

Report & Accounts 2010





The PDSA Dickin Medal for gallantry was presented to Arms and Explosives Search dog, Treo, and his handler, Sergeant Dave Heyhoe, by PDSA Patron, HRH Princess Alexandra, the Hon. Lady Ogilvy, KG, GCVO.

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

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

Head Office

Whitechapel Way, Priorslee,
Telford, Shropshire TF2 9PQ
Telephone: 01952 290999
Fax: 0845 556 4906
www.pdsa.org.uk

Bankers

Lloyds TSB Bank plc
125 Colmore Row
Birmingham
B3 2DS

Investment Managers

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

External Auditors

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

Corporate Pensions Advisors

PricewaterhouseCoopers LLP
Waterfront Plaza
8 Laganbank Road
Belfast BT1 3LR (until 31 December 2010)

KPMG LLP

One Snowhill
Snow Hill Queensway
Birmingham B4 6GH (from 1 January 2011)

Chairman's foreword

2010 has been a remarkable year of progress for PDSA despite having to face the most challenging economic conditions for a generation. We have continued to expand our veterinary services through the recession in pursuit of our mission to relieve animal suffering and promote responsible pet ownership. We achieved an income of £92.7 million, which is just 0.5% below the record level received in 2009 and for this we are indebted to our supporters and donors for their amazing generosity. Working together, and with the commitment and energy of our staff, volunteers and PetAid practice partners, we treated 407,000 sick and injured animals, administered 383,718 preventive treatments and expanded PetAid hospital and practice services to cover 78.3% of all eligible households in the UK.

PDSA does not receive any funding from HM Government for its veterinary services and competes for its income with other charities and businesses. Our largest source of income is from legacies and it is pleasing to note that legacy income of £39.3 million was significantly above our 2010 forecast. Nevertheless, in these dynamic and challenging times we need to be innovative and consider new sources of income that will not only maintain, but allow us to grow our vital services.

Providing our dedicated veterinary teams with the equipment and PetAid hospitals they need to serve the communities in which they operate is our highest priority. In this regard, there have been some important achievements this year: the opening of a replacement PetAid hospital in Sunderland, The Reay Hudson Centre, together with major refurbishments at Portsmouth and Nottingham PetAid hospitals. Plans are in train to replace three other PetAid hospitals at Plymouth, Birmingham (Quinton) and Cardiff, with a target to commence building in



Mr Michael Bolton – Chairman

Plymouth in 2011. This level of ongoing investment requires significant funding and in November we launched our £6 million Capital Appeal to fund these three new PetAid hospitals. The Appeal is being co-ordinated by both local and national teams and we look forward to the financial assistance of our supporters to help us meet this important challenge for PDSA.

In the current economic climate the outlook remains uncertain and PDSA is not exempt from the concerns that this uncertainty generates. In addition to meeting increased service demand at our PetAid hospitals, we are experiencing cost pressures from both inflation and tax increases – reduction in Gift Aid, and increases in VAT and National Insurance – all coming in during 2011. These factors make it critical that PDSA administers its resources prudently and it is, therefore, important that the Senior Management Team continues to control costs effectively, bringing the same energy and engagement that ensured the operating deficit in 2010 was kept to a minimum. We are fortunate that past good stewardship has maintained and grown PDSA's reserves, enabling us to

maintain our service levels in this recessionary period.

Whenever I am out and about across the PDSA network, I cannot help but appreciate what a vibrant and forward-looking organisation we are. It is the commitment and dedication of our people that enables us to achieve our mission and treat so many sick and injured animals, as well as give comfort and reassurance to their owners who might otherwise not be able to afford treatment. I am also proud to report that, during the year, PDSA achieved re-accreditation of the 'Investing in Volunteers' standard, demonstrating our commitment to this important part of PDSA's team.

The composition of Council changed during my first year as Chairman. My predecessor, Mr Freddie Bircher, and Sir John Butterfill retired as Trustees and I thank them for their many years of loyal service. We were joined by new Trustees, Mr Gary Ennis, Ms Laurie Mayers, Mr John Miller and Mr John Murphy, whom I warmly welcome to the PDSA Council. Between them, they bring a diverse and current experience of industry and commerce, gained at a senior level, which will be a valuable resource to PDSA as we meet the challenges ahead.

The challenges for PDSA will continue in 2011. Though not complacent, I am confident that the combination of its professional workforce, the support from new and existing supporters and a clear plan will mean that PDSA is well placed to meet its important mission.

A handwritten signature in black ink that reads "Michael Bolton". The signature is written in a cursive, flowing style.

Michael Bolton
Chairman

PDSA Trustees

Patron

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

Trustees (Council)

Chairman

Mr Michael Bolton, FCA*

Deputy Chairman

Mr Mike Radford, OBE, LLB#

Other Trustees

Mr Freddie Bircher, MA
(retired 17 June 2010)

Sir John Butterfill, FRICS, MP*
(retired 17 June 2010)

Mr Richard Clowes, BSc MI Mech E*

Mr Mike Dernie, BA, FRSA

Mr Gary Ennis, BSc
(appointed 17 June 2010)

Mr Noel Guilford, BA, FCA*#

Mr Chris Heaps, LLB#

Mr Roger Hills*

Ms Laurie Mayers, BA, MA*
(appointed 17 June 2010)

Mr John Miller, BSc, MCIIPD, AFBPS
(appointed 17 June 2010)

Mr John Murphy
(appointed 17 June 2010)

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

* Member of the Finance & Investment Committee

Member of the Audit Committee



Mr Michael Bolton
Chairman



Mr Mike Radford
Deputy Chairman



Mr Richard Clowes



Mr Mike Dernie



Mr Gary Ennis



Mr Noel Guilford



Mr Chris Heaps



Mr Roger Hills



Ms Laurie Mayers



Mr John Miller



Mr John Murphy



**Brigadier (Ret'd)
Andrew Warde**

Trustees' report

Objectives and activities

Vision

A healthy life for all our pets.

Mission

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

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

Priorities

The charity's long-term priorities have not changed:

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

Underpinning these priorities are our ten strategic goals.

Strategic goals

PetAid services

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

Income

5. Provide sustainable income to meet PetAid service demands within benchmarked fundraising and trading ratios.
6. Continue to invest to support the growth of the future legacy pipeline.
7. Deliver a greater diversity of income sources and increase non-legacy income, with greater reliance upon our core competencies and strengths.

Awareness

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

Shared services

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

Objectives and activities

Strategic activities

We deliver our Mission and Objectives through activities that can be grouped into the following four areas:

PetAid services

We deliver caring and professional veterinary services by:

- Working to achieve consistent and effective clinical standards.
- Maintaining an appropriate scope of service and providing this through an effective PetAid hospital team structure.
- Building new PetAid hospitals and refurbishing outdated premises as required.
- Contracting with private veterinary practices to provide free PetAid services to eligible clients on PDSA's behalf.
- Promoting responsible pet ownership and offering accessible preventive treatments to the pets of eligible clients.
- Extending the reach of our PetAid services through additional pet health initiatives.

Income

We generate sustainable and reliable income sources to fund our free PetAid services by:

- Maintaining effective legacy marketing and efficient legacy management activities.
- Operating a UK-wide network of PDSA charity stores that deliver a surplus, supported by capable and committed volunteers.
- Continuously developing trading and licensing opportunities.
- Increasing regular giving through innovative marketing concepts and active database management.
- Encouraging contributions to our work from clients.
- Generating a surplus from our preventive service work.
- Maximising investment returns within the risk profile of a balanced portfolio.
- Developing and growing non-legacy income from private and corporate sources.

Perception and awareness

We increase public awareness of PDSA and knowledge of our work by:

- Delivering active community programmes via fundraising groups and volunteers.
- Working with the broadcast and print media to generate coverage of PDSA stories, including pet health advice, case histories and celebrity support.
- Acknowledging the gallantry and devotion to duty of animals through our animal bravery awards.
- Offering an accessible, informative and interactive website.
- Improving pet health through our PetCheck and responsible pet care programmes.
- Developing and growing PDSA Pet Protectors, Schools PDSA and PDSA PetAid challenges for young supporters.

Shared services

We make best use of our human and corporate resources to support the delivery of PetAid services by:

- Implementing control measures that ensure legal and financial compliance.
- Protecting, supporting and developing the infrastructure of PDSA and managing strategic and operational risks.
- Developing staff and volunteers to enable them to perform their role through appropriate learning and development interventions.
- Informing, involving and inspiring our staff and volunteers with internal communications that are accurate, brief and clear.
- Recruiting and retaining dedicated staff and volunteers, and encouraging them to deliver the highest possible standards.
- Investing in appropriate resources and following clear IT, property and procurement strategies.

Executive Staff

Director General

Jan McLoughlin, MSc, CBiol, MSB

Director of Veterinary Services

Richard Hooker, BVMS, MRCVS

Director of Finance

Graham Pick, ACA

Director of Marketing

Mike Crossley, BA (Hons)
(resigned 26 July 2010)

John Cole, BA (Hons)
(appointed 3 November 2010)

Director of Human & Corporate Resources

Karen Hailes, FCIPD

Director of Business Services

Andrew Holl, BSc (Hons)

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



Public benefit

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

PDSA delivers its veterinary services to those in financial hardship, through a national network of 43 PetAid hospitals and 5 PetAid branches, 375 contracted private veterinary practices (known as PetAid practices) and a national PetAid request scheme, reaching every eligible person in the UK.

PDSA defines its boundaries as those pet owners who receive either Housing Benefit or Council Tax Benefit, and live within a defined catchment area around each PetAid hospital, branch or practice.

The Trustees consider that due regard has been paid to the public benefit guidance published by the Charity Commission in relation to section 4 of the Charities Act 2006.

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

Below is a summary of the key impacts of our work in 2010.

Animals treated

- Through our PetAid hospitals and branches we treated a record 360,433 sick and injured animals that otherwise may have suffered unnecessarily.
- A further 41,415 animals were registered at our PetAid practice partners.
- Nearly 5,200 requests were funded through our PetAid request service.

Value for money

- We spent over £57 million on delivering much-needed pet care treatment, education and information to disadvantaged communities across the UK.
- Client complaints ran at fewer than 0.22% of all animals treated in our PetAid hospitals and branches.
- Collaboration with Cats Protection and Dogs Trust resulted in over 5,000 bitch spays and dog castrations and over 15,000 cats being neutered, to a combined voucher value of £438,000.

Pet health

- 44% of our registered clients took advantage of our preventive services.
- 187,000 animals benefited from preventive treatments in PetAid hospitals.
- In June 2010 National Vaccination Month and National Microchipping Month resulted in over 7,000 primary vaccinations and microchip procedures being carried out.

There is no doubt that, without the vital work of PDSA and the provision of our free veterinary care, many pet owners would have been in the distressing position of seeing their sick and injured pets suffer. There is a high level of satisfaction in our services. Our pet health work continues with a number of key projects to help educate and inform owners in providing for their pet's health and welfare needs. This includes making preventive health care services available to eligible clients for an affordable fee.

Our operations

Maintaining PDSA PetAid services

Replacement of existing PetAid hospitals

Our programme of replacing existing PetAid hospitals continued when Sunderland PetAid hospital, The Reay Hudson Centre, was opened to the public in December 2010.

In addition, land was purchased for new sites in Plymouth and Cardiff, and identified for Birmingham (Quinton). During 2011 we aim to begin construction of the new Plymouth PetAid hospital, The Gwen Rees Centre, and complete the purchase of land for Birmingham (Quinton).

Refurbishment

During the year we completed major refurbishment of Portsmouth and Nottingham PetAid hospitals, and additional consulting rooms were created in Hendon, Coventry and Wolverhampton PetAid hospitals. Furthermore, Blackpool PetAid hospital benefited from improved and extended inpatient areas, and parking capacity was increased at a number of sites. Our programme for 2011 will include refurbishments of East Glasgow and Brighton PetAid hospitals, and additional consulting room space will be created in Bournemouth PetAid hospital.

Partnership

Our partnership with Best Friends Group was again successful at Northampton PetAid hospital and will continue in 2011. Emergency (out-of-hours) services were outsourced at Hendon and Aberdeen PetAid hospitals, and this will be extended to Romford PetAid hospital, The Julie and Robert Breckman Centre, and Bow PetAid hospital in 2011.

Expanding PDSA PetAid services

Numbers of animals treated

Demand for our services continues to grow and in 2010 we treated 407,000 sick and injured animals through PetAid hospitals, PetAid practices and PetAid Special Requests, representing a 5% increase on 2009. During 2011 we anticipate further growth and this will be assisted by the introduction of new telephone systems to improve customer service.

New PetAid hospitals

An important element of our future strategy is that PDSA is able to expand its geographical coverage across the UK. To support this aim, in 2011 we will consider the service model and locations for optimal service delivery and coverage in the northwest of England.

PetAid branch opportunities

We will continue to investigate PetAid branch opportunities to strategically support our principal PetAid hospital operations. During 2010 branch operations have been successfully secured in Belfast and Stoke-on-Trent with the objective of opening during 2011. In addition we aim to identify a branch in Sheffield with a target to open in early 2012, together with the potential for a combined retail and veterinary branch operation in Southampton.

Additional PetAid practices

We are committed to our PetAid practice service as this provides important access to customers who do not live near to a PetAid hospital. During the year PetAid practice services were offered in five new locations.

Coverage of eligible households

Our programme of increasing PDSA service coverage through our PetAid hospitals and PetAid practice service continued during the year. In 2010 total coverage rose to 78.3% of all eligible households in the UK and our target is to increase this further to 78.6% during 2011.

Our operations

Communicating the responsible pet ownership message

Preventive services

Our preventive services continue to grow and during 2010 sales increased by 9% to £4.6 million with over 120,000 preventive procedures performed and over 260,000 preventive products sold. During 2011 we aim to promote preventive services further as part of our responsible pet ownership message with a target to increase sales to £5 million.

Pet health

In 2010 we launched our new range of responsible pet ownership leaflets delivering pet health messages and increasing PDSA brand awareness. In addition, we developed the first annual *PDSA Animal Wellbeing (PAW) Report*, the largest survey into the state of our nation's pets, and completed the fieldwork survey of 11,000 pet owners in advance of launch in 2011. We will use the results of the survey to highlight the key pet health messages through the use of media and digital channels. In addition, we will be developing a range of pet health learning modules that will be available to our customers.

PetCheck programme

Our PetCheck programme, offered regionally through our PetCheck vehicles, continued to attract significant interest from pet owners. During the year we completed over 9,000 free health checks. We will continue to use the PetCheck vehicles, the first of which was generously sponsored by Julie and Robert Breckman, to raise awareness of animal welfare in all locations they visit.

Income

Marketing income

In November 2010 we launched our £6 million Capital Appeal in support of our new PetAid hospital replacements at Plymouth, Birmingham (Quinton) and Cardiff. In addition, we were able to grow our supporter base and increase the surplus generated from our established products, in particular committed giving.

As well as our Capital Appeal targets we will generate new supporters through both established and new sources of income. In order to increase the pipeline of future legacy income our legacy marketing activity will continue to target growth in both legacy enquiries and legacy pledges.

Client contributions

We will continue to consider a range of plans to encourage clients to make a voluntary contribution for their pet's treatment. These contributions are an important source of income enabling us both to maintain and grow the range of vital services that we provide in our PetAid hospitals.

Retail

In 2010 we successfully increased the profitability of our retail operations year on year despite a national fall in donations of stock, coupled with the economic climate. Our new goods range delivered an increase in gross margin and continued to provide a growing and alternative offering for our retail customers. Our target in 2011 is to improve profitability further and increase sales through use of new sales channels for new goods, together with a target of opening ten more stores across the UK.

Our operations

Perception and awareness

Awareness and media coverage

During 2010 we significantly increased our coverage across a range of media, national press, TV and, in particular, online activity. Our digital presence increased enormously and we consider the growth in social networking media to be an important part of our strategy to attract new supporters. It is our aim to grow the awareness of PDSA across the UK population.

During 2011 we plan to develop our digital media presence further and broaden our supporter base through the use of new media and online channels. We aim to introduce a media relations programme to engage with key audiences and introduce a measurement system to monitor campaign outcome, building total awareness (all adults) to 65%.

Shared services

Financial controls

We further developed financial controls and improved our financial planning, forecasting and analytical capabilities.

Resources

Major change programmes were delivered in a number of key areas to ensure our structures and resources remain efficient, effective and legally compliant.

Procurement

We implemented a procurement strategy which has resulted in cross-functional purchasing synergies and cost savings across PDSA.

Structure and governance

Governing documents

The charity is incorporated under The People's Dispensary for Sick Animals Acts 1949 and 1956. Its constitution comprises the detailed clauses of these two Acts of Parliament plus supplementary Byelaws, which have been subsequently revised by the governing body.

Governing body – Council

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

Mr Michael Bolton began his term of office as Chairman of PDSA Council on 1 January 2010.

Former Chairman, Mr Freddie Bircher, and Sir John Butterfill retired as Trustees in June 2010 but remain as Members.

Four new Trustees were formally elected at the Annual General Meeting: Mr Gary Ennis, Ms Laurie Mayers, Mr John Miller and Mr John Murphy.

Committees

The committees that met regularly during 2010 were: Finance & Investment Committee, which reviews the Fund Manager's performance, the budget and most other financial matters; Special Purposes Committee, which approves legal agreements; and Audit Committee, which considers risk and internal and external audit matters. The Audit Committee also reviews PDSA's health and safety management at a strategic level. In addition, in 2010, the Audit Committee's terms of reference were extended to include all aspects of our clinical governance framework, thereby giving a holistic view as to the quality assurance of PDSA's veterinary service.

Trustee recruitment and training

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



PDSA Trustees participated in a wide range of events and activities during the year

Structure and governance

However, Council may plan to increase this number to take account of planned retirements while maintaining an appropriate range of skills and expertise. Trustees normally serve a six-year term, which may be extended by a further six years, or longer, at the request of Council.

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

Executive management

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

Group structure

Certain trading activities are carried out through three wholly owned subsidiary companies: PDSA Trading Limited, PDSA PetAid Enterprises Limited and PDSA Property Services Limited.

Trustees' responsibilities

The Charities Act 1993 and The People's Dispensary for Sick Animals Acts 1949 and 1956 require Council to prepare financial statements for each year, which give a true and fair view of the charity's activities during the year and of its position at the end of that period.

In preparing these financial statements, Council ensures that it:

- Selects suitable accounting policies and applies them consistently.
- Makes judgements and estimates that are reasonable and prudent.
- Follows applicable Accounting Standards and the Charities SORP 2005.
- Prepares the financial statements on the going concern basis.

Council is responsible for keeping proper accounting records which disclose, with reasonable accuracy at any time, the financial position of PDSA. It must also ensure that the Financial Statements comply with the Charities Act 1993

(as amended by the Charities Act 2006) and the Charities (Accounts and Reports) Regulations 2008.

Council is also responsible for safeguarding PDSA assets, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Risk

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

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

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

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

People

Without the professionalism, dedication and hard work of its staff and volunteers, PDSA would not be able to realise the plans developed by the Trustees for the continued growth of the charity's work.

PDSA has continued to implement comprehensive action plans in response to the findings of the extensive Staff Survey which was conducted in the latter part of 2008 in order to understand levels of staff engagement. A new competency framework was launched in October 2010 defining the key behaviours that PDSA requires from its managers to ensure the successful achievement of our organisational goals. The framework will be used through the Performance and Development Reviews in 2011, supporting individuals to understand not only what is expected from them in terms of their objectives but also how they should go about achieving them. There was also increased focus during the year on developing PDSA's leadership team. A Leadership Development Programme was piloted with the Veterinary leadership members of staff and subsequently rolled out to the directors and other senior managers later in the year. This will be an ongoing area of focus throughout 2011.

Progress has been made with PDSA's internal communication strategy which is designed to 'Inform, Involve and Inspire' staff and volunteers using

communication channels such as PDSA's quarterly magazines, *PDSA News* and *Focus*; weekly updates such as *Veterinary Bulletin* and *Retail News*; PDSA's intranet, *Pawtal*; and the team briefing system, *TeamTalk*. This focus on communicating PDSA's vision, mission and Business Plan, together with the Performance and Development Review process, has assisted staff in understanding more clearly the role that they can play in the delivery of the Business Plan.

PDSA has well-established arrangements for involving and consulting with staff in its work. Staff Communication and Consultation (SCC) Groups were introduced in 2004. The SCC process has continued to develop and evolve into the challenging, relevant and effective mechanism that it is today.

More than 5,000 volunteers support PDSA by working in its PetAid hospitals, stores and offices or at fundraising events in their communities. Having gained Investing in Volunteers accreditation in 2007, PDSA was pleased to retain the quality standard in 2010 following an extensive audit of our volunteering policies, processes and practices.

Together PDSA's volunteers contribute an estimated 1.25 million hours each year, which equates to a potential annual salary cost saving of £11.2 million. PDSA celebrates and recognises volunteers through its annual Volunteers' Week and Volunteer Awards programme.



The Edward Bridges Webb Memorial Award is given to those who render outstanding meritorious service to PDSA. It was presented to Elaine Pendlebury, Senior Veterinary Surgeon (Science and Welfare) by PDSA Chairman, Michael Bolton, for exceptional dedication and contribution to PDSA.

Committee membership and chairs, with effect from 1 January 2010 are:

Finance & Investment Committee

- Mr Richard Clowes (Chairman)
- Mr Michael Bolton (Chairman of Council)
- Mr Freddie Bircher (to June 2010)
- Sir John Butterfill (to June 2010)
- Mr Roger Hills
- Mr Noel Guilford
- Ms Laurie Mayers (from November 2010)
- Mr Mike Radford (Deputy Chairman – ex officio)

Audit Committee

- Mr Chris Heaps (Chairman to 22 April 2010)
- Mr Mike Radford (Chairman from 22 April 2010)
- Brigadier (Ret'd) Andrew Warde
- Mr Noel Guilford

Special Purposes Committee

- Director General (Chair)
- Senior Management Team

Financial review

Overview

We forecast that 2010 was going to be a challenging year given the economic outlook and in particular the need to:

- Accommodate continuing growth in demand for our PetAid services.
- Control costs and cash when our forecasts were indicating an operating deficit.
- Generate income at a time of severe competition for the donor pound.

In line with our forecasts, there was a deficit in net incoming resources of £1.3 million (2009: £3.9 million surplus) offset by a gain of £6.2 million (2009: £6.9 million) in the value of our investment portfolio, which is the result of favourable investment markets during 2010.

Regardless of these challenges it is pleasing to report that we achieved an income of £92.7 million, just 0.5% below the record level of income achieved in 2009. Legacy income maintained its strong trend at £39.3 million despite difficult housing market conditions. In Veterinary, sales of preventive services increased by 9% to £4.6 million and this is anticipated to be a further area of growth in future. There was a notable 6% increase in donations and gifts to £22.5 million compared to an increase of just 1.6% in 2009.

Within our retail operation new goods sales were 17% higher than 2009; the result of new product lines. However, donated goods sales reduced by 2.5% due to the challenges experienced by all charities in obtaining sufficient quantities of donated goods stock. During 2010 retail operations were restructured and as a result costs were kept in line with 2009, despite external cost pressure.

Resources expended on charitable activities were 9% higher than 2009 reflecting growth in client demand and veterinary cost inflation. This cost amounted to 102% of net incoming resources available for charitable activities (2009: 93%).

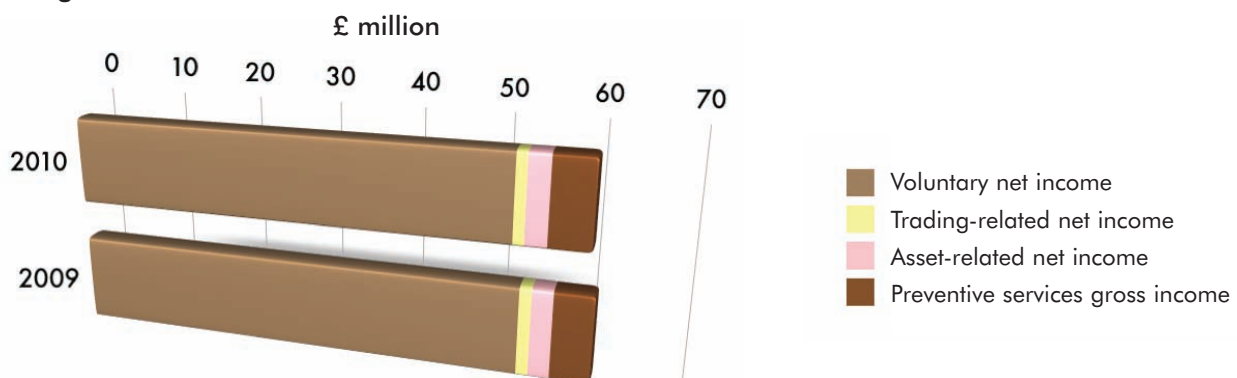
There was an actuarial loss in 2010 of £1.5 million (2009: £4.1 million actuarial loss) arising from the accounting provisions for pension liabilities under Financial Reporting Standard 17 – Retirement Benefits (FRS17). The loss was primarily due to changes in actuarial assumptions. PDSA receives no funding from HM Government or the National Lottery for our PetAid services and therefore relies on generating our income from both voluntary and trading activities. The table and chart are an alternative method of presenting our results, which gives additional clarity on the sources of our net income (Fig. 1 and Fig. 2).

Net income

Fig. 1

	2010		2009	
	£ million	Cost/£	£ million	Cost/£
Voluntary net income	52.6	0.15	53.3	0.15
Trading-related net income	0.2	0.99	0.3	0.99
Asset-related net income	2.4	0.14	2.3	0.16
Preventive services gross income	4.6	0.83	4.3	0.86
Net incoming resources	59.8	0.37	60.2	0.39

Fig. 2



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

Income from donations and legacies is critical to PDSA and resources commensurate with its importance are devoted to marketing and managing in this area. From the table (Fig. 1) it can be seen that the cost of raising voluntary income overall from our donors is consistent with 2009 at 15p per pound (£).

Legacies receivable remains the largest source of income, some 66% of net income (2009: 69%). However, it is our longer-term aim to reduce the dependence on legacies by growing other income streams, in particular through maximising new and emerging sales channels such as online and digital.

The cost of income relating to trading activity is 99p per pound (2009: 99p). However, trading delivers a net surplus which, in 2010, totalled £0.2 million (2009: £0.3 million). It is encouraging that this ratio has been maintained in such a challenging market, predominantly through improving margins on sales of new goods and tight cost control. If the costs of trading were removed, the cost of delivering our net incoming resources would be 18p per pound (£) (2009: 18p).

The ratio of the total cost of generating funds to total incoming resources was 35% (2009: 35%) and overall has significantly improved over the last five years reflecting the focus placed on efficiency and managing costs. This ratio appears higher than may be expected but is due to the significant level of trading activities and the fact that we undertake no contract work for government agencies. Governance costs represented 0.33% of income (2009: 0.24%). The increase primarily relates to recruitment costs for four new Trustees who joined during the year.

Investments and cash balances

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

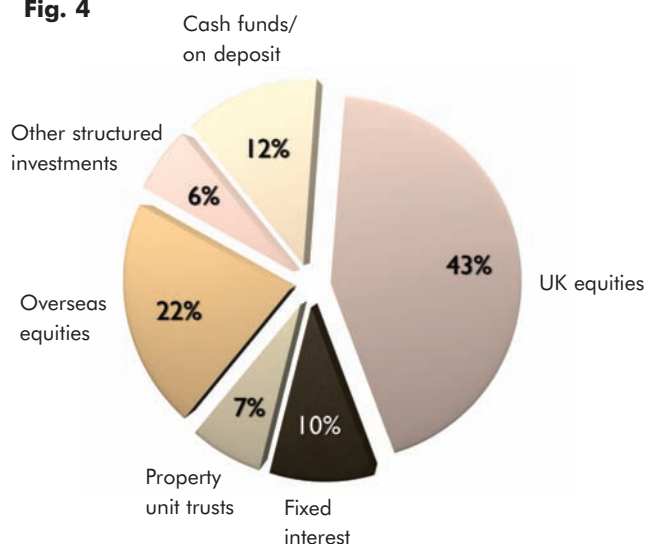
At the end of 2010 investments totalled £77.6 million (2009: £70.0 million) and mainly consist of the externally managed investment fund (Fig. 3 below and Fig. 4 overleaf). Day-to-day management of the fund is delegated, with the consent of the Charity Commission, to a professional manager whose performance is regularly reviewed by the Finance & Investment Committee; the manager is instructed to comply with an ethical investment policy that precludes investing in those organisations involved in testing on animals for cosmetic and other non-medical purposes.

The breakdown of the fund by asset categories as at 31 December 2010

Fig. 3	Main fund £'000	Target allocation	Actual allocation	No. 2 account £'000	Total £'000
UK equities	32,834	50%	54.6%	-	32,834
Fixed interest	3,160	10%	5.3%	4,108	7,268
Property unit trusts	5,218	10%	8.7%	-	5,218
Overseas equities	16,224	30%	27.0%	-	16,224
Other structured investments	-	0%	0.0%	4,587	4,587
Cash funds/on deposit	2,648	0%	4.4%	6,442	9,090
Total	60,084	100%	100.0%	15,137	75,221
Share				20.1%	

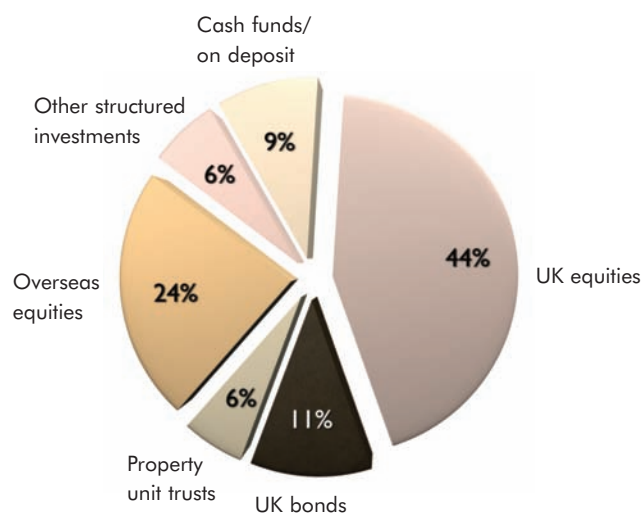
Breakdown of investment fund 2010

Fig. 4



The investment fund is managed on a total return basis, but subject to the charity’s ethical investment policy. The fund’s Statement of Investment Principles states a target asset allocation as shown in Fig. 3. During the final quarter of 2010 there was a change in allocation priorities of the fund to provide a higher level of income. There is no target allocation for the No. 2 account, which is more liquid and less volatile than the main fund and, therefore, more available to meet any short-term operational cash needs as well as supporting the Strategic Business Plan to maintain and expand the delivery of PDSA’s veterinary services.

Breakdown of investment fund 2009



The investment market recovery continued in 2010 and ultimately provided capital gains of £6.1 million (2009: £6.6 million). The main fund’s total performance for 2010 showed a return of 14.6% (2009: 17.5%) compared to the composite benchmark of 14.5% and reflects improving equity market returns.

Investment properties held are revalued each year by external surveyors. The value at 31 December 2010 was £2.4 million (2009: £2.6 million).

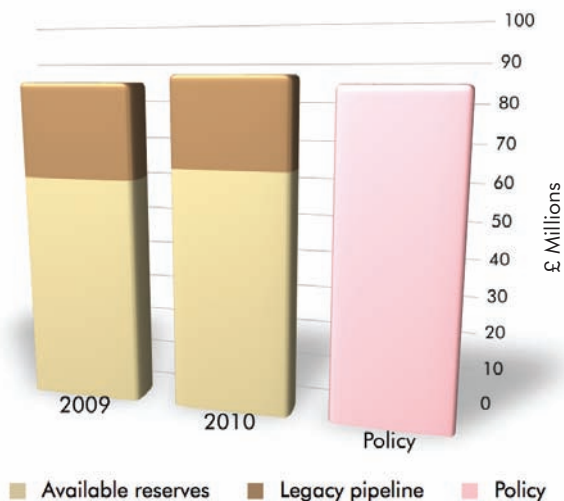
Reserves and going concern

Council reviews its Reserves Policy regularly as part of its business planning process and it is defined so as to set aside sufficient reserves to maintain the quality and level of PDSA PetAid services, for a reasonable period, in the event of a downturn in the charity’s incoming resources.

The required level is assessed to be the maximum call on reserves expected within a four-year business planning horizon. At 31 December 2010 the charity had reserves, on this basis, of £63.9 million (2009: £60.4 million) in addition to the contingent assets of the legacy pipeline of £23.3 million (2009: £24.8 million). This is in line with the £85 million as required under the last update of scenario planning (Fig. 5).

Reserves

Fig. 5



Due to the level of economic uncertainty Council regularly reviews financial forecasts and projections, taking account of the potential impact on future service delivery. To assist this review, cash forecasting has become an important element of the group financial management. Each autumn, Trustees formally review financial plans for the current and following four years.

The charity’s investment fund is now more liquid and has available cash balances, thus providing flexibility in managing any potential downturn in income. In addition there is a £2 million unsecured overdraft facility with Lloyds TSB Bank plc. No matters have come to the attention of the Trustees, which might suggest that the charity will not be able to maintain its current activities and they therefore consider that it is appropriate for the financial statements to be prepared on the going concern basis.

Retirement Benefits Plan

PDSA operates a defined benefit pension scheme for the benefit of staff. The deficit, as calculated under the provisions of FRS17, was £2.1 million at 31 December 2010 (2009: £1.5 million).

The latest triennial actuarial valuation was carried out as at 31 December 2008 and this showed a deficit of £16.5 million. Measures to reduce the deficit include the provision of additional employer funding of £1.7 million per annum, part of which (2010: £0.6 million) is segregated in an escrow account to be used on deficit reduction activities agreed with the pension scheme Trustees.

The defined benefit scheme was closed to new employees from 1 January 2008. A Group Personal Pension Plan was opened in January 2008 for new employees, existing members of the defined benefit scheme can transfer to this scheme at their request.

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

Public benefit in Scotland

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

Gross income raised in 2010 from charity stores, fundraising groups and PetAid hospitals in Scotland amounted to £4.3 million (2009: £4.2 million).

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

Approved by Council and signed on its behalf by:



Michael Bolton
Chairman
28 April 2011

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

We have audited the financial statements of The People's Dispensary for Sick Animals for the year ended 31 December 2010, which comprise the Consolidated Statement of Financial Activities, the Consolidated and Charity Balance Sheets, the Consolidated Cash Flow Statement and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's Council as a body, in accordance with section 43 of the Charities Act 1993, regulations made under section 44 of that Act, section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charity's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

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

We have been appointed as auditors under section 43 of the Charities Act 1993 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with regulations made under those Acts. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charity's affairs as at 31 December 2010 and of the group's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 1993, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 and The People's Dispensary for Sick Animals Acts 1949 and 1956.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 1993 and the Charity Accounts (Scotland) Regulations 2006 requires us to report to you if, in our opinion:

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

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditor
London, United Kingdom
28 April 2011

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

Notes

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

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

Consolidated Statement of Financial Activities

For the year ended 31 December 2010		Unrestricted funds	Restricted funds	Total 2010	£'000 Total 2009
Incoming resources					
From generated funds					
	Note				
Voluntary income	2	56,004	5,809	61,813	62,518
Activities for generating funds	2	23,457	-	23,457	23,657
Investment income	2	2,823	-	2,823	2,695
From charitable activities					
Preventive services		4,626	-	4,626	4,254
From other sources					
Net gain on disposal of fixed assets		22	-	22	66
Total incoming resources		86,932	5,809	92,741	93,190
Resources expended					
Cost of generating funds:					
Costs of generating voluntary income	3	9,233	-	9,233	9,225
Fundraising trading: costs of goods sold and other costs	3	23,255	7	23,262	23,354
Investment management costs	3	404	-	404	452
Total costs of generating funds		32,892	7	32,899	33,031
Net incoming resources available for charitable activities		54,040	5,802	59,842	60,159
Charitable activities:					
PetAid hospitals	3	42,878	5,098	47,976	43,887
Contracted PetAid services	3	7,495	53	7,548	7,374
Promotion of responsible pet ownership	3	1,413	6	1,419	1,050
Preventive services	3	3,850	-	3,850	3,679
		55,636	5,157	60,793	55,990
Governance costs		3	307	-	307
Total resources expended		88,835	5,164	93,999	89,249
Net (outgoing)/incoming resources before other recognised gains and losses		(1,903)	645	(1,258)	3,941
Gains on investment assets	7	6,158	-	6,158	6,856
Actuarial loss on defined benefit pension	18	(1,500)	-	(1,500)	(4,147)
Net movement in funds		2,755	645	3,400	6,650
Reconciliation of funds					
Total funds brought forward		99,490	3,883	103,373	96,723
Total funds carried forward	13	102,245	4,528	106,773	103,373

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

Balance Sheets

£'000

At 31 December 2010

	Note	Group		Charity	
		Total 2010	Total 2009	Total 2010	Total 2009
Fixed assets					
Tangible assets	6	27,600	26,668	27,857	27,224
Investments	7	77,639	69,950	77,639	69,950
Total fixed assets		105,239	96,618	105,496	97,174
Current assets					
Stocks		2,079	1,782	823	866
Debtors	8	6,554	5,518	8,626	7,676
Investments	9	18	3,633	18	3,633
Cash at bank and in hand		2,352	3,923	1,797	2,484
Total current assets		11,003	14,856	11,264	14,659
Creditors – amounts falling due within one year	10	(6,776)	(6,133)	(6,454)	(5,817)
Net current assets		4,227	8,723	4,810	8,842
Total assets less current liabilities		109,466	105,341	110,306	106,016
Provisions for liabilities	11	(557)	(432)	(557)	(432)
Net assets excluding pension liability		108,909	104,909	109,749	105,584
Defined benefit pension scheme liability	18	(2,136)	(1,536)	(2,136)	(1,536)
Net assets including pension scheme liability		106,773	103,373	107,613	104,048
The funds of the charity					
Restricted income funds	13	4,528	3,883	4,528	3,883
Unrestricted income funds					
Unrestricted income funds	13	69,988	66,916	70,828	67,591
Designated funds	13	34,393	34,110	34,393	34,110
Unrestricted funds excluding pension reserve		104,381	101,026	105,221	101,701
Pension reserve	13	(2,136)	(1,536)	(2,136)	(1,536)
Total unrestricted funds		102,245	99,490	103,085	100,165
Total charity funds		106,773	103,373	107,613	104,048

Approved by Council and signed on their behalf on 28 April 2011.



Michael Bolton
Chairman

Consolidated Cash Flow Statement

£'000

For the year ended 31 December 2010

	Note	2010	2009
Net cash (outflow)/inflow from operating activities	a	(742)	4,264
Returns on investment and servicing of finance			
Interest received		97	63
Dividends received		2,123	2,021
Net cash inflow from returns on investment and servicing of finance		2,220	2,084
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,319)	(1,717)
Sale of tangible fixed assets		130	259
Purchase of investments		(2,116)	(2,071)
Transfer to pension scheme		(1,700)	(1,700)
Sale of investments		341	-
Net cash outflow from capital expenditure and financial investment		(6,664)	(5,229)
(Decrease)/increase in cash in the year		(5,186)	1,119
Reconciliation of net cash flow to movement in net funds			
(Decrease)/increase in cash in the year		(5,186)	1,119
Net funds at 1 January		7,556	6,437
Net funds at 31 December	b	2,370	7,556

Notes to consolidated cash flow statement

a. Reconciliation of net incoming resources to net cash flow from operating activities

	2010	2009
Net incoming resources before recognised gains and losses	(1,258)	3,941
Investment income reinvested	(2,220)	(2,084)
Net gain on disposal of tangible fixed assets	(22)	(65)
Depreciation	2,279	2,466
Movements on investments	244	173
Increase/(decrease) in pension provision excluding actuarial loss	800	(811)
(Increase)/decrease in stocks	(297)	124
(Increase)/decrease in debtors	(1,036)	368
Increase in creditors	643	27
Increase in provisions	125	125
Net cash inflow from operating activities	(742)	4,264

b. Changes in cash and current asset investments

	2009	Cash flow	2010
Cash at bank and in hand and current asset investments	7,556	(5,186)	2,370

Notes to the financial statements for the year ended 31 December 2010

1 Accounting policies

Accounting basis

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Charities Act 1993, the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' published in 2005 and with applicable UK accounting standards.

The charity's activities, together with factors likely to affect its future development, performance and financial position and commentary on its financial results and its cash flows, are set out in the Trustees' Report on pages 3 to 15 and elsewhere within the financial statements. The financial statements at 31 December 2010 show that PDSA had a deficit on net incoming resources of £1.3 million with cash consumed by operating activities of £0.7 million. The financial statements also show that as at 31 December 2010 the Group balance sheet had net assets of £106.8 million with net current assets of £4.2 million. The reserves required under the Reserves Policy of £63.9 million, in conjunction with the contingent asset of the legacy pipeline of £23.3 million, is in line with the estimated requirement in the charity's scenario planning. The charity held cash and short-term investments of £2.4 million as at 31 December 2010. If needed it can quickly draw on its investment portfolio for cash should the case arise. The Trustees have concluded that no matters have come to their attention which would prevent the charity from being able to maintain its current charitable activities and trade with customers and suppliers.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line-by-line basis. All entities concerned prepared financial statements to 31 December 2010.

Fund accounting

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

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

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

Investment income and gains are allocated to the appropriate fund.

Incoming resources

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

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

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

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

Resources expended

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

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

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

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

Tangible fixed assets and depreciation

Tangible fixed assets costing more than £1,000 are capitalised and accounted for at cost inclusive of any incidental expenses of acquisition.

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

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

The charity has a policy to conduct impairment reviews in accordance with the requirements of FRS11.

Investment properties

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

Investments

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

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

Stocks

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

Taxation

As a registered charity PDSA is exempt from taxation of income and gains falling within Section 505 Taxes Act 1988 or Section 256 Taxation of Chargeable Gains Act 1992 to the extent these are applied to its charitable objects. No tax charge has arisen in the year. No tax charge has arisen in any of its subsidiaries since they gift all taxable profits to PDSA.

Pension costs

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

The contributions paid by the employer relating to the Group Personal Pension scheme vary according to individual employee contributions, as identified in the defined contribution scheme. The assets are kept separate from the employer. The costs of the contributions are recognised in the SOFA in the year they arise.

Finance and operating leases

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

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

The minimum lease payments receivable from finance leases, less appropriate future income arising from finance charges, are included in net investment from finance leases. Income from the finance leases are credited to the SOFA using methods which produce an appropriate constant rate of return on net cash investment.

2 Incoming resources from generated funds		£'000	
		2010	2009 (as restated)
Voluntary income			
Legacies receivable		39,281	41,188
Donations and gifts		22,532	21,330
		61,813	62,518
Activities for generating funds			
Lottery and similar income		3,679	3,754
Sale of donated goods*		16,124	16,538
Sale of retail new goods		2,656	2,264
Other sales income		998	1,101
		23,457	23,657
Investment income			
Listed securities – dividends		2,123	2,021
Interest on cash held as part of investment portfolio		8	27
Bank and other interest		89	36
Rents receivable		603	611
		2,823	2,695

* 2010 includes income of £2,324,000 of donations from supporters resulting from sale of their goods through PDSA's Retail Gift Aid programme (2009: £2,163,000)

3 Total resources expended				2010	2009
		Activities undertaken directly	Support costs allocated	Total	Total (as restated)
Costs of generating voluntary income					
Legacies receivable		1,576	136	1,712	1,521
Donations and gifts		6,537	323	6,860	7,062
Raising public perception and awareness		554	107	661	642
		8,667	566	9,233	9,225
Fundraising trading: costs of goods sold and other costs					
Merchandising and store operating costs		19,385	2,010	21,395	21,521
Lottery and similar income		1,774	93	1,867	1,833
		21,159	2,103	23,262	23,354
Investment management costs					
		366	38	404	452
Charitable activities					
PetAid hospitals		44,090	3,886	47,976	43,887
Contracted PetAid services		7,437	111	7,548	7,374
Promotion of responsible pet ownership		1,344	75	1,419	1,050
Preventive services		3,680	170	3,850	3,679
		56,551	4,242	60,793	55,990
Governance costs					
		278	29	307	228
		87,021	6,978	93,999	89,249

						£'000
Support costs breakdown by activity	Human Resources	Property Services	Finance and Management	Information Technology	2010	2009 (as restated)
Costs of generating voluntary income						
Legacies receivable	52	-	27	57	136	125
Donations and gifts	37	4	112	170	323	329
Raising public perception and awareness	13	-	10	84	107	102
Costs of generating trading income						
Merchandising and store operating costs	575	515	331	589	2,010	2,042
Lottery and similar income	6	-	31	56	93	92
Investment management costs	-	32	6	-	38	57
Charitable activities						
PetAid hospitals	1,962	666	879	379	3,886	3,632
Contracted PetAid services	36	8	8	59	111	106
Promotion of responsible pet ownership	46	1	23	5	75	57
Preventive services	107	-	63	-	170	173
Governance costs	10	-	5	14	29	23
Total support costs	2,844	1,226	1,495	1,413	6,978	6,738

Bases of allocation

Human resources	staff costs
Property services	property costs, excluding rent
Information technology	number of IT devices
Finance and management	expenditure

4 Net incoming resources	2010	2009
These are stated after charging:		
Auditors' remuneration – audit fees	66	64
Auditors' remuneration – non-audit fees	48	12
Irrecoverable VAT	2,488	2,499
Depreciation – owned assets	2,279	2,488
Operating lease – land and buildings	4,020	4,165

5 Employees	2010	2009
Employment costs		
Salaries	39,387	37,511
Social security costs	3,386	3,182
Employer's pension costs	3,445	2,258
Other staff costs	260	258
	46,478	43,209
Average number of employees, calculated on a full-time equivalent basis	1,615	1,565

2010

2009

Employment costs

The number of higher paid employees whose emoluments were within the following scales were as follows:

£60,001–£70,000	28	28
£70,001–£80,000	7	5
£80,001–£90,000	5	4
£90,001–£100,000	1	3
£100,001–£110,000	2	1
£110,001–£120,000	-	-
£120,001–£130,000	1	-
£140,001–£150,000	1	1

Thirty-eight (2009: thirty-six) of the higher paid staff are members of the charity's defined benefit pension scheme. Six of the staff are members of the Group Personal Pension Plan (2009: five).

Members of Council do not receive any remuneration.

Travel, accommodation, telecommunications, entertainment and training costs incurred by Council members on charity business are reimbursed by the charity, or are paid directly by the charity. This amounted to £22,578 during the year for fourteen Council members (2009: £13,180 for eleven).

6 Fixed assets

								£'000	
	Assets under course of construction	Freehold property	Leasehold property		PetAid hospital buildings		Furniture fittings & equipment	Motor vehicles	Total cost
			Long lease	Short lease	Freehold	Long lease			
At 1 January 2010	85	4,363	647	5,968	25,945	5,510	13,890	2,686	59,094
Reclassification	(1,394)	-	-	-	1,391	-	3	-	-
Additions	1,896	9	-	37	271	37	443	626	3,319
Disposals	-	-	-	(322)	-	-	(1,134)	(472)	(1,928)
At 31 December 2010	587	4,372	647	5,683	27,607	5,547	13,202	2,840	60,485

Depreciation

At 1 January 2010		891	176	5,674	10,187	1,906	11,964	1,628	32,426
Reclassification		-	-	-	-	-	-	-	-
Charge for the year		99	26	156	851	164	516	467	2,279
Disposals		-	-	(320)	-	-	(1,077)	(423)	(1,820)
At 31 December 2010	-	990	202	5,510	11,038	2,070	11,403	1,672	32,885

Net book value

At 31 December 2010	587	3,382	445	173	16,569	3,477	1,799	1,168	27,600
At 31 December 2009	85	3,472	471	294	15,758	3,604	1,926	1,058	26,668

The difference between the Group and charity fixed assets is the cost of assets in the course of construction of £586,000 and the exclusion of the intra-group profit £843,000. The intra-group profit arose from the construction and sale of PetAid hospital buildings by subsidiaries of the charity.

Assets of gross amount £19,617 (2009: £17,270), accumulated depreciation £19,617 (2009: £17,270) are subject to an operating lease to a third party. Aggregate rentals receivable by the Group in the accounting period were £2,065 (2009: £6,882).

7 Fixed asset investments

£'000

Group and charity	Investment properties				Total
	Listed investments	Unlisted investments	Freehold	Long leasehold	
At 1 January 2010	67,254	-	2,430	266	69,950
Additions/transfers in	2,116	-	-	-	2,116
Withdrawals/transfers out	(244)	-	(209)	(132)	(585)
Net gains/(losses) on revaluations and disposals	6,095	-	121	(58)	6,158
At 31 December 2010	75,221	-	2,342	76	77,639
Historical cost					
At 31 December 2010	67,019	-	603	72	67,694

	2010	2009
Listed investments		
UK equities	32,834	29,329
UK bonds	7,268	7,509
Property unit trusts	5,218	3,919
Overseas equities	16,224	15,925
Other structured investments	4,587	4,336
Cash funds and on deposit	9,090	6,236
	75,221	67,254

	2010	2009
At 31 December 2010 the charity had the following holdings constituting more than 5% of the portfolio market value:		
Newton Fund Managers Special Situations Fund	2,992	5,280
Newton Real Return Fund	4,587	4,336
The listed investments are distributed:		
UK listed	64,989	57,830
Listed elsewhere	10,232	9,424

The charity is not aware of any material restrictions that might affect the realisation of any of its listed securities.

Within fixed asset investments, investment properties include a valuation as at 31 December 2010 of £2,418,000.

All properties were valued as at 31 December 2010 by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of Independent Valuers. All such valuers are Chartered Surveyors, being members of the Royal Institution of Chartered Surveyors (RICS). All properties were valued on the basis of market value. Their opinion of the Market Value of each of the properties was primarily derived using comparable recent market transactions on arm's length terms. All valuations were carried out in accordance with the RICS Valuation Standards. Their valuation report is dated 26 January 2011 (the 'Valuation Report') and is an updated desktop valuation following on from the report for 31 December 2009.

	Group		Charity	
	2010	2009	2010	2009
Accrued legacies	2,385	2,026	2,385	2,026
Amounts due from subsidiary undertakings	-	-	2,716	2,629
Income tax recoverable	680	562	680	562
Sundry debtors	1,569	1,601	925	1,130
Prepayments	1,920	1,329	1,920	1,329
	6,554	5,518	8,626	7,676

The charity has received notification of entitlement to legacies amounting to approximately £23,305,000 (2009: £24,762,000).

This total has not been recognised as income at 31 December 2010, but represents a contingent asset that will be recognised in future years.

9 Current asset investments

£'000

Group and charity

At 1 January 2010
Reduction

**Interest
bearing
deposit
accounts**
3,633
(3,615)

At 31 December 2010

18

10 Creditors: amounts falling due within one year

	Group		Charity	
	2010	2009	2010	2009
Taxation and Social Security	1,011	953	1,011	953
Sundry creditors	3,017	2,050	2,708	1,748
Deferred income	-	194	-	194
Accruals	2,748	2,936	2,735	2,922
	6,776	6,133	6,454	5,817

11 Provisions for liabilities

Group and charity

These represent obligations for dilapidations in respect of rented properties whose leases expire by 2027

	2010	2009
	557	432
	557	432

12 Analysis of group net assets between funds

Fund balances at 31 December 2010 are represented by:

	Restricted	Designated	General	Total
Tangible fixed assets	2,992	-	24,608	27,600
Investments	-	34,393	43,246	77,639
Current assets	1,536	-	9,467	11,003
Creditors – amounts falling due within one year	-	-	(6,776)	(6,776)
Provisions for liabilities	-	-	(557)	(557)
Net assets excluding pension liability	4,528	34,393	69,988	108,909
Defined benefit pension scheme liability	-	-	(2,136)	(2,136)
Net assets including pension liability	4,528	34,393	67,852	106,773

13 Statement of funds

	At 1 January 2010	Incoming resources	Outgoing resources	Gains/ (losses)	Transfers	£'000 At 31 December 2010
General fund	66,916	86,932	(88,835)	4,658	317	69,988
Designated funds						
PetAid hospital replacement	34,110	-	-	-	283	34,393
	34,110	-	-	-	283	34,393
Unrestricted funds excluding pension reserve	101,026	86,932	(88,835)	4,658	600	104,381
Pension reserve	(1,536)	-	-	-	(600)	(2,136)
Total unrestricted funds	99,490	86,932	(88,835)	4,658	-	102,245
Restricted funds						
Liverpool (Huyton) PetAid hospital, The Thomas Williams Centre	205	-	(12)	-	-	193
Veterinary treatment in the Blackburn area	14	-	(14)	-	-	-
Restricted legacies	1,877	4,494	(4,892)	-	-	1,479
Equipment and van for Kent	70	-	(13)	-	-	57
Belfast Urban Development grant	61	-	(3)	-	-	58
Liverpool (Kirkdale) PetAid hospital, The Jeanne Marchig Centre	111	-	(5)	-	-	106
Liverpool (Kirkdale) PetAid hospital, The Jeanne Marchig Centre – appeal	893	-	(39)	-	-	854
Sunderland PetAid hospital, The Reay Hudson Centre – appeal	338	393	(29)	-	-	702
Glasgow (Shamrock Street) PetAid hospital – appeal	170	11	(11)	-	-	170
Llanelli PetAid branch – appeal	13	-	-	-	-	13
Digital x-ray appeal	126	111	(25)	-	-	212
Plymouth PetAid hospital, The Gwen Rees Centre – appeal	3	373	-	-	-	376
Operating table – Wolverhampton PetAid hospital	2	-	-	-	-	2
Veterinary Care Assistants	-	16	(16)	-	-	-
Cardiff PetAid hospital – appeal	-	5	-	-	-	5
Birmingham (Quinton) PetAid hospital – appeal	-	2	-	-	-	2
National PetAid hospital appeal	-	49	-	-	-	49
Southampton PetAid branch	-	250	-	-	-	250
Miscellaneous restricted donations less than £10,000	-	105	(105)	-	-	-
Total restricted funds	3,883	5,809	(5,164)	-	-	4,528
Total funds excluding pension reserve	104,909	92,741	(93,999)	4,658	600	108,909
Total funds	103,373	92,741	(93,999)	4,658	-	106,773

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

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

- PetAid hospital replacement fund, designated for the replacement of PetAid hospitals at the end of their economic lives; this is a long-term fund with an indefinite life.

A transfer from the general fund of £283,000 has been made to increase the fund to the current projected level.

The general fund increased by £600,000 due to transfers relating to the pension reserve – where actuarial adjustments exceeded the value of additional pension contributions made by the charity (both to the Retirement Benefit Plan and an escrow account).

The restricted funds have been provided for the following purposes:

- Liverpool (Huyton) PetAid hospital, The Thomas Williams Centre, funded by the European Regional Development Fund. The grant will be released to the General Fund over the economic life of the PetAid hospital.
- Veterinary treatment in the Blackburn area funded by the estate of Mrs C R Brown, deceased. During the year special requests for veterinary treatment in this area totalled £14,000 (2009: £43,000).
- Funds bequeathed by legators for use within a specific geographical location. The balance carried forward comprises legacies received and not yet expended at Aberdeen £148,000, Cardiff £14,000, Huddersfield £5,000, Ilford £917,000, Southend £35,000, Portsmouth (Southsea) £16,000, and Helmsley/Kirbymoorside £344,000.
- Legacy received from the estate of Mrs B J Morris, deceased, for the provision of veterinary equipment and van in Kent.
- An urban development grant towards the PetAid hospital in Belfast from the Department of Social Development, Northern Ireland. The grant will be released to the General Fund over the economic life of the PetAid hospital.
- Donation received from Stiftung zur Forderung der Tierschutzes for building Liverpool (Kirkdale) PetAid hospital, The Jeanne Marchig Centre, to be written off over the life of the PetAid hospital.
- Donations received regarding the Sunderland PetAid hospital, The Reay Hudson Centre, will be released over the life of the asset.
- Donations received regarding the Glasgow (Shamrock Street) PetAid hospital appeal, will be released over the life of the asset.
- Donations received regarding the Llanelli PetAid branch appeal will be released over the life of the branch.
- Donations received regarding the digital x-ray appeal, which will be released over the life of assets purchased at varying locations.
- Plymouth PetAid hospital, The Gwen Rees Centre, appeal donations have yet to be expended.
- Donations received for an operating table at Wolverhampton PetAid hospital, to be released over the life of the asset.
- Donations received from an appeal for the ongoing costs of Veterinary Care Assistants.
- Cardiff PetAid hospital appeal donations have yet to be expended.
- Birmingham (Quinton) PetAid hospital appeal donations have yet to be expended.
- National PetAid hospital Capital Appeal donations have yet to be expended.
- Donation received from the Stainer Foundation for a PetAid branch at Southampton has yet to be expended.
- Miscellaneous restricted donations received that are less than £10,000 are shown here in aggregate.

14 Capital commitments

Group and charity

Purchase of tangible fixed assets authorised but not contracted

2010 2009

4,783 5,517

15 Operating lease commitments

Group and charity

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

Leases that expire

Within one year

Within two to five years

After five years

2010 2009

669 417

1,878 1,966

1,353 1,468

3,900 3,851

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

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

The total taxable profit is gifted to the charity. No loans are advanced by the charity to its subsidiaries. A summary of the results of the subsidiaries is shown below.

For the year ended 31 December	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2010	2009	2010	2009	2010	2009
Turnover	9,750	9,409	-	-	6,316	4,405
Cost of sales	(3,132)	(2,750)	-	-	(4,928)	(3,321)
Gross profit	6,618	6,659	-	-	1,388	1,084
Administration expenses	(4,266)	(4,222)	(2)	(2)	(217)	(281)
Net profit	2,352	2,437	(2)	(2)	1,171	803
Interest received	1	5	-	1	1	5
Gifted to The People's Dispensary for Sick Animals	(2,353)	(2,442)	-	-	(1,172)	(808)
Retained profit	-	-	(2)	(1)	-	-

The aggregate of the assets, liabilities and funds was:

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2010	2009	2010	2009	2010	2009
Assets	1,608	1,849	25	27	1,463	1,157
Liabilities	(1,601)	(1,842)	(28)	(28)	(1,463)	(1,157)
Funds	7	7	(3)	(1)	-	-

17 Related parties

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

The charity operates a defined benefit pension scheme. The most recent triennial actuarial valuation was as at 31 December 2008 and showed a deficit of £16.5 million.

A future funding schedule has been agreed with the Trustees of the Retirement Benefits Plan (1978) to eliminate the deficit over the fifteen years to December 2023, which includes the payment of certain funds into an escrow account.

An independent qualified actuary has updated the results from the 31 December 2008 valuation for FRS17 purposes. The inflation assumptions used at 31 December 2010 remain consistent with the 31 December 2008 valuation reflecting the salary structure of the cohort of scheme members at the balance sheet date.

Amounts for the current and previous four periods

	2010	2009	2008	2007	2006
Defined benefit obligation	(71.6)	(62.2)	(50.3)	(58.1)	(55.7)
Scheme assets	69.5	60.7	50.4	52.3	45.0
(Deficit)/surplus	(2.1)	(1.5)	0.1	(5.8)	(10.7)
Experience gain/(loss) on scheme liabilities	1.7	1.7	-	-	(1.4)
Experience gain/loss on scheme assets	2.9	3.9	(9.1)	(0.3)	2.7

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

	2010	2009
Discount rate	5.40%	5.80%
Expected return on scheme assets (for the following year)	5.43%	5.45%
Future salary increases	3.00%	3.00%
Future value of pensions in deferment	2.75%	2.75%
Average rate of increase in pensions (5% LPI)	2.75%	2.70%
Average rate of increase in pensions (2.5% LPI)	2.50%	Not disclosed
Mortality assumptions (actuarial tables used)	S1PA year of birth tables with CMI projections and 0.75% long-term trend rate	PNA00 projected to the calendar year 2020 with medium cohort improvements
Average expected future life at age 65 for:		
Male currently aged 65	21.6	21.7
Female currently aged 65	23.6	24.0
Male currently aged 45	22.6	21.7
Female currently aged 45	24.8	24.0

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

Assets and liabilities of the scheme

£'000

	2010		2009	
Assets	Expected return		Expected return	
Corporate bonds	5.40%	5.2	5.80%	4.7
Gilts	4.20%	27.6	4.40%	23.5
Equities and property	6.60%	35.3	6.60%	30.1
Cash	0.50%	1.4	0.50%	2.4
Fair value of scheme assets		69.5		60.7
Present value of funded obligations		(71.6)		(62.2)
Deficit		(2.1)		(1.5)
Related deferred tax (liability)/asset		no allowance		no allowance
Net pension liability		(2.1)		(1.5)

The pension scheme assets include no assets from the charity's own financial instruments and no property occupied by, or other assets used by the charity. The pension scheme assets include an escrow account with a value of £0.6 million at 31 December 2010. The funds in this account are to be used for deficit mitigation exercises for the Plan.

Changes in the present value of the defined benefit obligation

	2010	2009
Opening defined benefit obligation	62.2	50.3
Service cost	2.5	1.7
Contributions by scheme participants	0.8	0.8
Interest on scheme liabilities	3.6	3.3
Actuarial losses	4.4	8.0
Benefits paid	(1.9)	(1.9)
Closing defined benefit obligation	71.6	62.2

Changes in the fair value of scheme assets

	2010	2009
Opening value of the scheme's assets	60.7	50.4
Expected return	3.0	3.0
Actuarial gains	2.9	3.9
Contributions by employer to the plan	3.4	4.5
Contributions by employer to the escrow account	0.6	-
Contributions by scheme participants	0.8	0.8
Benefits paid	(1.9)	(1.9)
Closing fair value of the scheme assets	69.5	60.7

The actual return on the scheme's assets was

2010	2009
5.9	6.9

The charity expects to contribute 12.9% of pensionable salaries to The People's Dispensary for Sick Animals Retirement Benefits Plan (1978) in the next financial year and at least an additional £0.9 million in respect of deficit contributions. Additional contributions of £0.8 million are expected to be paid into the escrow account in the next year.

The amounts recognised in the Consolidation Statement of Financial Activities

	2010	2009
Service cost	2.5	1.7
Interest on obligation	3.6	3.3
Expected return on scheme assets	(3.0)	(3.0)
	3.1	2.0
Actuarial losses on the defined benefit obligation	4.4	8.0
Actuarial gains on the scheme assets	(2.9)	(3.9)
	1.5	4.1
Total	4.6	6.1
Cumulative actuarial losses	13.0	11.5

Notes



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

For more information on the charity and its work,
freephone: **0800 917 2509**
visit: **www.pdsa.org.uk**

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

