin.

For members who choose Option 1 or 2 above, the spouse's pension for death in service will continue to be based on prospective service up to normal retirement age. For members who choose Option 3, the spouse's pension for death in service is calculated on service to 30 June 2016, revalued up to date of death. To compensate for the lesser benefit, Option 3 members have been granted an additional one times basic salary as a lump sum death benefit up to 5 April 2019.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

Pensioner Payroll

During the year the Trustees agreed with the Society that the pensioner payroll should be operated by Hymans Robertson who are the Plan's administrators. The pensioner payroll was therefore moved to Hymans Robertson with effect from 1 August 2016 following robust parallel run testing.

Rule Changes

Closure of the Plan

As a result of the Plan closure, the Employer and Trustees agreed the following change to the Rules:

The amount of member's contributions paid during the transition period will be based on the member's basic salary as at 30 June 2016 (adjusted, if appropriate, for any changes in working hours that take place after 30 June 2016). If a member's basic salary changes after 30 June 2016, the member's contribution salary is defined as the lower of the revised basic salary and the basic salary as at 30 June 2016. It is this salary and not the salary at 5 April 2019 that will be used to calculate final pensionable salary (or earlier for members who retired or left before this date).

Abolition of Contracting Out

The Plan ceased to be contracted-out of the State Second Pension Plan when salary related contracting-out was abolished on 6 April 2016. The Trustees therefore passed a resolution agreeing that for members who were active members immediately before 6 April 2016, the Guaranteed Minimum Pension (GMP) would be revalued by section 148 revaluation until date of leaving pensionable service, and by fixed rate revaluation from the date of leaving pensionable service to GMP payment age.

Transfers

All transfer values paid to other pension schemes during the year were calculated and verified by the Plan's Actuary or calculated in accordance with instructions prepared by him, in accordance with statutory regulations. No discretionary payments were taken into account in calculating cash equivalents for transfer purposes. No transfers were reduced to this than their cash equivalent value.

An agreement was made by the Trustees, as of November 2007, to cease acceptance of transfers in from other schemes.

Management of the Plan

The Trustees who served during the year are listed on page 3.

Under the Trust Deed and Rules of the Scheme, Trustees are appointed and may be removed by the Society, subject to the relevant Sections of the Pensions Act 2004 in respect of Member Nominated Trustees.

Society Nominated Trustees can serve for a period of four years, with an additional four years' service at the request of the PDSA. Should a Society Nominated Trustee leave or retire from the PDSA, they will cease to be a Trustee.

At least one third of the Trustees are nominated by Scheme members. The member nominated Trustees are elected from two constituencies: the active and employed deferred members and pensioner members (other than spouses and other dependants). Member Nominated Trustees from the active and employed deferred member constituency will cease

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

to be a Trustee when he or she leaves service with the PDSA. Member nominated Trustees can serve for a period of three years, with an extension of a further three years subject to the approval of the Plan Trustees.

Earlier in the year, the Trustees asked for nominations for another Member Nominated Trustee. As no nominations were received, there remains a vacancy for a Member Nominated Trustee and the Trustees will repeat this exercise in 2017.

During the year the Trustees met four times. All decisions are taken by simple majority with the Chairman having the casting vote. In addition, to the main Trustee meetings, there were two Development Sub-Committee meetings and three Investment Sub-Committee meetings. It was agreed that from 1 December 2016, the roles of these committees would be taken on by the full board of Trustees and therefore the committees would cease. The last meetings of the committees were therefore held in October 2016.

The Trustees agreed with the Society to form a Corporate Trustee Company and a deed removing the Trustees as individuals and appointing Whitechapel Associates Limited as the Trustee was signed on 13 March 2017. The Trustee Directors of Whitechapel Associates Limited can be found on page 3 of this report.

MEMBER COMMUNICATION

Member Update and Summary Funding Statement

In 2016 the Trustees produced a Member Update for the year ended 31 December 2015 in recognition of the importance of good member communication. It was designed to keep members up to date with events affecting the Plan and its financial development as well as general issues in the wider world of pensions.

The Member Update included a Summary Funding Statement as at 31 December 2015. A copy of the 2016 Member Update is included as an appendix to this report.

KNOWLEDGE AND UNDERSTANDING

The Pensions Act 2004 requires the Trustees to have knowledge and understanding of pensions' legislation, investments, the Plan's Trust Deed and Rules, the Statement of Investment Principles, the Statement of Funding Principles and other documentation which sets out administration policy in relation to the Plan. The Pensions Regulator has issued a Code of Practice in respect of this.

The Trustees regularly assess their knowledge in the areas required under the Act and of the skills required for effective Trusteeship.

Trustees are encouraged to complete the on-line training programme, "The Trustee Toolkit", managed by The Pensions Regulator. Trustee training is also delivered in a number of other ways. Training activity includes: formal training courses run by various providers, attendance at pension conferences, and training by the Plan's adviser(s) at, or ahead of, each Trustees' meeting.

The Trustees actively seek to ensure their management of the Plan complies with "best practice" as expressed in the Code of Practice.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

SPECIAL ACTIVITIES

Update to the Trust Deed and Rules

The Trustees have undertaken an update to the September 2008 Trust Deed and Rules. This update will incorporate all amendments and legislative updates from September 2008 up to the date the new Rules are adopted. It is expected that the new Rules will be approved and adopted by the second quarter of 2017.

GMP Reconciliation

Following the abolition of contracting out, the Trustees are undertaking a reconciliation of Guaranteed Minimum Pensions. This exercise is expected to be concluded during 2017.

BUSINESS PLAN

The Trustees maintain a Scheme Events Calendar for the Plan which details the key tasks or events planned to take place each year. This assists the Trustees in the on-going management of the Plan and in monitoring the activities of its advisers. The Scheme Events Calendar was reviewed regularly during the year and updated where necessary.

GOVERNANCE FRAMEWORK

During the year, the Trustees continued to review the Governance Framework, through the Development Sub-Committee. This framework confirms the arrangements surrounding the governance of the RBP including: size and composition of the Trustee body, Trustee terms of office, Trustee selection processes, notice periods and removal from office arrangements.

RISK REGISTER

The Trustees continue to carry out a regular formal risk assessment and management review of internal controls.

The Risk Register was formally reviewed during the year by the Trustees and updated to include any new risks such as the Brexit vote on 23 June 2016. The Trustees continue to review the Risk Register regularly.

ANTI-BRIBERY & CORRUPTION

Following the introduction of the Bribery Act 2010, which came into force on 1 July 2011, and the Trustees risk assessment, which indicates that there is a low risk of bribery and corruption associated with the RBP, the Trustees have put measures to counter bribery and corruption in place. A statement on the RBP Trustees' approach to bribery and corruption has been developed and is contained within the Conflicts of Interest Policy. The Trustees reviewed their advisers' and the Employer's approach to bribery and corruption and on-going due diligence routines are now in place.

CONFLICTS OF INTEREST POLICY

The Trustees have a Conflicts of Interest Policy which is reviewed and monitored regularly.

ADDITIONAL VOLUNTARY CONTRIBUTIONS (AVC)

Following the review of the Plan's AVCs the members affected were given the option to transfer previous contributions to one or more of nine approved funds administered by Legal & General. The transfers continued during 2016 and were completed in August 2016.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

DATA CLEANSING EXERCISE

From December 2012, the Pensions Regulator introduced new guidance for pension schemes, regarding member data. All common data such as name, address, date of birth, National Insurance number, membership dates etc. must be present and accurate for 95% of the 'legacy' data (i.e. data created before June 2010) and 100% of 'new' data (i.e. data created after June 2010), or it must be shown that 'reasonable endeavours to resolve inaccurate or missing data are being taken.

Following a review of the Plan's data to ensure that the Plan met these new data quality requirements, the Trustees have carried out a range of activities to obtain missing common data, and will continue to monitor the position in the future. The score as at 11 November 2016 is an overall pass rate of 96%. This will provide the benchmark for future reports.

DISPUTE RESOLUTION PROCEDURE

The Trustees have devised and published a dispute resolution procedure to consider complaints from members or their representatives. Details of the procedure are available from Karen Waters-Hewitt (the Pensions Manager), address as noted on page 3.

MEMBERSHIP

The membership of the Plan on the last day of the year covered by this report was made up as follows:

	2016	2015
Current members	129	427
Early leavers with deferred benefits	1,307	1,060
Pensioners (including beneficiaries receiving pensions)	650	618
Total	<u>2,086</u>	<u>2,105</u>

FINANCIAL REVIEW

The 2016 financial statements, set out later in this Annual Report, provide an overview of the Plan's income and its investments.

Details of the performance of the Plan's investments are set out on page 18.

FINANCIAL DEVELOPMENT OF THE SCHEME

The financial statements have been prepared and audited in accordance with regulations made under Section 41(1) and (6) of the Pensions Act 1995.

The fund account shows that the net assets of the Scheme increased from £99,208,942 at 31 December 2015 to £113,403,837 at 31 December 2016. The increase in net assets is accounted for by:

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT**

Year ended 31 December 2016

	Total 2016 £	Total 2015 £
Member related income	3,942,335	3,927,099
Member related payments	(3,990,805)	(3,349,694)
Net (withdrawals)/additions from dealings with members	(48,470)	577,405
Net returns on investments	14,243,365	(133,540)
Net increase in fund	14,194,895	443,865
Net assets at start of year	99,208,942	98,765,077
Net assets at end of year	113,403,837	99,208,942

PENSION INCREASES

As at July 2016, the pensions in payment were increased in line with the Plan's Rules. All increases were in accordance with the Trust Deed and Rules of the Plan or legislative requirements. There were no discretionary increases during the year.

Where appropriate pensions in excess of the Guaranteed Minimum Pension (GMP) were increased in line with the increase in Retail Prices Index (RPI) over the year to March 2016, which was an increase of 1.6% for these benefits. This increase is capped at 2.5% and 5% for different parts of Plan benefits but these caps did not bite this year. Post-1988 GMP increases are based on the increase in the Consumer Prices Index (CPI) over the year to September 2015, capped at 3%. As CPI in September 2015 was negative, the increase to post-GMP pension was 0%. No increase was applied to pre-1988 GMPs.

Deferred pensions have been increased in line with statutory requirements.

Actuarial Review

The financial Statements set out on pages 25 to 26 do not take account of the liabilities to provide pension benefits which fall due after the year end. In respect of the Plan, these liabilities are considered by the Plan Actuary who carries out an actuarial valuation of such liabilities every three years. This valuation considers the funding position of the Plan and the level of contributions payable.

The most recent actuarial valuation was carried out as at 31 December 2014. The results of this valuation confirmed that Society contributions to the Plan should be paid at a rate 19% of contribution salary on a monthly basis in respect of the accrual of new benefits with effect from 1 July 2016. In consultation with the Plan Actuary, the Employer has also agreed to pay deficit funding contributions in line with the following table:

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

Period	Deficit Reduction Contributions
1 July 2016 – 31 December 2016	£1.326m payable over the six month period, calculated such that the total deficit-reduction contribution paid in 2016 is £2.0m
1 January 2017 – 31 December 2018	£4.0m pa
1 January 2019 – 31 March 2019	£1.2m payable over the three month period
1 April 2019 – 31 December 2019	£1.5m payable over the nine month period
1 January 2020 – 31 December 2031	£2.0m pa

In addition, the Society will also pay, a fixed contribution of £400,000 per annum to cover Plan expenses plus the PPF levies and life insurance premiums.

The Plan also has two charges over Society property, which helps support the length of the recovery plan.

The formal actuarial certificate required by statute to be included in this Annual Report from the Scheme Actuary appears on page 40. In addition, as required by FRS 102, the Trustees have included the report on Actuarial Liabilities below, which forms part of the Trustee Report.

REPORT ON ACTUARIAL LIABILITIES

Under Section 222 of the Pensions Act 2004, every scheme is subject to the Statutory Funding Objective, which is to have sufficient and appropriate assets to cover its technical provisions. The technical provisions represent the present value of the benefits members are entitled to, based on pensionable service to the valuation date. This is assessed using the assumptions agreed between the Trustees and the Society and set out in the Statement of Funding Principles, which is available to Plan members on request.

The most recent full actuarial valuation of the Plan was carried out as at 31 December 2014. This showed that on that date:

The value of the Technical Provisions was: £131.4 million

The value of the assets at that date was: £96.1 million

Deficit (£35.3 million)

Funding level 73%

Method

The actuarial method used in the calculation of the expected cost of member's past service benefits is an accrued benefits funding method which takes full account of expected future salary growth.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

A summary of the key assumptions is shown below.

Financial Assumptions

Pre-retirement discount rate	Market implied gilt yield curve plus 1.5%
Post-retirement discount rate	Market implied gilt yield curve plus 0.5%
Price inflation (RPI)	Market implied gilt yield curve
Price inflation (CPI)	In line with RPI inflation less 1.0% pa
Salary growth	In line with the Society's forecast until 1 January 2018 and then equal to the RPI inflation curve from 1 January 2019
Pension increases	LPI 5% gilt yield curve/LPI 2.5% gilt yield curve
Deferred revaluation	In line with relevant price inflation assumption

Demographic Assumptions

Post-retirement mortality base table	2014 VITA Tables
Pre-retirement mortality base table	S1NMA/S1NFA
Future improvements in longevity	CMI mortality projection model (2014) using advanced parameters calibrated to Club Vita improvements data up to 2014 with a long term rate for males of 1.5% and 1.0% for females. The cohort effect is assumed not to have peaked yet and the improvements decline at the oldest ages.
Retirements in normal health	<p>Members are assumed to retire at the earliest age at which all their benefits are payable unreduced as a right. This is age 65 for all members other than females who left before 17/5/1990 for whom it is age 60.</p> <p>No allowance is made for late retirement, although to the extent that members can take some of their benefits unreduced from age 60, a late retirement uplift is applied to those benefits for an assumed retirement age of 65. The benefits that are unreduced from age 60 are service from 17/5/1990 to 5/5/1993 for males that joined pre 1/1/91 and pre 5/5/1993 service for females that joined pre 1/1/1991. Post 1/1/1991 joiners cannot take any benefits unreduced prior to age 65. Members above normal retirement age are assumed to retire immediately.</p>
Commutation	100% of members are assumed to exchange their pension for the FA04 maximum cash at retirement on current commutation terms
Withdrawal	<p>Males: 25% pa at age 20 trending down to 8% pa chance at age 40 and 0% pa chance at age 60.</p> <p>Females: 25% pa at age 20 trending down to 9% pa chance at age 40 and 0% pa chance at age 60</p>
Family details	85% of male members and 75% of females are assumed to have a dependant at retirement or

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

	earlier death. Male partners are assumed to be 3 years older than female partners.
Ill health retirements	No allowance made for members to retire early in ill health

Statement of Funding Principles

The latest Statement of Funding Principles was agreed as part of the 31 December 2014 funding valuation and was signed on 4 October 2016. The Statement of Funding Principles sets out the assumptions used for calculating the technical provisions and future contribution requirements for the Plan; this document is available to members on request.

Recovery Plan

A plan to fund the deficit revealed as at 31 December 2014 has been agreed with the Employer and, assuming the assumptions are borne out in practice, the deficit is expected to be removed by 31 December 2031. This is due to be reviewed as part of the 31 December 2017 valuation.

Schedule of Contributions

Contributions payable to the Plan during the year ended 31 December 2016 have been received in accordance with the Schedules of Contributions dated 28 March 2013 and 4 October 2016.

The current Schedule of Contributions was agreed as part of the 31 December 2014 funding valuation and was completed and certified by the Plan Actuary on 4 October 2016. In addition to the contributions agreed to remove the deficit, the Employer will contribute 19% pa of pensionable salaries to meet the expected cost of future benefit accrual. This is due to be reviewed again as part of the 31 December 2017 valuation.

Members, unless they are participating in the salary sacrifice arrangement, shall pay contributions in line with the table on page 29. The Employer will also pay to the Plan contributions equal to the salary exchanged by members by virtue of their participation in the salary sacrifice arrangement. The total contributions payable to the Plan will, in respect of members who participate in the salary sacrifice arrangement, be the same as would have been payable by the Employer and by members, had the salary sacrifice arrangement not been introduced.

The actuarial certificate certifying the adequacy of the Schedule of Contributions is shown on page 40.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

INVESTMENT MANAGEMENT

The Trustees delegate the day-to-day management to professional external investment managers. The Trustees set the investment strategy for the Plan after taking advice from the Plan's Investment Adviser. The Trustees have put mandates in place with their investment managers which implement this strategy.

In accordance with s35 of the Pensions Act 1995, a Statement of Investment Principles has been prepared by the Trustees which incorporates the investment strategy. A copy of the Statement may be obtained from the Pensions Manager.

INVESTMENT REPORT

The investment objective of the Plan is to maintain a portfolio of suitable assets of appropriate liquidity which will generate investment returns to meet, together with future contributions, the benefits of the Plan payable under the Trust Deed and Rules as they fall due.

The Trustees set the investment strategy taking into account considerations such as the strength of the Society's covenant, the long term liabilities of the Plan and the funding agreed with the Society.

Strategy as at 31 December 2016

The Plan's investment strategy is set out in the Interim Statement of Investment Principles (SIP), dated September 2015, prepared by the Trustees in accordance with the requirements of the Pensions Act 1995 (as amended by the Pensions Act 2004) and the Occupational Pension Schemes (Investment) Regulations 2005. Over 2016, the Plan continued the investment strategy review started in 2015. The key changes made were:

- **Appointment of Invesco:** In April 2016, the Trustees appointed the Invesco Perpetual as one of their managers, and an initial investment of £1m was made into the Global Targeted Returns Fund in June 2016, funded by a transfer from the Plan's holding in cash with BlackRock. A further £13.2m was transferred into the Fund from the Plan's UK equity holding in September 2016.

This is a diversified growth fund that aims to deliver similar returns to those on equities over the long term but with a lower level of volatility, thus helping to reduce the volatility of the Plan's funding position.

- In addition to this, the Trustees agreed to invest in LDI and appointed Insight to run the mandate and this was implemented in early 2017.

The Statement of Investment Principles will be updated in due course to reflect the above changes. As at 31 December 2016 the overall strategy was to hold:

- 35% in investments that move broadly in line with the long-term liabilities of the Plan. This comprises UK government and corporate bonds. The purpose of holding these is to hedge some of the impact of interest rate movements on long-term liabilities.
- 65% in return seeking investments comprising UK and overseas equities, investment property and diversified growth funds.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

The deployment of assets over the period is shown in the table below:

Asset Class	31/12/16 (%)	31/12/15 (%)
UK Equities	7.4	24.6
Overseas Equities	25.9	23.7
<i>US Equities</i>	6.8	5.9
<i>Europe ex UK Equities</i>	8.6	8.3
<i>Japanese Equities</i>	4.9	4.6
<i>Pac Basin ex Japan Equities</i>	3.6	3.2
<i>Emerging Market Equities</i>	2.0	1.8
Sterling Currency Hedging	2.3	4.5
UK Index-Linked Gilts	24.5	22.1
UK Fixed Interest Gilts	0.6	0.6
UK Corporate Bonds	10.7	11.1
Fund of Hedge Funds	0.0	0.1
European Property	0.8	1.4
BlackRock Diversified Growth Fund	4.7	5.4
BlackRock Dynamic Return	4.4	5.4
Invesco Global Targeted Return	18.1	-
Cash	0.8	1.0
Total	100.0	100.0

In addition to the above, dividends valued at approximately £640,000 were being held back by Schroders pending receipt of some anti-money laundering documentation.

The day-to-day investment report management decisions are made by the investment managers appointed by the Trustees. As at 31 December 2016, BlackRock Investment Management (UK) Limited were responsible for the investment of 81.2% of the assets, BlackRock Alternative Advisors ("BAA") were responsible for the investment of 0.01% of the assets, Schroder Investment Management ("Schroder") were responsible for 0.8% of the assets and Invesco Perpetual were responsible for the investment of 18.1% of the assets.

The general investment strategy of the investment managers is to achieve steady growth over the medium to long term, subject to an acceptable level of risk. The managers reduce the level of risk by investment in a range of different securities within each investment market.

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
 RETIREMENT BENEFITS PLAN (1978)
 TRUSTEES REPORT
 Year ended 31 December 2016

Performance

The below table outlines the performance of the Plan's investments for the year, three years and five years ended 31 December 2016. Performance for Invesco and BlackRock is shown gross of fees, whilst Schroders performance is illustrated net of management fees.

TIME-WEIGHTED RETURNS TO 31 DECEMBER 2016

Investment Sector Fund	Last Twelve Months		Last Three Years		Last Five Years	
	Fund %	Index %	Fund % pa	Index % pa	Fund % pa	Index % pa
Invesco Global Targeted	3.9	2.5	n/a	n/a	n/a	n/a
BlackRock Diversified Growth	-0.9	5.7	n/a	n/a	n/a	n/a
BlackRock Dynamic Return	-6.4	3.5	n/a	n/a	n/a	n/a
BlackRock UK Equity	16.8	16.8	6.1	6.1	10.2	10.1
BlackRock US Equity	33.4	33.4	19.8	19.7	20.0	20.0
BlackRock European Equity	19.4	19.4	8.1	8.0	13.3	13.2
BlackRock Japanese Equity	22.5	22.4	13.8	13.8	13.7	13.7
BlackRock Pacific Rim Equity	29.8	29.7	9.0	9.0	9.5	9.5
BlackRock Emerging Markets	32.9	32.6	9.1	9.1	7.7	7.5
BlackRock Sterling Currency	-42.2	-41.5	-11.0	-10.4	7.0	7.4
BlackRock All Stocks Gilts	10.2	10.1	8.1	8.0	4.6	4.5
BlackRock Over 5Y Index- BlackRock All Stocks	27.5 10.9	27.4 10.7	15.3 7.7	15.2 7.7	9.2 7.4	9.1 7.3
Schroders European Property	15.0	8.0	-0.2	8.0	-3.70	8.0

**Performance is shown over the period from 27 June 2016, when the Plan first invested in the Fund, to 31 December 2016.*

Over the course of 2016, the Plan's investments returned a performance of 14.7%. Performance over the three years to 31 December 2016 was 8.5% p.a.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

Market Commentary

Economic environment

The 12 months to 31 December 2016 saw divergence of central bank policies between regions.

In March, the European Central Bank (ECB) cut its main lending rate to 0.0% and cut deposit rates to -0.4% extended its quantitative easing programme (QE), increasing the rate from €60bn to €80bn per month and expanding the programme to include high-quality corporate bonds from June. Arguably these measures were, in part, a response to growing concerns regarding the financial health of the European banking sector.

The Bank of Japan (BoJ) continued its QE programme of purchasing ¥80 trillion of government bonds a year and, after 5 years with rates of 0.1%, the BoJ cut its bank rate to -0.1% in January 2016.

In contrast, after raising the Fed Funds rate by 0.25% in December 2015, the market was expecting two or three further increases from the Federal Reserve (Fed) over 2016. However, concerns about China, the EU referendum in the UK and slow global growth led the Fed to keep rates on hold. In December 2016, as domestic economic indicators remained strong, the Fed increased the Fed Funds rate by a further 0.25%. Due to the modest size of the rate hike and the Fed's communication with the market, the majority of the impact had been priced into markets ahead of the announcement and the immediate reaction was muted.

Meanwhile, there was continued speculation around when the Bank of England would raise UK interest rates. One of the indicators that the Bank of England monitors, the rate of unemployment, had continued to improve and by the end of the 2015 had fallen to levels not seen since 2008. However, wage growth and productivity failed to pick up materially and UK economic growth has disappointed. The mixed news fed into uncertainty around the timing of the first rise in the UK's base rate since 2007, and even speculation of a rate cut.

The UK's historic referendum at the end of June 2016 regarding the membership of the European Union (EU) resulted in a majority vote to 'Leave', to the surprise of many economic commentators and investors. In reaction to the increased uncertainty around the nature of the UK's divorce from the EU, the Bank of England (BoE) made a number of announcements in the third quarter of 2016. In order to maintain liquidity in the banking sector, liquidity auctions were announced to take place weekly rather than reverting to monthly auctions as was the norm pre-referendum. Mark Carney also announced that the capital buffer requirements of UK banks would be reduced, releasing £150bn of potential lending from banks. At its August 2016 meeting, the BoE subsequently cut the base rate of interest to 0.25%, and launched a further round of quantitative easing, planning £60bn of gilt purchases and an additional £10bn of UK corporate bonds purchases.

Whilst equity markets were volatile in the immediate aftermath, the market reaction to the result has been much more subdued than many 'Leave' scenario forecasts had suggested. Global yields also fell in the wake of the vote as investors rushed both to safety and to profit from an expected expansion of monetary policy.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

In November 2016, Donald Trump won the US presidential election. The immediate market reaction was muted with equity markets quickly recovering from an initial sell-off. Subsequently, Trump's promises of fiscal stimulus and an extensive infrastructure programme appears to generate optimism in the markets as the Dow Jones Industrial Average closed the year near 20,000 and the Dollar strengthened further.

Political uncertainty continued in Europe at the year-end as Italian Prime Minister Matteo Renzi resigned as Prime Minister, but remained leader of the Democratic Party, following his defeat in the referendum on constitutional reform on 4 December. On 8 December, the ECB voted to extend its asset purchase program from March 2017 to at least December 2017, reducing the monthly purchases from €80 billion to €60 billion, but leaving the total amount purchased unchanged.

Investment performance

Against this backdrop, market returns from traditional asset classes were largely positive in absolute terms over 2016.

- **Equities:** Overall, global equities performed strongly over the year generating 9.9% in local currency terms. Returns were dispersed widely across geographical regions, with a differential of approximately 17% between the best (UK) and worst (Japan) performing regions.

UK equities returned 16.8% over 2016, assisted primarily by a rebound in commodity markets, dovish monetary policy from the Bank of England and a decline in the value of sterling following the result of the EU referendum.

Indeed the significant weakening of sterling over 2016 led to substantial differences in returns between currency unhedged and currency hedged UK investors in overseas markets, with unhedged investors benefiting.

Against this backdrop, the Plan's portfolio of equities, which includes some currency hedging, returned 16.3% over 2016.

- **Bonds:** Bond markets also produced positive absolute returns over the year, with UK index-linked bonds performing particularly strongly as gilt yields fell and inflation expectations rose.

Fixed interest government securities of all maturities returned 10.1% over 2016; credit spreads tightened slightly leading to a return from corporate bonds (all maturities) of 10.6%. Long-dated bonds generally outperformed shorter-dated counterparts as long-dated gilt yields fell further; however, this would be expected to lead to an increase in the value of the liabilities of most UK DB pension schemes.

The high allocation to index-linked gilts within the Plan's bond portfolio meant that the performance of this portfolio was particularly strong over 2016, returning 21.7%.

- **Property** – The European commercial property market had a reasonable year. Over the year, the Plan's investment in the Schroders CEF III Fund returned around 20% in sterling terms – of this 3.5% was from Fund returns and the remainder was the impact

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
TRUSTEES REPORT
Year ended 31 December 2016**

of sterling weakening (the currency exposure is not hedged). This investment also provided the Plan with income in the region of £540,000 over the year as the Fund continues to wind-down.

- **Diversified Growth Funds-** Returns from diversified growth funds were mixed over 2016, albeit lower than most equity markets. The BlackRock Funds in which the Plan invests were two of the poorer performing Funds over the year; therefore following a review in January 2017, the Trustees agreed to close the BlackRock Dynamic Return Fund and transfer the funds to Pictet Asset Management. Returns from the Invesco Perpetual Global Targeted Return Fund were reasonable and ahead of target over the period the Plan was invested (approximately six months).

Signed on behalf of the Trustee

J Miller
Director of Whitechapel
Associates Limited

Date:



K Hailes
Director of Whitechapel
Associates Limited

Date: 17 MAY 2017

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
STATEMENT OF TRUSTEES RESPONSIBILITIES**

The financial statements, which are prepared in accordance with UK Generally Accepted Accounting Practice, are the responsibility of the Trustees. Pension scheme regulations require the trustees to make available to scheme members, beneficiaries and certain other parties, audited financial statements for each scheme year which:

- show a true and fair view of the financial transactions of the Plan during the scheme year and of the amount and disposition at the end of the scheme year of its assets and liabilities, other than liabilities to pay pensions and benefits after the end of the scheme year; and,
- contain the information specified in the Occupational Pension Schemes (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, including a statement whether the accounts have been prepared in accordance with the Statement of Recommended Practice, 'Financial Reports of Pension Schemes'.

The Trustees have supervised the preparation of the financial statements and have agreed suitable accounting policies, to be applied consistently, making any estimates and judgments on a prudent and reasonable basis.

The Trustees are also responsible for making available certain other information about the scheme in the form of an Annual Report.

The Trustees are responsible under pensions legislation for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates of contributions payable towards the Plan by or on behalf of the employer and the active members of the scheme and the dates on or before which such contributions are to be paid. The Trustees are also responsible for keeping records in respect of contributions received in respect of any active member of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the schedule of contributions. Where breaches of the schedule occur, the Trustees are required by the Pensions Acts 1995 and 2004 to consider making reports to The Pensions Regulator and the members.

The Trustees also have a general responsibility for ensuring that adequate accounting records are kept and for taking such steps as are reasonably open to them to safeguard the assets of the scheme and to prevent and detect fraud and other irregularities, including the maintenance of an appropriate system of internal control.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)**

**INDEPENDENT AUDITORS' REPORT TO THE TRUSTEE OF THE PEOPLE'S
DISPENSARY FOR SICK ANIMALS RETIREMENT BENEFIT PLAN (1978)**

Opinion on financial statements

We have audited the financial statements of The People's Dispensary For Sick Animals Retirement Benefit Plan (1978) for the year ended 31 December 2016 on pages 25 to 38 which comprise the fund account, the statement of net assets (available for benefits) and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- show a true and fair view of the financial transactions of the Plan during the year ended 31 December 2016, and of the amount and disposition at that date of its assets and liabilities, other than the liabilities to pay pensions and benefits after the end of the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- contain the information specified in Regulation 3 of the Occupational Pension Plans (Requirement to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, made under the Pensions Act 1995.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at <http://www.frc.org.uk/auditscopeukprivate>

Respective responsibilities of Trustee and auditor

As explained more fully in the Statement of Trustee Responsibilities set out on page 22, the Plan's Trustee are responsible for the preparation of financial statements which show a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's ("APB's") Ethical Standards for Auditors.

This report is made solely to the Plan's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustee 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 Plan and the Plan's Trustee as a body, for our audit work, for this report, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham B2 5AF

Date *22/5/17*

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)**

**INDEPENDENT AUDITOR'S STATEMENT ABOUT CONTRIBUTIONS, UNDER
REGULATION 4 OF THE OCCUPATIONAL PENSION SCHEMES (REQUIREMENT TO
OBTAIN AUDITED ACCOUNTS AND A STATEMENT FROM THE AUDITOR)
REGULATIONS 1996, TO THE TRUSTEE OF THE PEOPLE'S DISPENSARY FOR SICK
ANIMALS RETIREMENT BENEFIT PLAN (1978)**

We have examined the summary of contributions payable to The People's Dispensary for Sick Animals Retirement Benefit Plan (1978) on page 39, in respect of the plan year ended 31 December 2016.

In our opinion the contributions for the plan year ended 31 December 2016 as reported in the summary of contributions on page 39 and payable under the schedule of contributions have in all material respects been paid at least in accordance with the schedules of contributions certified by the actuary on 28 March 2013 and 4 October 2016.

Scope of work on statement about contributions

Our examination involves obtaining evidence sufficient to give reasonable assurance that contributions reported on page 39 have in all material respects been paid at least in accordance with the schedule of contributions. This includes an examination, on a test basis, of evidence relevant to the amounts of contributions payable to the Plan and the timing of those payments under the schedule of contributions.

Respective responsibilities of Trustee and auditor

As explained more fully on page 22 in the Statement of Trustee Responsibilities, the Plan's Trustee are responsible for ensuring that there is prepared, maintained and from time to time revised a schedule of contributions showing the rates and due dates of certain contributions payable towards the Plan by or on behalf of the employer and the active members of the Plan. The Trustee are also responsible for keeping records in respect of contributions received in respect of active members of the Plan and for monitoring whether contributions are made to the Plan by the employer in accordance with the schedule of contributions.

It is our responsibility to provide a statement about contributions paid under the schedule of contributions and to report our opinion to you.

This statement is made solely to the Plan's Trustee as a body, in accordance with the Pensions Act 1995. Our audit work has been undertaken so that we might state to the Plan's Trustee those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Plan and the Plan's Trustee as a body, for our audit work, for this statement, or for the opinions we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
St Philips Point
Temple Row
Birmingham B2 5AF

Date *22/5/17*

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
FUND ACCOUNT
Year ended 31 December 2016

	Note	2016 £	2015 £
Contributions and benefits			
Contributions – employer		3,915,430	3,890,310
– employee		26,905	36,789
Total contributions	2	<u>3,942,335</u>	<u>3,927,099</u>
Benefits paid or payable	3	(2,557,799)	(2,402,509)
Payments to and on account of leavers	4	(695,864)	(356,950)
Administrative expenses	5	(737,142)	(567,846)
Other payments	6	-	(22,389)
		<u>(3,990,805)</u>	<u>(3,349,694)</u>
Net (withdrawals)/additions from dealings with members		<u>(48,470)</u>	<u>577,405</u>
Returns on investments			
Investment income	7	2,205,110	1,965,033
Change in market value of investments	8	12,121,719	(2,014,695)
Investment management expenses		(83,464)	(83,878)
Net returns on investments		<u>14,243,365</u>	<u>(133,540)</u>
Net increase in the Plan during the year		14,194,895	443,865
Net assets of the Plan			
At 1 January		99,208,942	98,765,077
At 31 December		<u>113,403,837</u>	<u>99,208,942</u>

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
 RETIREMENT BENEFITS PLAN (1978)
 STATEMENT OF NET ASSETS (AVAILABLE FOR BENEFITS)
 Year ended 31 December 2016

	Note	2016 £	2015 £
INVESTMENT ASSETS			
Pooled investment vehicles		78,789,905	68,425,405
Cash deposits		5,823	5,819
AVC investments		956,473	923,148
Insurance policies		32,100,000	29,300,000
	8	<u>111,852,201</u>	<u>98,654,372</u>
CURRENT ASSETS	10	1,958,208	1,092,556
CURRENT LIABILITIES	11	(406,572)	(537,986)
NET ASSETS OF THE PLAN AT THE YEAR END		<u>113,403,837</u>	<u>99,208,942</u>

The notes on pages 27 to 38 form part of these financial statements.

The financial statements summarise the transactions of the Plan and deal with the net assets available for benefits at the disposal of the Trustees. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Plan year. The actuarial position of the Plan, which takes into account such obligations, is dealt with in the Report on Actuarial Liabilities pages 13 to 15 and these financial statements should be read in conjunction therewith.

These financial statements were approved by the Trustee

Signed on behalf of the Trustee

J Miller
 Director of Whitechapel
 Associates Limited

Date:



K Hailes
 Director of Whitechapel
 Associates Limited

Date: 17 MAY 2017.

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

1. **ACCOUNTING POLICIES**

General Information

The Plan was set up under an irrevocable Trust Deed and is governed by Rules, which are available for inspection on request. An outline of the Rules is provided by the explanatory booklet issued to members. The Plan is a defined benefit pension scheme.

A consolidated Trust Deed and Rules became effective on 19 February 2008. There were some further Deeds of Amendment during 2008 which were consolidated into the Trust Deed and Rules with effect from 22 September 2008. The effect of both consolidated Trust Deed and Rules was to consolidate 'amending' deeds. The Trustees are currently in the process of completing a further update and consolidation of the Trust Deed and Rules, which will continue into 2017.

The Plan is registered with HM Revenue & Customs. The Trustees know of no reason why the status should be withdrawn or compromised.

The Plan is registered with The Pensions Regulator and members are contracted out of the State Second Pension (S2P), formerly the State Earnings Related Pension Scheme (SERPS). Members will cease to be contracted out from 6 April 2016 with the abolition of contracting out of S2P.

Basis of accounting

The financial statements have been prepared in accordance with the Occupational Pension Schemes (Requirements to obtain Audited Accounts and a Statement from the Auditor) Regulations 1996, Financial Reporting Standard 102 (FRS 102) – The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland issued by the Financial Reporting Council ("FRS 102") and the guidance set out in the Statement of Recommended Practice, "Financial Reports of Pension Schemes" (Revised November 2014) ("the SORP").

The revised FRS102 has been adopted early in the current year's financial statements.

The principal accounting policies which the Trustees have adopted are set out below.

Contributions and benefits

Normal contributions from the Employer and from members have been made at the rates set out in the Schedule of Contributions in force for the Plan year. Normal contributions relating to wages and salaries earned in the Plan year have been recognised in these accounts.

Employer's deficit funding contributions are recognised as they fall due under the Schedule of Contributions. Contributions for the augmentation of benefits are included as they fall due under arrangements with the employer. The Plan ceased making payments for life assurance premiums from July 2015. The Employer now pays the premiums directly to the life assurance provider.

The Employer also pays a fixed contribution of £400,000 per annum in monthly instalments to cover the Plan's administration expenses.

Members' additional voluntary contributions (AVCs) are recognised as soon as they are deducted from the payroll. AVCs paid other than by payroll deduction are recognised on receipt.

Other benefits payable are accounted for as they fall due.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016**

Benefits and withdrawal payments are accounted for as they fall due for payment. Where members have a choice, benefits are accounted for in the period in which the member notified the Trustees of his decision on the type and or amount of benefit to be taken or, if there is no member choice, on the date of retirement or leaving.

Investments

Investments are included at fair value as described below:

The market value of unit trusts and managed fund units is taken as the bid price at the accounting date as advised by the investment managers. Shares in other pooled arrangements have been valued at the latest available net asset value (NAV), in accordance with fair value principle provided by the investment manager.

The changes in investment market values are accounted for in the year in which they arise and include profits and losses on investments sold as well as unrealised gains and losses in the value of investments held at the year end.

Investments in overseas currencies are translated into sterling at the exchange rates ruling at the year end.

The annuity policies are valued by the Plan Actuary as the present value of the future benefits that are covered by the policies.

Investment income

Dividends and interest on investments for which an established market exists are included in income when earned. All other interest is included on an accruals basis. Investment income is stated inclusive of any related taxation which is recoverable.

Annuity income is accounted for on the date due basis rather than date received.

Pooled Investment Vehicle income is accounted for on an accruals basis

Administration and Investment expenses

Administration and investment expenses is accounted for on an accruals basis.

Functional Currency

The functional currency of the Plan is British Sterling.

Transfers to other schemes

Transfer values are accounted for when the member liability is discharged which is normally when the transfer value is paid.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016**

2 Contributions	2016	2015
Employer contributions	£	£
Normal	1,268,477	1,996,057
Additional contributions – salary sacrifice	446,953	573,860
Administration expenses	200,000	-
Deficit funding	2,000,000	1,298,004
Other – Life assurance	-	22,389
	3,915,430	3,890,310
Employee contributions		
Normal	15,665	19,800
Additional voluntary contributions	11,240	16,989
	26,905	36,789
Total	3,942,335	3,927,099

Contributions payable to the Plan during the year ended 31 December 2016 have been received in accordance with the Schedule of Contributions for the period 1 January 2016 to 30 June 2016 as certified by the Plan Actuary on 28 March 2012. 1 July 2016 to 31 December 2031 as certified by the Plan Actuary on 4 October 2016, together with the additional contributions detailed above.

Members shall pay (unless they are participating in the salary sacrifice arrangement) monthly contributions at the rates of Contribution Salary as set out in the table below. The Society will also pay to the Plan contributions equal to the salary exchanged by members by virtue of their participation in the salary sacrifice arrangement.

Member's accrual rate	Contribution rates
1/40ths	15% of Contribution Salary
1/60th	15% of Contribution Salary for members that were accruing 1/60ths on 30 June 2016; or 8% of Contribution Salary for members that were accruing 1/40ths on 30 June 2016.
1/80ths	10% of Contribution Salary
1/90ths	8% of Contribution Salary
1/120ths	3% of Contribution Salary

To eliminate funding shortfall, the Trustees and the Society have agreed that additional contributions (i.e. contributions above those needed to cover benefits being earned in the future) will be paid by the Society as follows. From 1 January 2016 to 31 December 2016 £2.0m per annum, from 1 January 2017 to 31 December 2018 £4.0m per annum, from 1 January 2019 to 31 March 2019 £1.2m over the 3 month period, from 1 April 2019 to 31 December 2019 £1.5m over the 9 month period. From 1 January 2020 – 31 December 2031 £2.0m per annum.

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
 RETIREMENT BENEFITS PLAN (1978)
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2016

3. BENEFITS PAID OR PAYABLE

	2016	2015
	£	£
Commutations of pensions and lump sum benefits on retirement	667,602	631,556
Lump sums on death	-	3,519
Pensions	1,890,197	1,767,434
	<u>2,557,799</u>	<u>2,402,509</u>

4. PAYMENTS TO AND ON ACCOUNT OF LEAVERS

	2016	2015
	£	£
Individual transfers out to other schemes	695,864	354,097
Refunds of contributions in respect of non-vested leavers	-	2,853
	<u>695,864</u>	<u>356,950</u>

5. ADMINISTRATIVE EXPENSES

	2016	2015
	£	£
Administration	319,385	268,204
Actuarial fees	98,287	106,013
Other expenses	301,472	184,317
Audit fees	17,998	9,312
	<u>737,142</u>	<u>567,846</u>

6. OTHER PAYMENTS

	2016	2015
	£	£
Premiums on term assurance policies	-	22,389

Death in service benefits are now paid by the Employer.

7. INVESTMENT INCOME

	2016	2015
	£	£
Interest on cash deposits	980	6,182
Income from pooled investment vehicles	646,675	303,187
Annuity income	1,536,700	1,580,280
AVC interest	20,755	75,384
	<u>2,205,110</u>	<u>1,965,033</u>

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016**

7.1. TAX

The People's Dispensary for Sick Animals Retirement Benefits Plan (1978) is a registered pension scheme for tax purposes under the Finance Act 2004. The Scheme is therefore exempt from taxation except for certain withholding taxes relating to overseas investment income. Tax charges are accrued on the same basis as the investment income to which they relate (see Note 7 above).

8. INVESTMENT RECONCILIATION

(a) Market value of investments

	Opening value	Purchases	Sales proceeds	Change in market value	Closing Value
	£	£	£	£	£
Pooled Vehicles					
Bonds	23,132,487	-	-	5,027,206	28,159,693
Equities	36,141,036	-	(13,200,000)	5,141,885	28,082,921
Hedge fund of funds	8,188,295	902,869	(1,047,696)	(320,947)	7,722,521
Property	963,587	-	-	(381,748)	581,839
Invesco Global Targeted Returns Fund	-	14,200,000	-	42,931	14,242,931
Insurance policies	29,300,000	262,615	-	2,537,385	32,100,000
AVC investments	923,148	160,861	(202,542)	75,007	956,473
	98,648,553	15,526,345	(14,450,238)	12,121,719	111,846,378
Cash deposits	5,819				5,823
Total					
net investments	98,654,372				111,852,201

INVESTMENT TRANSACTION COSTS

Transaction costs are included in the cost of purchases and deducted from sales proceeds in the reconciliation in Note 8. Transaction costs include costs charged directly to the Plan such as fees, commissions, stamp duty and other fees. However, such costs are taken into account in the calculation of the prices of these investments and therefore are not separately identifiable.

In addition to the direct transaction costs described above, indirect transaction costs are incurred through the bid-offer spread on investments within pooled investment vehicles. It has not been possible for the Trustees to quantify such indirect transaction costs.

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
 RETIREMENT BENEFITS PLAN (1978)
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2016

8. INVESTMENTS (CONTINUED)

(b) Analysis by investment type

	2016 £	2015 £
Pooled Investment Vehicles:		
Invested in bonds		
UK public sector quoted	19,744,635	15,540,118
UK corporate quoted	8,415,058	7,592,369
	<u>28,159,693</u>	<u>23,132,487</u>

	2016 £	2015 £
Other pooled investment vehicles		
UK equities	5,871,875	16,836,322
Overseas equities	20,433,844	16,230,469
Cash instruments	1,777,200	3,074,245
BlackRock Hedge Fund of Funds	7,722,524	8,188,295
Schroders Property	581,839	963,587
Invesco Global Targeted Returns Fund	14,242,930	-
	<u>50,630,212</u>	<u>45,292,918</u>
	<u>78,789,905</u>	<u>68,425,405</u>

(c) Cash deposits

	2016 £	2015 £
BlackRock Cash Account	5,823	5,819
	<u>5,823</u>	<u>5,819</u>

Schroders Offshore Cash Fund (included in cash instruments above) is a liquidity fund managed outside the UK.

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
 RETIREMENT BENEFITS PLAN (1978)
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2016

8. INVESTMENTS (CONTINUED)

(d) AVC investments

	2016 £	2015 £
Scottish Friendly	8,483	34,479
Prudential	147,781	193,205
Equitable Life	10,921	102,100
Legal & General	789,288	593,364
	<u>956,473</u>	<u>923,148</u>

(e) Insurance policies

	2016 £	2015 £
Aviva Buy-in policy	31,500,000	28,500,000
Aviva annuities	600,000	800,000
	<u>32,100,000</u>	<u>29,300,000</u>

The additional voluntary contributions (AVCs) are paid directly to Legal & General (the Trustees preferred provider), and are invested separately from the Plan's main investments, for the benefit of the individuals concerned. Members participating in this arrangement receive an annual statement made up to 1 January each year, confirming the amounts held in their account and the movement during the year.

Members of the Plan who are already contributing to AVCs can continue to make additional voluntary contributions which are invested in insurance policies to provide additional benefits within the overall limits allowed by HM Revenue & Customs.

AVC contributions received from Plan members are invested with a number of providers recommended by the Trustees at various times in the life of the Plan. The current recommended provider for new contributors is Legal and General Assurance Society Limited, but contributions by current members received prior to 1998 have been variously invested with Prudential, Equitable Life Assurance Society and Legal.

The AVC funds operated for Plan members by the four providers are as follows:

Prudential

- an AVC with profits Plan with funds invested in a wide range of deposit, equity, interest, index linked and property assets

Scottish Friendly (two schemes)

- a conventional with profits scheme
- unit linked scheme

Legal and General

- unit linked scheme

The Equitable Life Assurance Society (two schemes)

- a with profits scheme
- a unit linked scheme

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
 RETIREMENT BENEFITS PLAN (1978)
 NOTES TO THE FINANCIAL STATEMENTS
 Year ended 31 December 2016

8. INVESTMENTS (CONTINUED)

CONCENTRATION OF INVESTMENTS

The following investments account for more than 5% of the Plan's net assets:

	2016 £	2016 % of net assets	2015 £	2015 % of net assets
Aquila equities	28,082,921	24.8	36,141,036	36.4
Aviva insurance policies	32,100,000	28.3	29,300,000	29.5
Aquila fixed interest securities	28,159,693	24.8	23,132,487	23.3
Invesco	14,242,931	12.6	-	-
BlackRock Hedge funds	7,722,521	6.8	8,188,295	8.3

9 INVESTMENT FAIR VALUE HIERARCHY

The Plan has elected to early adopt the amendments to FRS102 as permitted for retirement plans in respect of fair value hierarchy disclosure requirements for financial instruments held at fair value.

The fair value of financial instruments has been determined using the following fair value hierarchy:

- Level (1) The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level (2) Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly;
- Level (3) Inputs are unobservable (i.e. for which market data is unavailable for the asset or liability)

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

9 INVESTMENT FAIR VALUE HIERARCHY (CONTINUED)

The Plan's invested assets and liabilities have been fair valued using the above hierarchy categories as follows:

As at 31 December 2016	Level (1) £	Level (2) £	Level (3) £	Total £
Pooled investment vehicles invested in:				
Bonds	-	28,159,693	-	28,159,693
Equities	-	28,082,921	-	28,082,921
Hedge Fund of Funds	-	7,722,521	-	7,722,521
Invesco Global Targeted Returns Fund	8,403,329	5,839,602	-	14,242,931
Property	-	581,839	-	581,839
Other				
AVC investments	-	-	956,473	956,473
Insurance policies	-	-	32,100,000	32,100,000
Cash deposits	5,823	-	-	5,823
Total	8,409,152	70,386,576	33,056,473	111,852,201

As at 31 December 2015	Level (1) £	Level (2) £	Level (3) £	Total £
Pooled investment vehicles invested in:				
Bonds	-	23,132,487	-	23,132,487
Equities	-	36,141,036	-	36,141,036
Hedge Fund of Funds	-	8,188,295	-	8,188,295
Property	-	963,587	-	963,587
Other				
AVC investments	-	111,684	811,464	923,148
Insurance policies	-	-	29,300,000	29,300,000
Cash deposits	5,819	-	-	5,819
Total	5,819	68,537,089	30,111,464	98,654,372

9 INVESTMENTS (CONTINUED)

Investment risks

FRS102 requires the disclosure of information in relation to certain investment risks as follows:

- Credit risk – the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.
- Market risk – comprises the following three types of risk:
 1. Interest rate risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market interest rates
 2. Currency risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in foreign exchange rates
 3. Other price risk: The risk that the fair value or future cashflows of a financial asset will fluctuate because of changes in market prices (other than those due to interest rates and currency).

The Trustees determine their investment strategy after taking advice from a professional investment adviser. The Plan has exposure to these risks because of the investments it makes in following the investment strategy set out above. The Trustees manage investment risks, including credit risk and market risk, within risk limits which are decided taking into account the Plan's strategic investment objectives. These investment objectives and risk limits are implemented through the investment management agreements in place with the Plan's investment manager and monitored by the Trustees by regular reviews of the investment portfolio.

Further information on the Trustees' approach to risk management, credit and market risk is set out below.

Credit risk

The pooled investment arrangements used by the Plan comprise unit linked insurance contracts and authorised unit trusts. Direct credit risk arising from pooled investment vehicles is mitigated by the underlying assets of the pooled arrangements being ring-fenced from the pooled manager, the regulatory environments in which the pooled managers operate and the ongoing due diligence of the pooled manager.

The Trustees monitor the performance of each of the Plan's investment managers on a regular basis in addition to having meetings with each manager from time to time as necessary, usually on an annual basis. The Trustees have a written agreement with each investment manager, which contains a number of restrictions on how each investment manager may operate.

The Plan also has indirect exposure to credit risks from the underlying investments held by the pooled investment vehicles. This risk is mitigated as follows:

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016**

- The credit risk arising on bonds is mitigated by placing restrictions on the assets that may be held within the bond portfolio, which are invested to track indices;
- Some funds, such as the diversified growth funds, may have an allocation to securities that give rise to credit risk. Credit risk associated with these securities is mitigated through active management and avoiding excessive concentrations in bonds from any given issuer; and
- Cash is held within financial institutions which are at least investment grade rated.

Market risk: Interest rates

The Plan is subject to interest rate risk because some of the Plan's investments are held in corporate and government bonds and cash through pooled vehicles. The Trustees have set a benchmark for total investment in bonds of 35% of their total investment portfolio. Under this strategy, if interest rates fall, the value of these investments will rise to help offset the increase in actuarial liabilities arising from a fall in the discount rate. Similarly, if interest rates rise, these investments will fall in value, as will the actuarial liabilities because of an increase in the discount rate.

Market risk: Currency

The Plan is exposed to currency risk because some of its investments are held in overseas markets. For example, the Plan invests in overseas equities and property through pooled investment vehicles.

The Plan's liabilities are denominated in sterling and currency hedging is employed to manage the impact of exchange rate fluctuations on some of the Plan's investments. In particular, the Plan's investment in the BlackRock Sterling Currency Hedge Fund provides some protection against currency movements from overseas equity holdings.

Market risk: Other price

Other price risk arises principally in relation to the Plan's return-seeking portfolio invested in diversified growth funds and equities held in pooled vehicles.

The Plan manages this exposure by investing in a pooled fund that invests in a diverse portfolio of instruments across various markets. According to the Plan's Statement of Investment Principles (SIP), each investment manager is expected to manage broadly diversified portfolios and to spread assets across a number of individual shares and securities. In addition, the asset allocation is detailed in the Appendix of the SIP document and is monitored on a regular basis by the Trustees.

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016**

10. CURRENT ASSETS

	2016	2015
	£	£
Employer contributions receivable	89,595	201,782
Employee contributions receivable	1,005	1,561
Amounts due from Employer	17,071	4,790
Other debtors	794,023	217,295
Cash at bank	1,056,514	667,128
	<u>1,958,208</u>	<u>1,092,556</u>

The contributions due at 31 December 2016 and 31 December 2015, were received after the year end in accordance with the Schedule of Contributions.

11. CURRENT LIABILITIES

	2016	2015
	£	£
Prepaid annuity income	(120,751)	(121,889)
Unpaid benefits	(96,699)	(152,638)
Other creditors	(189,122)	(263,459)
	<u>(406,572)</u>	<u>(537,986)</u>

12. RELATED-PARTY TRANSACTIONS

Trustees were paid fees and expenses amounting to £11 during the year (2015: £932) from the Plan and £62,113 (2015: £61,025) from the employer.

The balance due from employer includes VAT, recoverable through the employer's returns and expenses paid on behalf of the Plan, of £107,671 (2015: £208,133 payable), £17,071 of which is VAT.

The Plan holds security against certain freehold assets owned by the Employer. At 31 December 2016 the Net Book Value of these assets was £8,377,000.

The following trustees of the Plan are also members of the Plan: K Hailes, R Beck and R Newcombe.

13. CONTINGENCIES AND COMMITMENTS

The Plan may have a liability in respect of payments due to HM Revenue and Customs in respect of the GMP reconciliation. Work has commenced on the reconciliation but it is too early for any liability to be estimated.

The Trustees have been made aware of the possibility of execution issues with some historic deeds and this situation is under investigation by Principal Employer. At this early stage in the investigation the Trustees are unable to comment further.

14. SUBSEQUENT EVENTS

There were no subsequent events requiring disclosure in the financial statements.

15. EMPLOYER RELATED INVESTMENTS

Except for the items detailed at note 12 above, there were no employer-related investments at 31 December 2016 or 2015 or at any time during the year.

THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2016

SUMMARY OF CONTRIBUTIONS

During the year ended 31 December 2016, the contributions payable to the Plan were as follows:-

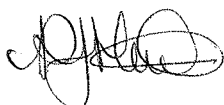
Regular contributions payable under the Schedule of Contributions	£
Contributions from Employer:	
Normal	1,268,477
Additional Employer contributions – salary sacrifice	446,953
Deficit funding	2,000,000
Administration expenses	200,000
 Contributions from members:	
Normal	15,665
 Total payable under the Schedule of Contributions	<hr/> 3,931,095
Other contributions payable	
Contribution from members:	
Additional voluntary contributions	11,240
 Total contributions reported in the financial statements	<hr/> 3,942,335 <hr/>

Contributions payable to the Plan during the year ended 31 December 2016 have been received in accordance with the Schedule of Contributions for the period 1 January 2012 to 30 June 2016 and for the period 1 July 2016 to 31 December 2031 as certified by the Plan Actuary on 28 March 2013 and 4 October 2016, together with the additional contributions detailed above.

Signed on behalf of the Trustee

J Miller
Director of Whitechapel Associates Limited

Date:



K Hailes
Director of Whitechapel Associated Limited

Date: 17 MAY 2017

**THE PEOPLE'S DISPENSARY FOR SICK ANIMALS
RETIREMENT BENEFITS PLAN (1978)
Year ended 31 December 2016**

CERTIFICATE OF SCHEDULE OF CONTRIBUTIONS

People's Dispensary for Sick Animals Retirements Benefits
Plan (1978)

Schedule of Contributions – Actuarial Certificate

Adequacy of contributions

In my opinion, the contributions shown in this schedule are such that the statutory funding objective could have been expected on 31 December 2014 to be met by the end of the period specified in the recovery plan dated 4 October 2016.

Consistency with statement of funding principles

In my opinion, this schedule of contributions is consistent with the statement of funding principles dated 4 October 2016.

Please note that the adequacy of contributions statement in this certificate relates to the scheme's statutory funding objective. For the avoidance of doubt this certificate does not mean that the contributions shown in this schedule would be enough to secure the scheme's full liabilities with annuities if the scheme were to wind up.

Signature



Date

4 October 2016

Name

Alistair Russell-Smith

Qualification

Fellow of the Institute and Faculty of Actuaries

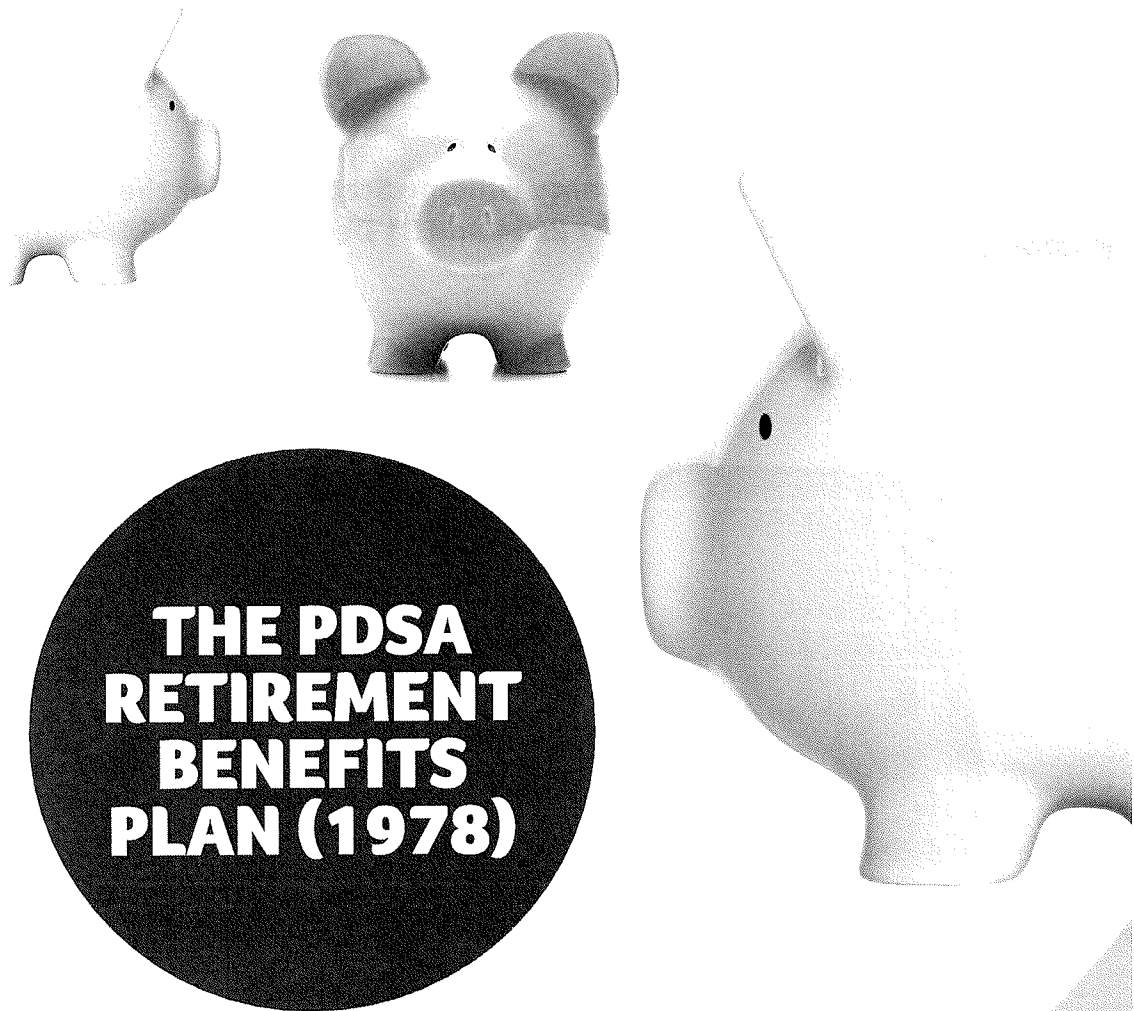
Name of Employer

Hymans Robertson LLP

Address

One London Wall, London, EC2Y 5EA

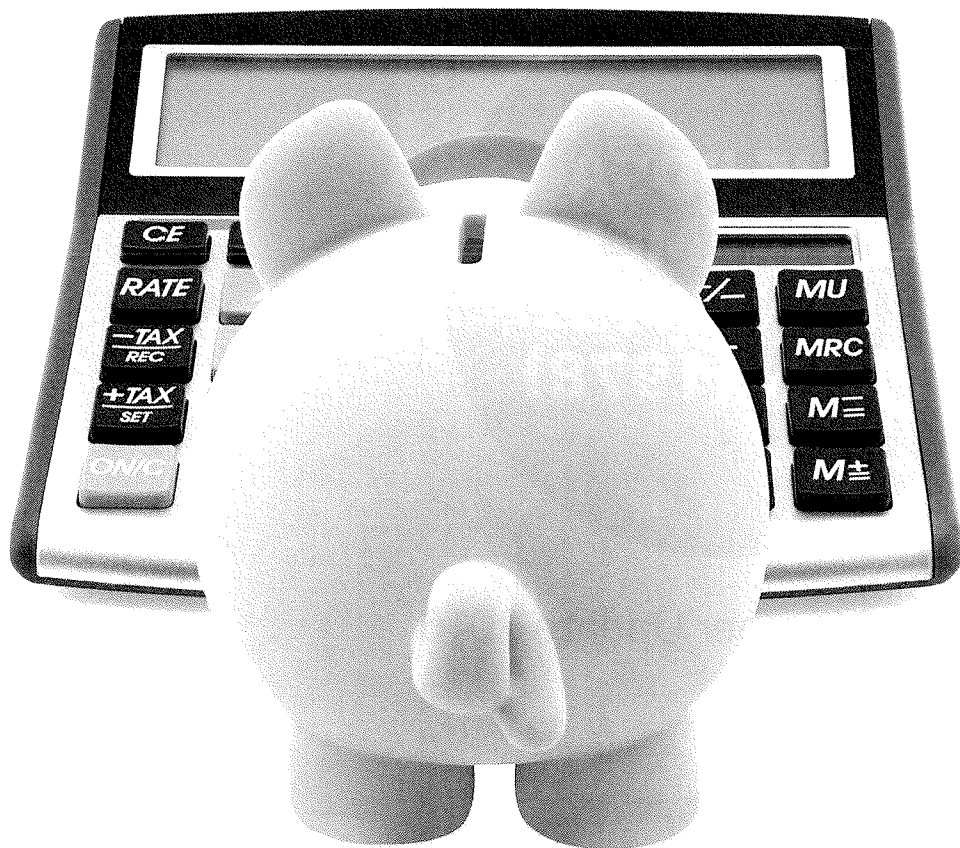
This certificate is provided to meet the requirements of regulation 10(6) of The Occupational Pension Schemes (Scheme Funding) Regulations 2005.



**THE PDSA
RETIREMENT
BENEFITS
PLAN (1978)**

Your Member Update 2016

**Member Report and Summary Funding Statement for the
years ended 31 December 2014 and 31 December 2015**



Trustees' Report to Members

As Chairman of the PDSA Retirement Benefits Plan (1978) (the RBP), I am pleased to present the 2016 Member Report from the RBP Trustees. This report focuses on what is most important to members and includes information on how the financial position of the RBP has developed during the twelve months to 31 December 2015. This report also includes an update on the RBP's investment performance, it details who looks after the RBP on a day-to-day basis and covers general issues in the wider world of pensions.

On the financial side, there is a brief summary of our formal Annual Report & Accounts covering the 12-month period from 1 January 2015 to 31 December 2015. The Annual Report & Accounts have been fully audited by an independent auditor who gave an unqualified opinion that the accounts represent a true and fair view of the RBP's financial affairs.

The RBP Trustees carry out an in-depth look at the RBP's funding position at least every three years. This is called an 'actuarial valuation' and this report informs you of the findings of the most recent valuation (as at 31 December 2014) and outlines the resultant actions that have been put in place. Each year, in between the actuarial valuations we obtain an annual 'actuarial report', which sets out the estimated funding position of the RBP. The results of the update as at 31 December 2015 are also provided in this report – this is the Summary Funding Statement.

As ever, we are always keen to hear your views and feedback, so please do not hesitate to get in touch if you have any questions about the RBP, your benefits, or any of the articles and issues we cover in this report. Contact details are on the back cover.

Simon Baynes

Chairman of the Trustees
The PDSA Retirement Benefits Plan (1978)



Money matters

This section gives a summary of the full Annual Report & Accounts for the year ended 31 December 2015, a copy of which is available on request (please contact Karen Hailes, Secretary to the RBP – see back cover for contact details).

	£'000
Income	
Regular contributions received from PDSA	3,867.9
Special contributions received from PDSA	-
Life Assurance premiums paid by PDSA	22.4
Contributions received from members*	36.8
Transfers in	-
Insurance claims	-
Investment income	1,965.0
Total	5,892.1
Expenses and outgoings**	
Benefits paid	(2,402.5)
Investment management expenses	(83.9)
Administration and actuarial fees	(374.2)
Audit and accountancy fees	(9.3)
Other expenses	(184.3)
Life Assurance premiums	(22.4)
Leavers (transfers out)	(357.0)
Total	(3,433.6)
Value of the RBP at 31 December 2014	98,765.1
Net income	2,458.5
Change in the market value of investments	(2,014.7)
Value of the RBP at 31 December 2015	99,208.9

The total value of the RBP assets includes members' Additional Voluntary Contributions (AVCs) and the Net Current Assets as at 31 December 2015. Both of these items are excluded from the table on page 8.

*This includes AVCs and, for members who participate in the salary sacrifice scheme, the employer's contribution in lieu of the reduced salary.

**Levies payable by the RBP to the Pension Protection Fund or The Pensions Regulator were paid by the Society, as in previous years.

Membership of the RBP

In the table below we provide a breakdown of the RBP membership over the last two years.

	Year ended 31 December 2014	Year ended 31 December 2015
Current members	493	427
Leavers with deferred benefits	1,053	1,060
Pensioners (including beneficiaries receiving pensions)	586	618
Total number of members	2,132	2,105

RBP news

Closure of the RBP

As you will all be aware, the Society has confirmed the closure of the RBP from 6 April 2019. This means that active (employee) members will cease to build up further benefits after this date. All those members who were affected by the closure of the RBP were communicated with separately. Deferred and pensioner members are not directly affected by this change.

Active members were given choices about how to earn their pension during the transition period of 1 July 2016 to 6 April 2019. A large proportion of RBP members opted to cease building up benefits in the RBP and are now paying into the Society's Group Personal Pension Plan instead. For those who chose to remain in the RBP, either the rate at which benefits build up has been reduced or members have agreed to increase their own level of contributions.

The aim of the closure is to reduce risk in the RBP, which should improve the security of existing benefits for all members over time. The Society engaged the Trustees well in advance of taking this step, and we have been involved with the process from the outset to ensure that all members of the RBP were able to make an informed decision about their retirement plans.

Pensioner payroll – change of process

Until recently the Society has operated the RBP pensioner payroll. PDSA had paid all benefits to the RBP's pensioners and been reimbursed by the RBP. This has now changed – the pensioner payroll is now being operated by the RBP's administrators and they will pay pensions direct to all pensioners and beneficiaries. There will be no change in your pension payments, the only noticeable differences will be:

- New contact details for payroll queries as detailed in the letters sent to current pensioners in August
- New tax details as follows:
 - PAYE Reference: 120/UB47339
 - Tax Office Address:
Pay As You Earn & Self-Assessment,
HM Revenue & Customs BX9 1AS
 - Tax Office Telephone Number:
0300 200 3300
- New format for the payslips and P60 form (although content and frequency of them will remain unchanged).

Cessation of “contracting out” of the State Second Pension

Due to changes in the State Pension which came into force in April 2016, please be aware that the RBP is no longer “contracted out” of the State Second Pension. This means that active members pay slightly higher national insurance contributions than previously, but are now eligible to accrue the full State Pension.

New RBP website

We are pleased to launch a new online resource for members. You can now access a RBP member website where you can find general pensions information and set up your own secure area. All of the details are provided in the enclosed leaflet.



Investment update

The RBP Trustees are responsible for running the RBP efficiently and professionally. Some of our duties call for highly specialised knowledge, such as setting the investment objectives of the RBP and managing the investment of its assets. To help us, we appoint professional investment managers and this section looks at the performance of these investment managers.

There were no changes made to the appointed investment managers by the RBP Trustees over the year to 31 December 2015. However, there were changes to the investment strategy over the year as described below:

Introduction of diversified growth

In June 2015 the Trustees invested into the BlackRock Dynamic Diversified Growth Fund and BlackRock Dynamic Return Strategies Fund. These are diversified growth funds that aim to deliver returns similar to those on equities over the long term but with a lower level of volatility, thus helping to reduce the volatility of the Plan's funding position. These investments were funded by a transfer from the Plan's holding in cash with BlackRock, which had previously been placed aside for the bulk annuity exercise that has now been completed.

Return of ARS III investment

When the final redemption of the Plan's holdings in the BlackRock Alternative Advisors ARS III - Institutional Fund was made in March 2014, a portion of the final redemption was held back until the completion of the Fund's audit. This portion was paid out on 9 July, when £305,487 was received into the Trustees' bank account.

The Plan still holds assets in the liquidating share class of this Fund; although BlackRock previously advised that the goal of the Fund is to liquidate the remaining shares by 30 June 2016, BlackRock has now extended this considerably. The Plan's holding as at 31 December 2015 was approximately £61,555.

The RBP Trustees keep the investment strategy under regular review with support from their advisors. The RBP Trustees also work closely alongside PDSA when considering investment strategy. The assets held by the RBP as at 31 December 2015 are set out overleaf.

Investment update

Investments change on a daily basis as a result of market movements. The allocation between different investments actually held by the RBP as at 31 December 2015, compared with an interim target investment strategy is shown below. The Trustees are currently in the process of reviewing the target strategy and the strategy is likely to change as a result of this review.

	Actual assets held %	Interim target strategy %
UK equities	24.6	25
Overseas equities ¹	28.3	30
Diversified growth	10.8	10
Corporate bonds	11.1	11
UK gilts	22.7	24
Property ²	1.4	n/a
Fund of hedge funds ³	0.1	n/a
Cash	1.0	0
Total	100.0	100

1. The allocation to overseas equities includes an allocation of 4.5% towards currency hedging
2. The Property Fund is currently being wound down towards closure by its expected maturity date in 2019. As there is no liquid secondary market for the sale of units, it is expected the Plan will hold these units until maturity.
3. The Fund of hedge funds allocation refers to the assets remaining in the liquidating share class of the BlackRock ARS III Fund, which is expected to gradually distribute these assets.

In addition to the above, £29.3m is held by the RBP in a bulk annuity policy to match the pensions in payment for most current pensioners, and £923,148 is held by the RBP in relation to members' Additional Voluntary Contributions.



Investment performance

We measure the performance of the RBP by comparing the returns achieved by our investment managers against a performance target, or 'benchmark'.

The table below shows the investment performance achieved by the RBP's assets over one-year and three-year periods. The comparative benchmark performance is also shown.

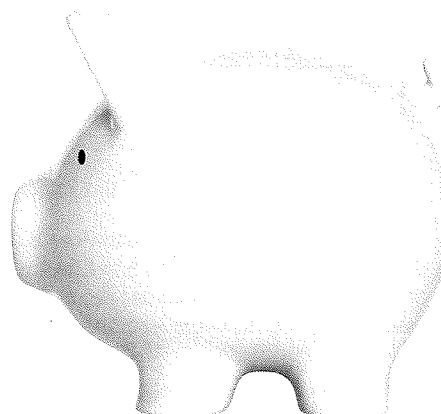
	One year to 31 December 2015 (%)	Three years to 31 December 2015 (% per annum)
PDSA RBP	1.4	6.7
Benchmark Performance	1.6	6.8
Difference	-0.2	-0.1

The benchmark performance in the table above is the weighted average of the performances of the benchmarks of the Funds in which the Plan was invested where the weights are based on the target allocation as set out in the Statement of Investments Principles with the exception of the period from June 2013 to March 2015, where an adjustment has been made to reflect the redemption of holdings in UK property and the BlackRock Hedge of Hedge Funds.

The value of the RBP assets increased in the 12 months to 31 December 2015. This was largely due to the positive performance seen from equity markets over the year. In particular, holdings in Japanese, European and UK equities performed well. The Plan's investment in the Schroders CEF III Fund also helped performance, providing a return of 15% for the year.

It should be remembered that pensions are a long-term investment. Investment returns over the last three years have been strong, averaging 6.7% per annum despite losses over the middle half of 2015 leading to a weak overall performance for the year. To achieve a healthy return over the longer term, some ups and downs in these returns should be expected in the short term.

In summary, while the risks in the markets remain and market volatility has increased, the RBP continues to navigate these uncertain times in reasonable shape.



Summary funding statement

The purpose of this statement is to provide you, as a member of the RBP, with information on how it is funded. You will receive a statement most years from the Trustees summarising the funding position, however this may occasionally be delayed if an actuarial valuation is taking place.

How is the RBP's financial security measured?

To check the RBP's financial security we compare the value of its liabilities to its assets. If the RBP's assets are a lower value than the liabilities, it is said to have a 'shortfall'. If the assets are more than the liabilities, it is said to have a 'surplus.' We are required to set out our approach to funding in a formal document called the Statement of Funding Principles.

We carry out an in-depth look at the RBP's finances at least every three years. This is called an 'actuarial valuation' and we ask a qualified, independent professional, known as an Actuary, to do this. We also ask the Actuary to check the financial security of the RBP on an annual basis. When this is done we receive an 'actuarial report' summarising the approximate funding position.

What is the RBP's current financial position?

The last full actuarial valuation of the RBP was carried out as at 31 December 2014 and an approximate funding update has been provided in the annual actuarial report as at 31 December 2015. The next formal actuarial valuation to assess the financial position of the RBP will be as at 31 December 2017.

The results of the latest actuarial valuation and subsequent annual actuarial report are set out below:

Financial position as at end:	31 December 2014	31 December 2015
RBP liabilities	£131.4m	£132.5m
RBP assets	£96.1m	£98.3m
Funding shortfall (Assets minus liabilities)	£35.3m	£34.2m
Funding percentage (Assets divided by liabilities)	73%	74%

The valuation's results at 31 December 2014 revealed a funding shortfall of £35.3m, which decreased slightly during 2015 to £34.2m. As you can see from the table above, the values of both the assets and liabilities actually increased over this period, with the increase in the assets being slightly larger resulting in a reduction in the shortfall.

The increase in the asset value during the year is due to investment returns and the additional contributions paid by both PDSA and those members still building up benefits in the RBP. The value of the liabilities is affected by many factors including benefits paid out, additional benefits built up by employees, movements in market conditions and actual member experience (retirements, deaths, transfers, etc.).

The main factor currently affecting the value of the liabilities is the volatile market conditions, and in particular the continued fall in the yield on Government bonds (also called 'gilts'). This may sound quite technical, but the 'gilt yield' is simply a tool used by the Actuary for predicting future interest rates. There are savers all over the country who would have seen interest rates in their own savings accounts falling over the last few years, which makes saving for the future much more difficult. Low interest rates result in your savings growing slower, so you need to put more money in now to get the same amount out at the end. In the same way, if future interest rates remain low then the amount of money required today by the RBP to pay for all future benefit payments (the amount we call the liabilities) is also going to be higher.

Is the shortfall going to be paid off and, if so, how will this be done?

Following the completion of the actuarial valuation as at 31 December 2014, the Trustees of the RBP agreed a Funding plan with PDSA.

The Society has continued to pay deficit contributions into the RBP of around £1.3m each year in line with the previously agreed Schedule of Contributions. Following the completion of the 31 December 2014 actuarial valuation, the Society has agreed

for the following contributions to be paid into the RBP:

- £2m in 2016;
- £4m in each of 2017 and 2018;
- £2.7m in 2019; and then
- £2m each year from 2020 until 2031 inclusive.

This is a reasonably long recovery plan, and so the RBP has also put in place an arrangement with the Society that gives the RBP additional security to support the length of the recovery plan.

How do you know what contributions should be paid?

Following each formal actuarial valuation, the Actuary advises the RBP Trustees of the amount of contributions that should be paid into the RBP so that we can expect to be able to continue to pay members' pensions. The Trustees then agree a level of contribution with PDSA and this is recorded in a document called the 'Schedule of Contributions.'

The RBP Trustees review and update the Schedule of Contributions at least each time the RBP has an actuarial valuation (i.e. at least every three years). The latest Schedule of Contributions was signed on 4 October 2016.

The actuarial valuation and Schedule of Contributions follow standards we have set out in a 'Statement of Funding Principles.' This document describes how we will manage the RBP with the aim of being able to continue to pay members' benefits.

Is my pension guaranteed?

The RBP Trustees' aim is for there to be enough money in the RBP to pay pensions now and in the future, but this depends on PDSA continuing to operate and pay for the RBP.

If PDSA were to cease operation or to decide to stop paying for the RBP, it must pay the RBP enough money to buy all the benefits built up by members from an insurance company. This is known as the RBP being 'wound-up'.

Is there enough money in the RBP to provide my full benefits if it were to be wound-up?

If the RBP had started winding up at 31 December 2014 the Actuary estimates that the RBP would have needed assets of £237.1 million in order to buy insurance policies to provide members' benefits in full (known as the discontinuance figure); with assets of £97.3 million this corresponded to a shortfall of approximately £139.8 million (Please note that the methodology used for the valuation of the discontinuance assets means that there is a difference to the value of the assets shown in the table on page 8). The cost of providing for all the benefits immediately in this way is much higher than the expected cost of paying for them gradually over future years and, in addition, insurance policy prices will include the insurance company's administration charges and profit margin. Even if a scheme has sufficient assets to meet its ongoing funding target (see current financial position on page 8), the winding up position is always likely to be below 100%.

The fact that we have shown the winding up position, does not mean that PDSA is thinking of winding up the RBP. We are legally obliged to advise you of this information to help you understand the financial security of your benefits.

In the unlikely event that the RBP were to be wound-up, PDSA must, by law, pay enough into the RBP to secure all the benefits built up by members with an insurance company. In cases where an employer is unable to do this due to insolvency, the Pension Protection Fund (PPF) can take over liabilities, though this would be less than the full benefits you have earned in the RBP. However, while the RBP remains ongoing, even though the funding may be below target, benefits will continue to be paid in full.

Further information and guidance is available on the PPF website at: www.pensionprotectionfund.org.uk or you can write to:

Pension Protection Fund
Knollys House
17 Addiscombe Road
Croydon
Surrey CR0 6SR.

The Pensions Regulator

The Pensions Regulator can amend future benefits of the RBP, give directions about working out the funding target or impose contribution rates on it. We are pleased to say that it has not needed to use its powers in this way for the RBP.

The Pensions Regulator requires us to tell you in this statement if there have been any payments to PDSA out of the RBP in the last 12 months. There have not (and this would be an unusual thing to happen). There are more details available about The Pensions Regulator and its powers at www.thepensionsregulator.gov.uk.

Topical updates

The UK's referendum on membership of the EU

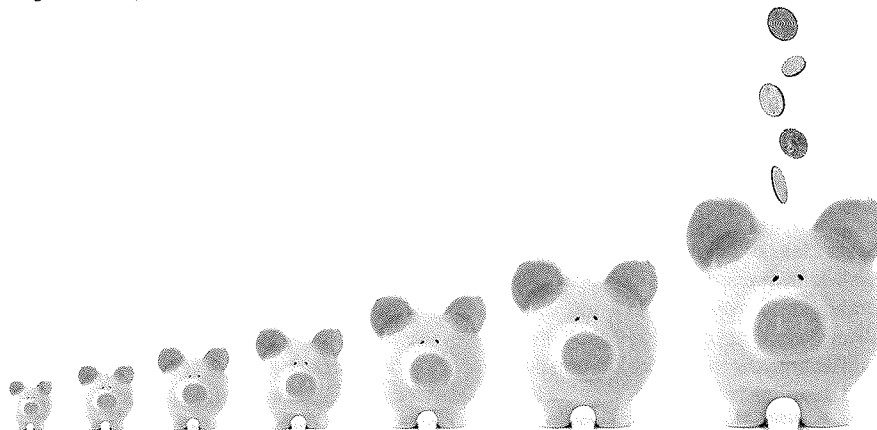
Following the UK's referendum vote on membership of the EU and the decision for the UK to withdraw its membership, many pension schemes reported increases in their funding shortfalls after the result was announced. It is quite common for pension schemes to have a shortfall in their funding and for this to change in line with market conditions. Since the referendum, financial markets have experienced significant volatility and it is expected that markets will continue to exhibit high volatility in the short term. Due to market volatility, it is difficult to gauge the impact that Brexit will have on the RBP.

What does this mean for your defined benefit pension?

Members should not see any real changes to their DB pension benefits. It is up to PDSA, as the sponsoring employer of the RBP, to make sure there is enough money in the Plan to pay members' benefits. Dependent on the impact that Brexit has on the funding shortfall, PDSA might have to pay a bit more into the RBP for a period of time or the Trustees may revise the RBP's investment strategy. However, markets could change and a shortfall may reduce by itself. Pensions are long-term vehicles, so reacting to any short-term variation is rarely advisable, but we will continue to review the longer term options with our advisers.

Will there be changes to tax relief on pension contributions?

Tax relief is set by the UK Government, and like all legislation, is subject to change. There has been no suggestion that the Government will change this as a direct result of the vote to leave the EU. However, the Government did recently consult on radical changes to pension tax relief. While it decided not to advance these at that time, granting tax relief when pension contributions are paid means the Chancellor collects less income tax now. Pension tax relief could be reviewed again depending on the UK's economic performance in future.



Pensions fraud

Be wary of cold calls and unsolicited texts or emails

Scammers will often claim they're from Pension Wise or other Government-backed bodies who would never phone or text to offer a pension review. So what should you do to keep your savings safe? We've taken this simple checklist from the Pension Regulator's website. Visit their site to find out more including a helpful video and guide at www.thepensionsregulator.gov.uk/pension-scams.

1. Check everything for yourself

People have fallen for scams because they'd been 'recommended by a friend'. Do your homework even if you consider yourself to be financially savvy - false confidence can lead to getting stung.

2. Make sure your adviser is on the Financial Conduct Authority (FCA) approved register

Pensions scammers may pose as financial advisers. Check to make sure yours is registered on the FCA website at www.thefca.org.uk. Click on the red 'Firms' tab and select Financial Services Register from the drop down menu.

3. Check the FCA's list of known scams

Visit the FCA's scamsmart website to see if the deal you're being offered is a known scam. Type scamsmart.fca.org.uk into your web browser.

4. Steer clear of overseas investment deals

Well-known scam types include unregulated investment in a hotel, vineyard or other overseas opportunities, and where your money is all in one place - and therefore more at risk.

5. Don't fall for 'guaranteed' returns or professional looking websites or brochures

You can never guarantee returns on an investment, and anyone can create a smart website or brochure these days. Question everything, however credible it sounds or looks.

6. Don't be rushed into a decision

Scammers will try to pressure you with 'time limited offers' or send a courier to your door to wait while you sign documents. Take your time to make all the checks you need - even if this means turning down an 'amazing' deal.

7. If you're aged 50 or over and have a Defined Contribution pension, talk to Pension Wise

Pension Wise is there to help you investigate your retirement options. Visit the Pension Wise website at www.pensionwise.gov.uk for more information (and to check what kind of pension you have).

8. Ask The Pensions Advisory Service for help if you have doubts

You can call them on 0300 123 1047 or visit their website at www.pensionsadvisoryservice.org.uk for free pensions advice and information

9. Contact Hymans Robertson and Action Fraud if you've already signed and think you've been scammed

Hymans Robertson is the Plan Administrator and their contact details are on page 15. You can ring Action Fraud on 0300 123 2040. Remember if it sounds too good to be true it probably is.

Who represents you?

Looking after a pension fund is a serious business and there are a number of people involved in advising, administering and monitoring the RBP to make sure benefits are correctly paid, monies are wisely invested and records are accurately kept.

Your current RBP Trustees

The RBP Trustees are responsible for the smooth running of the RBP, making sure it is run in line with its governing documents and pensions law. Your current RBP Trustees are:

- **Simon Baynes, Capital Cranfield Pension Trustees Limited** – Chairman of the Trustees, Independent Trustee
- **Robert Beck** – PDSA nominated Trustee
- **Robert Newcombe** – Active Member Nominated Trustee
- **Karen Hailes** – Secretary to the RBP, PDSA nominated Trustee
- **John Miller** – PDSA nominated Trustee

We take our responsibilities very seriously and RBP Trustees undertake appropriate training and regularly review their skills and knowledge. The RBP Trustees typically meet formally four times a year and discuss items such as funding, investment, governance, administration and relevant pensions legislation. In addition to these meetings, the Investment and Development Sub-Committees also meet regularly during the year.



Interview with a Trustee

Meet Robert Newcombe, Senior Vet at Plymouth PDSA Pet Hospital, The Gwen Rees Centre. Robert's been a Member Nominated Trustee of the RBP since 2014. We asked him a few questions about his role:

Q: When did you become a Trustee and how have you found it?

A: I started as a Trustee in May 2014 and have found it an extremely valuable experience. The drive, thoughtfulness and commitment of the other Trustees and our advisors, in both safeguarding the RBP and growing its assets in difficult times, has been an inspiration to me. The professionalism and rigour displayed in sometimes difficult meetings is as impressive as that used by our Pet Hospital staff in delivering PDSA's mission. 'On becoming a Trustee, I knew I'd have some reading to do. The volume of legal and financial terminology has at times been a challenge, but what motivates and drives me is knowing how important it is that we do our very best, not just for our current colleagues, but for the many more who have already retired. It's our privilege to be able to make sure that they and their dependants receive their pension entitlement.

Q: There has been a lot of talk in the media about the uncertainties faced by members of the British Steel and BHS Pension Schemes. Should I be worried about my own pension?

A: In short, no. British Steel and BHS were both in very different financial positions to PDSA. We as Trustees meet with the Society representatives frequently to get updates on the Society's financial and strategic positions and use that information to influence the funding and investment strategy for the RBP. It is our responsibility to protect your benefits,

and that is not a job we take lightly. The contribution arrangement that is in place to reduce the Scheme's funding deficit over time was designed to reflect both the size of the deficit and also the strength of the Society and its ability to meet those payments.

Q: As a Trustee did you find the transition of the RBP towards closure difficult in any way?

A: Not at all. Like all RBP members I found it sad to have to see it happen. But to me personally, I saw it as a very necessary step. I firmly believe that increases in human longevity in a world of low interest rates and slow economic growth make the final salary type pension unaffordable for those organisations trying to maintain them. Closure helps contain risk and protects those historic benefits built up by members.

Q: How do you manage to combine your work as Senior Veterinary Surgeon with being a Trustee and would you recommend it?

A: Reading emails and going to meetings is not difficult, but juggling important events in the RBP calendar with equally important events in my own little part of PDSA can be a bit of a challenge at times. However, my line manager and work colleagues have been really supportive and understanding in letting me achieve a balance between the two. With such support I'm more than happy to recommend being a Trustee. It's a complete contrast to my day-to-day work.

If you would like further information regarding the Trustees' role, please contact Karen Hailes, Secretary to RBP Trustees, at PDSA's Head Office. Please note that even though the RBP will close from 6 April 2019, you are still able to be a Trustee as long as you meet the criteria.

Our advisors

Although the RBP Trustees are ultimately responsible for the running of the RBP, we delegate some of our day-to-day duties to professional pension experts. Our current advisors are:

Scheme Actuary

Alistair Russell-Smith FIA, Hymans Robertson LLP, One London Wall, London EC2Y 5EA

Investment Consultants

Barnett Waddingham LLP, St James's House, St James's Square, Cheltenham GL50 3PR

Lawyers

Burges Salmon, One Glass Wharf, Bristol BS2 0ZX

Auditors

RSM UK Audit LLP, St Phillips Point, Birmingham B2 5AF

Plan administrators

Hymans Robertson are the RBP administrators and should therefore be your first port of call if you have any updates or queries. You can contact them here:

Post: Hymans Robertson LLP, One London Wall, London, EC2Y 5EA

Email: PDSAPensions@hymans.co.uk

Phone: 020 7082 6319

Expressing your wishes

The RBP Trustees decide who receives any lump sum death benefit paid from the RBP. Generally, your wishes will be followed, as long as you have notified the RBP Trustees of them beforehand. The benefit is designed in this way so that, under normal circumstances, no inheritance tax is payable. This is why it is so important to nominate the people whom you would like to receive the benefits, which you can do by filling in an 'Expression of Wish' form. A copy of this form can be found at the back of this report.

We would also like to remind you that it is important for you to keep us informed about any changes to your personal circumstances – for example, if you get married or divorced, have children or move house. If you don't, the RBP Trustees may find it difficult to follow your wishes when the time comes. So if any of your personal details change, please make sure that you let us know immediately.

Additional information

Where can I get further information?

The following documents provide further information and are available on request from Karen Hailes, Secretary to RBP Trustees, at PDSA Head Office:

- The Formal Actuarial Valuation Report – this contains the details of the Actuary's check of the RBP's funding position as at 31 December 2014.
 - The Statement of Funding Principles – this explains how the Trustees manage the RBP with the aim of being able to provide the benefits that members have built up.
 - The Schedule of Contributions and Recovery Plan – these show how much money is being paid into the RBP by PDSA and the contributing members, the Schedule of Contributions include a certificate from the actuary showing that it is sufficient to meet the requirements set out by law.
 - The Statement of Investment Principles – this explains how the Trustees invest the money paid into the RBP.
 - The 2015 Annual Report and Accounts of the RBP – this shows the RBP's income and expenditure in the year to 31 December 2015.
 - The Member Booklet for the RBP – the handbook for the RBP. You should have received a copy when you joined the RBP. Whilst we can provide you with another copy, members should note that it is currently in the process of being updated to reflect the recent changes to the RBP.
- The Annual Actuarial Report – this contains the details of the Actuary's approximate check of the RBP's funding position as at 31 December 2015.

Data protection

Your Trustees and the Scheme Actuary need to process data (which includes personal data) about you and your relatives to calculate and pay benefits, to administer the RBP and to manage the liabilities of the RBP. This may involve passing on data about you and your relatives to the Trustees' professional advisers and other third parties for these and connected purposes. The Trustee may also pass on pensioner member data to the Society. This is to assist the Society in its communications with pensioners on issues agreed between the Society and the Trustees which are separate from the calculation and payment of those members' benefits.

The Trustees and the Scheme Actuary are the Data Controllers responsible for this processing and are registered with the Information Commissioner. You have the right to inspect your records on request which may involve payment of a small fee, by application to the Scheme Administrators.

Expression of wish form

To: The Trustees of the PDSA (1978) Retirement Benefits Plan (the "scheme")

I wish the following individuals* to be considered as possible recipients of part or all of the lump sum death benefit payable under the scheme. I understand that my wishes are not binding and that I can alter this expression of my wishes at any time in the future in writing. Further copies of this form can be obtained from Payroll and Pensions department.

I authorise the Trustees to hold and, in the event of my death, use this information in accordance with the requirements of the Data Protection Act 1998.

PLEASE COMPLETE ALL SECTIONS IN BLOCK CAPITALS

Name	Full address and postcode	Relationship (if any)	Proportion of benefit as a percentage*

*PLEASE ENSURE THAT THE TOTAL PROPORTIONS ADD UP TO 100%

Expression of wish form (continued)

Name	Full address and postcode	Relationship (if any)	Proportion of benefit as a percentage [#]

#PLEASE ENSURE THAT THE TOTAL PROPORTIONS ADD UP TO 100%

* You may nominate one or more individuals of your choice. Please note that the nominees can include bodies such as companies, associations, clubs or charities.

National Insurance No.

Location and job title

Signed -----

Date -----

Name of member (please print)

Further copies of this form can be obtained from the Payroll & Pensions department. Please remember to update as and when necessary.

If you would like more details on anything we have covered in this Member Report, or if you have any questions about PDSA RBP in general, please contact:

Karen Hailes, Secretary to PDSA RBP Trustees
The People's Dispensary for Sick Animals,
Whitechapel Way
Priorslee, Telford
Shropshire TF2 9PQ

Telephone: 01952 290999

pdsa.org.uk

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