A photograph of a woman with blonde hair holding a tabby cat. They are both looking towards the right. The background shows a white wall with a dark rectangular panel. The entire image has a blue tint.

Report & Accounts 2009

pdsa

for pets in need of vets



PDSA Patron, HRH Princess Alexandra, the Hon. Lady Ogilvy, KG, GCVO, unveils the plaque at £1.5 million Kirkdale, Liverpool PDSA PetAid hospital, The Jeanne Marchig Centre

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

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Bankers

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 2nd Floor
 125 Colmore Row
 Birmingham
 B3 2SF

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

Actuary

PricewaterhouseCoopers LLP
 Waterfront Plaza
 8 Laganbank Road
 Belfast
 BT1 3LR

Chairman's foreword

2009 has proved to be another year of significant achievement for PDSA in the pursuit of our objectives to relieve animal suffering and promote responsible pet ownership. Combining the commitment and energy of our staff, volunteers and PetAid practice partners with the loyalty and generosity of our donors and supporters we have been able to treat almost 392,000 sick and injured animals, administered 363,530 preventive treatments, increased total income by 3.9% to £93.2 million (including an increase in voluntary income of 7.8%) and increased our expenditure on veterinary services for communities in most need of support to over £53 million.

It is our ongoing aim to improve the provision of our services through our network of PetAid hospitals and practices. During 2009 we completed a major refurbishment of our PetAid hospital at Shamrock Street, Glasgow, to provide upgraded clinical and building facilities and the benefits are already being seen over a wide range of improved client services. In addition, we opened a new PetAid branch at Llanelli to support our busy Swansea PetAid hospital and commenced the development of a replacement PetAid hospital at Sunderland which is due for completion in late 2010. These are all important milestones as we strive to increase the quality and availability of services to our clients.

Our achievements in 2009 are all the more remarkable when set against the background of the worst economic recession for over 80 years. A consequence of recession is higher unemployment and this leads to a greater demand for, and therefore cost of, our free veterinary services. However, like many charities, we are seeing increasing pressure on our sources of income to provide the financial support to our

operations, reflecting the competition for the donated pound. Against these pressures our aim is to continue to meet the increased demand for our services and this will continue to be our objective through 2010. In times of economic uncertainty it is especially important that we have in place robust financial systems and a strong focus on cost control and I am confident that through our Senior Management Team we have the systems and resources to ensure the long-term viability of our service provision and our mission to care for the pets of people in need.

Our financial statements show that we continued to make an operating surplus. In addition, our investment portfolio recovered from the low value recorded at the end of 2008, benefiting from the significant improvements in investment markets during 2009 to increase the level of our reserves at the year end. Our reserves are important to us, particularly in these difficult economic times, and provide the necessary flexibility for us to support our mission and plan forward effectively.

Our success could not have been achieved without the dedication of our people, whether they are in PetAid hospitals, retail stores or offices. Visiting our premises up and down the UK I sense the dedication of our veterinary staff, the enthusiasm of our shop managers, staff and volunteers and the professionalism of support staff in the offices. There is a clear commitment to achieving our mission to treat more sick and injured animals of people in need.

On a sad note, I have to record the death of Member, former Trustee and Chairman, Mr Roy Trustram Eve, OBE DL. Roy was a Trustee for 27 years and Chairman for 6 years, retiring from PDSA Council in 2006.



Mr Michael Bolton
Chairman

On 31 December 2009, my predecessor, Mr Freddie Bircher, retired as Chairman and I would like to place on record my appreciation of the contribution he has made to the ongoing success of PDSA. During his tenure as Chairman, PDSA has shown significant growth and I am in no doubt that it is due to his strong leadership that we have the ability to face the challenges that lie ahead successfully.

We at PDSA believe that the future will be challenging on all fronts, whether it be demand for our services or funding those services. However, with the commitment and dedication of our people and the benefits of prudent management over many years, we have the resources, determination and flexibility to deliver our mission into the future with confidence.

A handwritten signature in black ink, which appears to read "Michael Bolton". The signature is written in a cursive style and is positioned above a horizontal line.

Michael Bolton
Chairman

PDSA Trustees

Patron

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

Trustees (Council)

Chairman

Mr Freddie Bircher, MA*
(to 31 December 2009)

Mr Michael Bolton, FCA*
(from 1 January 2010)

Deputy Chairmen

Mr Chris Heaps, LLB# (to 18 June 2009)

Mr Mike Radford, OBE, LLB#

Other Trustees

Sir John Butterfill, FRICS, MP*

Mr Richard Clowes, BSc (Hons) Mech Eng*

Mr Mike Dernie, BA, FRSA

Mr Noel Guilford, BA, FCA*#
(appointed 18 June 2009)

Mr Roger Hills*

Dr Jerry Lucke, BVSc, PhD, DVA, MRCVS#
(retired 22 September 2009)

Brigadier (Rtd) Andrew Warde, CBE,
BVetMed, MSc, MRCVS#

* Member of the Finance & Investment Committee

* Member of the Audit Committee



Mr Freddie Bircher
Chairman



Mr Chris Heaps
Senior Deputy Chairman



Mr Mike Radford
Deputy Chairman



Mr Michael Bolton



Sir John Butterfill



Mr Richard Clowes



Mr Mike Dernie



Mr Noel Guilford



Mr Roger Hills



Dr Jerry Lucke



Brigadier (Rtd.) 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 and cover up to three of their companion animals.

Strategic objectives

We aim to reach as many eligible clients and their pets as possible. Therefore, we are working towards:

Maintaining existing PDSA PetAid services

We aim to maintain our free PetAid services in every community in which they are available on a stable, sustainable and long-term basis. Key goals are to:

- Optimise the use of our veterinary resources.
- Maintain and improve the satisfaction of our clients with our service.
- Keep clinical costs within a manageable level.

Expanding PDSA PetAid services

We aim to expand PDSA PetAid services as widely as funds and circumstances permit. Key goals are to:

- Expand free PetAid services to new locations and increase our capacity in our existing locations.
- Increase take-up of free PetAid services at PetAid hospitals, branches and contracted private practices UK-wide.
- Work within a clear and controlled business plan.

Raising public perception and awareness of our work

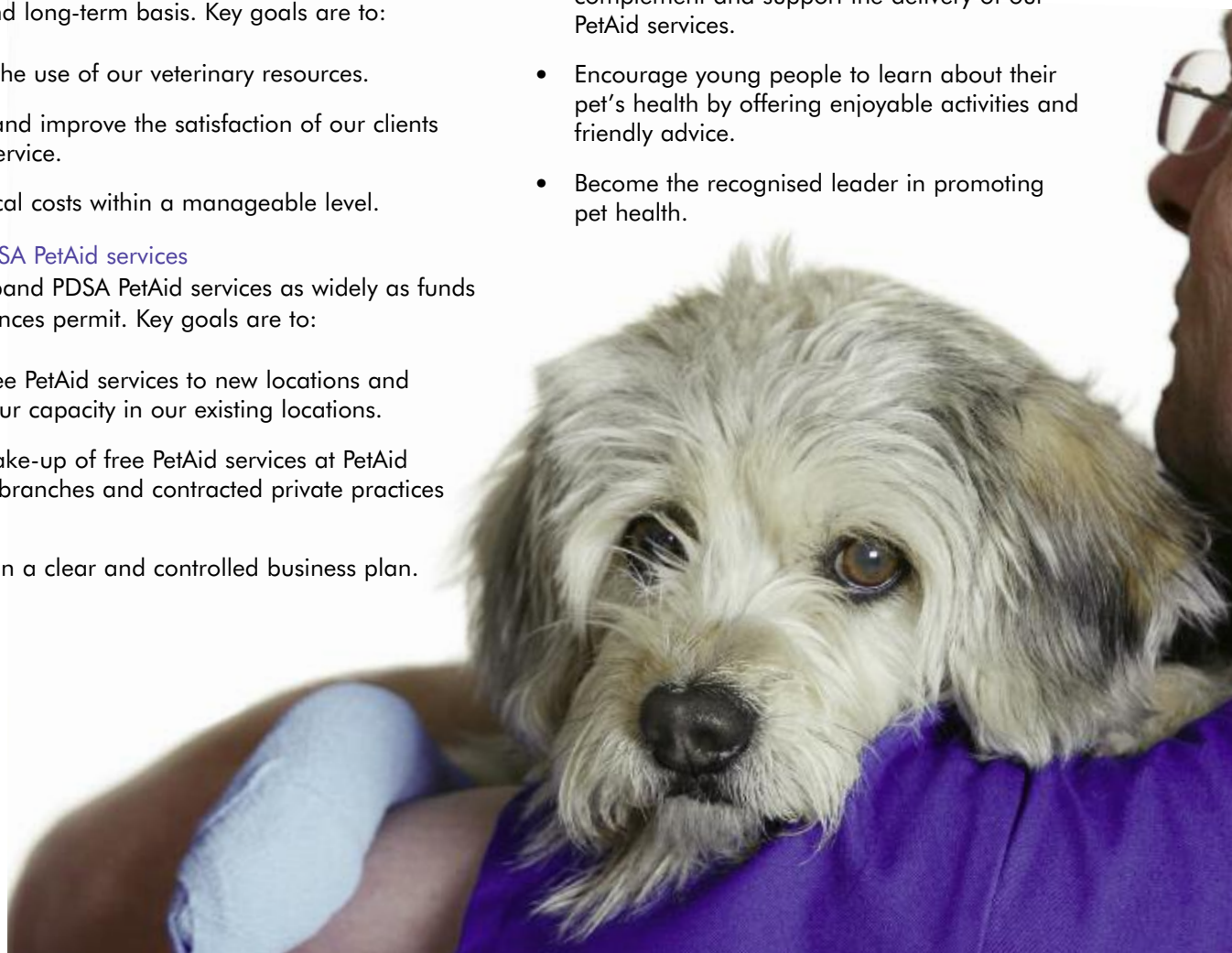
We aim to raise public perception and awareness of PDSA activity in order to increase understanding of our work and encourage funding. Key goals are to:

- Increase awareness of free PetAid services and how to access them among eligible pet owners.
- Promote PDSA through a blend of targeted communication channels.
- Raise public awareness of PDSA and its work among our target donor groups.
- Generate sustainable income through a greater diversity of income sources.

Promoting responsible pet ownership

We aim to deliver a varied programme of pet health initiatives. Key goals are to:

- Use the expertise and professionalism of our veterinary staff to deliver pet health initiatives that complement and support the delivery of our PetAid services.
- Encourage young people to learn about their pet's health by offering enjoyable activities and friendly advice.
- Become the recognised leader in promoting pet health.



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 and are 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 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 challenge for young supporters.

Shared services

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

- Developing and implementing strategies that enable PDSA staff and volunteers to fulfil their potential and engage and motivate them in the delivery of the Business Plan.
- Recruiting and retaining dedicated staff and volunteers, and encouraging them to deliver the highest possible standards.
- Using resources prudently.
- Maintaining a comprehensive, PDSA-wide staff communication and consultation body.
- Implementing control measures that ensure legal and financial compliance.
- Investing in appropriate resources and following clear IT, property and procurement strategies.
- Protecting, supporting and developing the infrastructure of PDSA and managing strategic and operational risks.

Executive Staff

Director General

Jan McLoughlin, MSc, CBiol, MSB

Director of Veterinary Services

Richard Hooker, BVMS, MRCVS

Director of Finance & Business Development

Martin Clemmey, MA, MBA, FCA
(resigned 20 February 2009)

Diane Parsons (Interim) (appointed 2 March 2009 and resigned 30 September 2009)

Director of Finance

Graham Pick, ACA
(appointed 22 June 2009)

Director of Marketing

Mike Crossley, BA (Hons)

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 services 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, 352 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 cover up to three companion animals for each eligible pet owner: all popular domestic pets are treated, for example dogs, cats and those described as 'small furries'.

Below is a summary of the key impacts of our work in 2009:

Animals treated

- Through our PetAid hospitals and branches we treated a record 343,280 sick and injured animals that otherwise may have suffered unnecessarily.
- A further 41,500 animals were registered at our PetAid practice partners.
- Nearly 6,500 requests were funded through our PetAid request service.

Value for money

- We spent over £53 million on delivering much-needed pet care treatment, education and information to disadvantaged communities across the UK.
- Client complaints ran at less than 0.23% 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 £433,000.

Pet Health

- 45% of our registered clients took advantage of our preventive services.
- 176,500 animals benefited from preventive treatments in PetAid hospitals.
- In June 2009, National Vaccination Month and National Microchipping Month resulted in nearly 7,000 primary vaccinations and microchips being carried out.

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

Our Operations

Maintaining existing PDSA PetAid services

Key objectives and achievements in 2009	Key objectives for 2010
<p>1. Replacement of existing PetAid hospitals</p> <p>We aimed to acquire up to three sites, targeting Plymouth, Birmingham (Quinton) and Cardiff, and begin building a replacement PetAid hospital at Sunderland in the autumn.</p> <ul style="list-style-type: none">• Suitable sites have been identified in all three locations and we are in advanced stages of negotiations with contracts drafted.• A revised planning application for Sunderland was approved and building contracts tendered. To assist capital funding and cash flow the construction phase was delayed until early 2010.	<p>We aim to:</p> <ul style="list-style-type: none">• Secure three replacement sites with full planning consents in Plymouth, Birmingham (Quinton) and Cardiff.• Complete construction of the replacement Sunderland PetAid hospital.
<p>2. Refurbishment</p> <p>We aimed to spend £0.7 million on building maintenance, necessary due to the high levels of wear and tear caused by the increasing throughput of animals, and fully refurbish Shamrock Street, Glasgow PetAid hospital at a cost of £0.3 million.</p> <ul style="list-style-type: none">• Controlled and targeted property expenditure to £0.69 million.• Refurbished Shamrock Street, Glasgow PetAid hospital at a cost of £0.3 million.• Improved PetAid hospital capacity through reconfiguration of existing space or extensions in Sheffield, Bradford, Hull, Aberdeen and Croydon.• Reconfigured 12 reception areas to improve work flows and aid client throughput.	<p>We aim to:</p> <ul style="list-style-type: none">• Continue the programme of maintenance work and target property expenditure in the PetAid hospital service.• Refurbish Portsmouth and Nottingham PetAid hospitals.• Increase consulting room space at Hendon and Coventry PetAid hospitals.• Increase available car parking space at a number of PetAid hospitals to ease client throughput.
<p>3. Partnership</p> <p>We aimed to continue to operate the Northampton PetAid hospital through Best Friends Group and continue to contract out-of-hours (OOH) work to external providers where available and cost-effective.</p> <ul style="list-style-type: none">• Re-signed licence and lease agreements with Best Friends Group.• Outsourced further OOH work in Middlesbrough, Hendon and Portsmouth.• Moved OOH work in Stoke and Glasgow PetAid hospitals off-site, to assist in their daytime operational effectiveness.	<p>We aim to:</p> <ul style="list-style-type: none">• Continue out-sourcing to external providers where cost-effective and undertake reviews of current arrangements.• Continue to operate Northampton PetAid hospital through Best Friends Group.

Our Operations

Expanding PDSA PetAid services

Key objectives and achievements in 2009	Key objectives for 2010
<p>1. Numbers of animals treated</p> <p>We aimed to treat more than 330,000 sick and injured animals, which represented a rise of 5%.</p> <ul style="list-style-type: none">• We treated more than 343,000 sick and injured animals, this was a record number and represented a rise of 9.7%.	<p>We aim to:</p> <ul style="list-style-type: none">• Treat a forecast 380,000 sick and injured animals, which will represent a further 11% rise.• Revisit our working practices to ensure we can meet this demand for our services within the limits of our infrastructure.• Begin the roll-out of digital phone system technologies to our PetAid hospitals in order to improve efficiencies.
<p>2. New PetAid hospitals</p> <p>We aimed to continue to look for an alternative site to purchase in the Blackburn area.</p> <ul style="list-style-type: none">• While site searches continue, given the financial climate our objective in 2009 was adjusted to focus on delivery of our service in our existing PetAid hospital catchment areas, which were subjected to unprecedented demand.	<p>We aim to:</p> <ul style="list-style-type: none">• Conduct a review of our longer-term expansion plans and geographical coverage focusing on the services needed for the northwest of England.
<p>3. PetAid branch opportunities</p> <p>We aimed to complete the acquisition of the leasehold site in Llanelli, Swansea, and commence service delivery in the last quarter of the year.</p> <ul style="list-style-type: none">• The design, acquisition, fit-out of Llanelli branch was completed and opened to the public as planned in November 2009 at a cost of £165,000.	<p>We aim to:</p> <ul style="list-style-type: none">• Acquire the leasehold and fit out a further branch by the last quarter of 2010.• Identify and acquire another leasehold location to be opened early 2011.
<p>4. Additional PetAid practices</p> <p>We aimed to introduce a further five PetAid practice locations.</p> <ul style="list-style-type: none">• A total of three new services and two extensions to existing services were identified, researched and negotiated with veterinary practices in 2009.	<p>We aim to:</p> <ul style="list-style-type: none">• Introduce a further five PetAid practice locations.
<p>5. Coverage of eligible households</p> <p>We aimed to increase PetAid hospital and practice coverage to 78% by the end of the year.</p> <ul style="list-style-type: none">• At the end of 2009, 78.1% of all PDSA eligible households in the UK had access to either a PetAid hospital (58.8%) or practice (19.3%) service.• The remaining eligible households have access to the PetAid request services.	<p>We aim to:</p> <ul style="list-style-type: none">• Increase PDSA service coverage through the PetAid practice service to 19.8%.• Increase the percentage of all eligible households in the UK with access to either a PetAid hospital or practice service to 78.6%.

Our Operations

Raising awareness and funding

Key objectives and achievements in 2009	Key objectives for 2010
<p>1. Legacy Marketing & Major Donors</p> <p>We aimed to obtain 2,725 pledges and 5,170 enquiries and generate £1.7 million in trusts and major donor income.</p> <ul style="list-style-type: none">• Due to lower mailing responses, 2,591 pledges were obtained.• PDSA received 8,839 legacy enquiries; an increase of 122% year on year.• Generated £1.2 million income from trusts and major donors.• Capital appeal launched for new PetAid hospital build in Sunderland.• Successful capital appeal enabled the refurbishment of Shamrock Street, Glasgow PetAid hospital.	<p>We aim to:</p> <ul style="list-style-type: none">• Obtain 2,750 pledges.• Obtain 8,000 enquiries.• Launch a £6 million capital appeal.• Generate £0.6 million in discretionary legacy income.
<p>2. Lottery</p> <p>We aimed to recruit or activate 67,000 donor names, generate income of £4.8 million and integrate Prize Draw into the overall donor strategy.</p> <ul style="list-style-type: none">• Recruited or reactivated 66,588 supporters.• Prize Draw used for reactivating lapsed supporters.• Generated £4.5 million income, reduced due to the recession and postal strikes.	<p>We aim to:</p> <ul style="list-style-type: none">• Maintain income at similar levels to 2009.• Recruit or reactivate 65,000 supporters.• Test new channels for supporter acquisition.
<p>3. Committed giving</p> <p>We aimed to increase committed givers by 8% to 114,000, increase income by 12% to £8.4 million and develop an enhanced lapsed supporter encouragement strategy.</p> <ul style="list-style-type: none">• Reached 103,997 committed givers.• Income increased to £8 million.	<p>We aim to:</p> <ul style="list-style-type: none">• Increase number of committed givers by 9%.• Generate £8 million income.
<p>4. Client contributions</p> <p>We aimed to increase client contributions by a further £0.6 million.</p> <ul style="list-style-type: none">• We completed the roll-out of our new way of asking for contributions.• Client contributions rose by £0.7 million.	<p>We aim to:</p> <ul style="list-style-type: none">• Grow further our client contribution by £0.7 million to £7.2 million representing 13.5% of our total charitable expenditure.• Generate £0.46 million in voluntary contributions from PetAid practice clients.

Key objectives and achievements in 2009

5. National awareness

We aimed to discontinue brand TV spend in 2009, grow the digital presence to reach younger audiences and grow spontaneous and semi-prompted awareness to 29% and total awareness to 71%.

- No brand TV spend in 2009.
- Digital presence and engagement grew through Facebook, Twitter, YouTube, Flickr and Bebo.
- Marketable email growth year on year of 103%.
- Digital channel income growth year on year of 153%.
- Spontaneous and semi-prompted awareness was 24%.
- Total awareness was 62%.

6. Retail

We aimed to restore profitability to levels seen in previous years, trial a centralised processing and distribution centre in order to maximise the distribution of donated goods to PDSA stores and raise sales through eBay and temporary stores.

- Profitability increased by over 30% year on year.
- Distribution centre established in the West Midlands.
- eBay generated over £32,000.
- Five temporary stores opened.

7. Media coverage

We aimed to increase national newspaper coverage by over 5%, increase TV/radio coverage by over 10% and increase online coverage by over 20%.

- National press coverage increased by 11%.
- TV coverage increased by 18%.
- Radio coverage reduced by 25%.
- National online coverage increased by 18%.

Key objectives for 2010

We aim to:

- Grow digital presence by 10%.
- Grow digital income by 50%.
- Grow marketable emails by 33%.
- Grow spontaneous and semi-prompted awareness to 28%.
- Grow total awareness to 68%.
- Update store-front branding.

We aim to:

- Improve donated stock levels through new ways of organisation and collection.
- Close loss-making stores and introduce up to 14 more temporary stores.
- Introduce a new core pet-related product range in our stores.
- Introduce online trading, starting with eBay and Amazon.
- Introduce opportunities from contract sources including dry recyclables and business partnerships.

We aim to:

- Increase national press coverage by 10%.
- Increase TV coverage by 15%.
- Increase online coverage by 10%.

Our Operations

Communicating the Responsible Pet Ownership message

Key objectives and achievements in 2009	Key objectives for 2010
<p>1. Preventive services</p> <p>We aimed to increase overall sales by a further £0.3 million, or 8% to £4.1 million.</p> <ul style="list-style-type: none">• Sales increased by £0.5 million or 13% to £4.3 million.• Net income, used to help fund our charitable services, reached a record £0.95 million.• 112,304 preventive procedures were performed and 251,226 preventive products supplied.	<p>We aim to:</p> <ul style="list-style-type: none">• Increase sales by a further £0.22 million or 5% to £4.5 million.• Generate £1.01 million net income.
<p>2. Pet health</p> <p>We aimed to expand our evidence-based Long Live Pets programme, focusing on the two new issues of behaviour and zoonoses (diseases transmitted from animals to humans), grow the <i>Walkies</i> event and establish measures to track our impact on pet health.</p> <ul style="list-style-type: none">• The <i>Walkies</i> event was scaled down to one flagship event in support of the Sunderland capital appeal in order to mitigate any risk of financial exposure.• Your Right Pet was launched; a digital online application device to help potential pet owners select an appropriate pet.• A high media profile was achieved on our latest Long Live Pets topics – pet behaviour and zoonoses (diseases transmitted from animals to humans).• Measures were developed to help our understanding of the impact of our pet health activities.	<p>We aim to:</p> <ul style="list-style-type: none">• Promote our key pet health messages in the media to drive PDSA awareness and improve pet health.• Launch the UK's first Pet Health Index, a survey of the nation's pet health status.
<p>3. PetCheck programme</p> <p>We aimed to complete 320 PetCheck days, increase attendance by 5% and support the ASDA pet health month.</p> <ul style="list-style-type: none">• We completed 419 PetCheck days, including 43 ASDA store visits and 35 days at PetAid hospitals, running weight check clinics.• Visitor numbers reached 69,810, representing an average daily increase of 34%.• We partnered with ASDA in their two Pet Events in January and August.	<p>We aim to:</p> <ul style="list-style-type: none">• Expand the range of services offered through the PetCheck vehicles, the first of which was generously sponsored by Julie and Robert Breckman.• Continue visits to selected PetAid hospitals.• Control running costs to those of 2009 by careful planning and negotiation.

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.

The Chairman, Mr Freddie Bircher, announced in June 2009 his intention to retire as Chairman at 31 December 2009 and to retire as a Trustee in June 2010. Mr Michael Bolton was duly elected as Chairman of PDSA Council, effective from 1 January 2010.

Mr Chris Heaps retired as Senior Deputy Chairman on rotation at the Annual General Meeting and Mr Mike Radford remained as the Deputy Chairman.

Mr Noel Guilford was appointed a Trustee at the Annual General Meeting. He is a chartered accountant, with over 30 years' experience in the accounting profession, particularly corporate finance and business consultancy.

Mr Roy Trustram Eve, OBE, DL, Member, former Trustee and Chairman of PDSA, passed away in May 2009.

Governance review

The Governance Subcommittee, comprising the Chairman, Deputy Chairman, Director General, Chairman of the Finance & Investment Committee and Chairman of the Audit Committee, met regularly throughout 2009. Key areas of governance which were discussed and reviewed included the election procedure for Chairman of Council, terms of office, membership of committees, terms of reference of committees and recruitment of trustees.

The findings and recommendations of the Governance Subcommittee were reported to Council in December 2009 and approved.

Committees

The committees that met regularly during 2009 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; Governance Subcommittee, which reviews governance, structure and practice; and Audit Committee, which considers risk and internal and external audit matters. The Audit Committee also receives an annual report on health and safety matters.



Members of PDSA Council

As a result of the change in Chairmanship of PDSA in 2009 and the subsequent governance reviews, there were changes to Committee membership and chairs, with effect from 1 January 2010. They 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
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 Andrew Warde
Mr Noel Guilford

• Special Purposes Committee

Director General (Chair)
Senior Management Team

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 approximately ten to twelve trustees. However, Council may plan to increase this number to take account of planned retirements while maintaining an appropriate range of skills and expertise. Trustees normally serve 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 is provided. In 2009 a formal programme of trustee visits to PetAid hospitals and stores was completed, 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, Shropshire, but most day-to-day management takes place at a local level.

A new Business Services Directorate was formed, responsible for Retail, Property Services, Facilities Management, Procurement, and Health & Safety. Andrew Holl took up the post of Director of Business Services in January 2009. At the same time Mike Crossley took up the position of Director of Marketing, responsible for Direct Marketing, Legacy Marketing, Major Donors and Trusts & Grants, Marketing Services and PR. The Director of Finance & Business Development resigned in February 2009 and, following a recruitment process, Graham Pick was appointed Director of Finance in June 2009.

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 and the Charities (Accounts and Reports) Regulations 1995 to 2000. 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 position and processes is undertaken annually.

Council is satisfied that the major risks identified have been mitigated where necessary; 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. With the establishment of a new Internal Communications department, PDSA has continued to focus on communicating PDSA's vision, mission and Business Plan which, together with the Performance and Development Review process, have assisted staff in understanding more clearly the role that they can play in the delivery of PDSA's Business Plan. PDSA has launched its new internal communications strategy which is designed to 'Inform, Involve and Inspire' staff and volunteers using communications channels such as its quarterly magazines, *PDSA News* and *Focus*; weekly updates such as *Veterinary Bulletin* and *Retail News*; PDSA's intranet, *Pawtal*; and its newly launched team briefing system, *TeamTalk*.

PDSA has developed and implemented 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. 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. PDSA gained Investing in Volunteers accreditation in 2007. PDSA has continued, during 2009, to maximise the benefits to be gained from attaining this quality standard which recognises good practice in all aspects of volunteer management. Together PDSA's volunteers contribute an estimated 1.25 million hours each year which equates to a potential annual salary cost saving of £10.3 million. PDSA celebrates and recognises volunteers through its annual Volunteers' Week and Volunteer Awards programme.



Janet Burns receiving her Volunteer of the Year Award from Michael Bolton, who was appointed PDSA Chairman in 2010.



Financial review

Overview

During 2009 the key challenges were:

- Accommodating the growth in demand of sick and injured animals requiring treatment (9.7% increase year on year).
- Controlling costs and cash flow.
- Generating income in a difficult economic environment.

However, despite these challenges, net incoming resources were £3.9 million (2008: £1.1 million) to which is added a positive return on investments where a gain of £6.9 million (2008: loss £17.4 million) in the value of our investment portfolio was achieved.

Total incoming resources were 4% higher than 2008, with further significant growth seen in preventive services (13%). Despite concerns about the economy and, particularly, the condition of the housing market, legacies receivable of £41.2 million were the highest recorded, an increase of 11% compared to 2008. A modest, but important, increase of 2% was achieved in donations and gifts. However, investment income declined by 21% as a result of very low interest rates, a change in the mix of assets held and lower dividend income.

Donations grew because of the continued success of the client contributions encouragement programme in the PetAid hospitals, which further increased this source of income by £0.7 million. Preventive services income also continued to grow and produced a net income stream to the charity of £0.6 million.

Income from merchandising was only slightly lower than 2008; however the UK retail sector has suffered significantly over the past year. New goods sales were 6% lower than 2008 as a result of clearing stocks of old lines and replacement lines being planned with higher margins. Challenges have been experienced in obtaining sufficient quantities of donated goods – sales reduced by £0.1 million (1%). The proportion of income that was gift aided increased by 18%, generating a further source of income. There has been a sustained focus on cost reduction in order to offset this income risk and to improve profitability.

Lottery ticket sales again declined this year (13%) and cost savings have also been vigorously pursued in this area. The marketing team is engaged in developing strategies to produce new and attractive products for our supporters to supplement this income.

Resources expended on charitable activities grew by £2.9 million (6%) reflecting growth in client numbers, veterinary cost inflation and preventive services. This cost amounted to 93% of net incoming resources available for charitable activities (2008: 98%). The estimated cost of delivering our PetAid hospital work in the private sector would have been £59 million giving an indication of the public benefit of our work in the communities we serve.

There was an actuarial loss in 2009 of £4.1 million arising from the accounting provision rules for pension liabilities under Financial Reporting Standard 17 – Retirement Benefits (FRS17). 2008 showed a £4.3 million actuarial gain. The loss was primarily due to actuarial assumptions.

We receive no HM Government funding for our PetAid services and therefore rely on generating our income from both voluntary and trading activities.



Director of Finance, Graham Pick,
with Business Analyst, Audra Scott

The following table is an alternative method of presenting our results, which gives additional clarity on the sources of our net income.

	2009		2008	
	£ million	Cost/£	£ million	Cost/£
Voluntary net income	53.3	0.15	46.8	0.19
Trading-related net income	0.6	0.99	0.6	0.97
Asset-related net income	2.3	0.16	3.2	0.10
Preventive services gross income	4.3	0.86	3.8	0.90
Net incoming resources	60.5	0.37	54.4	0.41

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 the mix of sources.

The cost of income relating to trading activity is 99p per pound (2008:97p). However, trading delivers a net surplus which, in 2009, totalled £0.3 million (2008: £0.6 million) and steps continue to be taken to increase the profitability of this element of our activities. If the costs of trading were removed, the cost of delivering our net incoming resources would be 18p per pound (£) (2008:20p).

Legacies receivable remains the largest source of income; some 69% of net income (2008: 65%). However, it is our longer-term aim to reduce the dependence on legacies by growing other income streams.

Fundraising

From the table above it can be seen that the cost of raising voluntary income from our donors has reduced by 4p to 15p per pound (£).

The proportional cost of raising trading income increased in 2009. However, efforts continue to reduce costs and improve the margin on new goods sales.

Within asset-related income, there was a £0.1 million gain on disposals of fixed assets, which was slightly lower than in 2008.

The ratio of the total cost of generating funds to total incoming resources improved during the year to 35% compared with 39% in 2008 and 40% in 2007. 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. The total ratio reduces to 35% (2008: 37%) if the costs of raising public perception and awareness are deducted.

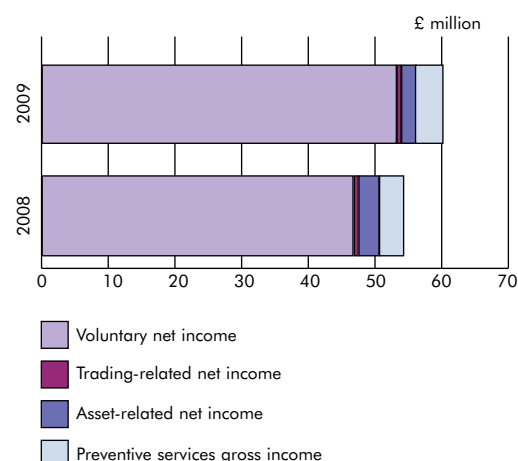
Governance costs represented 0.24% of income (2008: 0.25%).

Investments

Investment income in 2009 was adversely affected by historically low interest rates and lower dividend income. Nevertheless, income in this area forms an important proportion of the charity's incoming resources – in 2009 this was £2.7 million (2008: £3.4 million). The investments comprise:

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

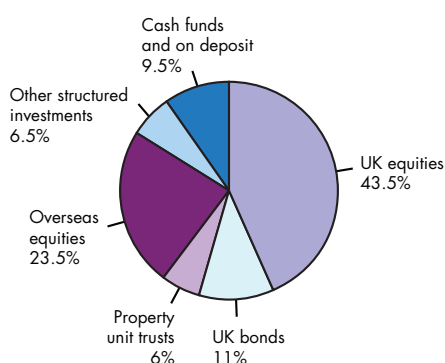
Net income



At the end of 2009, the value of these investments totalled £70.0 million (2008: £61.2 million) and primarily represents the externally managed investment fund element. In the latter part of 2009, there was a restructuring of the fund: the investment manager was instructed to segregate £12.0 million into more liquid funds (No. 2 account); these funds are in part a safeguard against any short-term operational cash needs, but mainly are intended for utilisation by the charity as part of its Strategic Business Plan to maintain and expand the delivery of PDSA's veterinary services. The portfolio enjoyed the benefits of a rising but volatile stockmarket, with capital gains of £6.6 million and income of £2.1 million (net of fees) retained in the fund.

The breakdown of the fund by asset categories as at 31 December 2009:

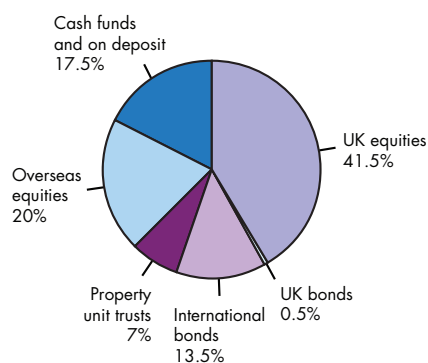
Breakdown of total portfolio 2009



	Main fund £000	Target allocation	Actual allocation	No.2 account £000	Total £000
UK equities	29,329	55%	53.9%	-	29,329
UK bonds	4,209	10%	7.7%	3,300	7,509
Property unit trusts	3,919	10%	7.2%	-	3,919
Overseas equities	15,925	25%	29.3%	-	15,925
Other structured investments		0%	0.0%	4,336	4,336
Cash funds and on deposit	1,059	0%	1.9%	5,177	6,236
Total	54,441	100%	100%	12,813	67,254
Share	80.9%			19.1%	

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. We have an ethical investment policy that precludes investing in any company whose activities have an adverse impact on our underlying beneficiaries i.e. our pet patients. The fund manager is therefore instructed to avoid investing the charity's funds directly in those companies involved in testing on animals for cosmetic and other non-medical purposes as well as in companies involved in any aspect of the fur trade. These are the main areas that the charity wishes to avoid but not necessarily the only fields, as there are other activities that may raise similar ethical issues.

Breakdown of total portfolio 2008



The investment fund is managed on a total return basis, unconstrained by an income requirement, but subject to the charity's ethical investment policy. The fund's Statement of Investment Principles states a target asset allocation as shown in the table above. There is no target allocation for the No. 2 account. The sharp fall in world stock markets in 2008 and the volatility experienced during 2009 have inevitably resulted in the actual allocation of assets deviating from the target. The situation is monitored quarterly by the Finance & Investment Committee with the fund manager. The target return, in general terms, should match or slightly exceed certain benchmarks specified by the Finance & Investment Committee, taking one year with another.

The main fund's total performance for 2009 showed a return of 17.5%, whereas 2008 had a negative return of (17.1%). This performance was one percentage point lower than the composite benchmark of 18.5%. Equities have performed strongly, notably in the UK, Pacific Basin and Emerging Markets.

Investment properties held are revalued each year by external surveyors, and the effect of this in 2009 was an increase in valuation of £0.2 million to £2.6m (2008: reduction of £0.6 million to £2.4m).

Total investment income includes rents receivable from investment properties amounting to £611,000 (2008: £627,000). The balance of investment income was derived from the yields on the charity's investment fund and interest on its deposit accounts and bank balances.

Reserves and going concern

Council reviews its Reserves Policy regularly as part of its business planning process. 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 2009 the charity had reserves, on this basis, of £60.4 million (2008: £56 million) in addition to the contingent assets of the legacy pipeline of £24.8 million. This is in line with the £84 million as required under the latest update of scenario planning.

Due to the unprecedented economic uncertainty, Council regularly reviews financial forecasts and projections taking account of potential impact on future service delivery and cash forecasting has been a particular focus. The charity's investment fund is now highly liquid and has significant 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 as a further contingency. 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 £1.5 million at 31 December 2009 (2008: £0.1 million surplus).

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.

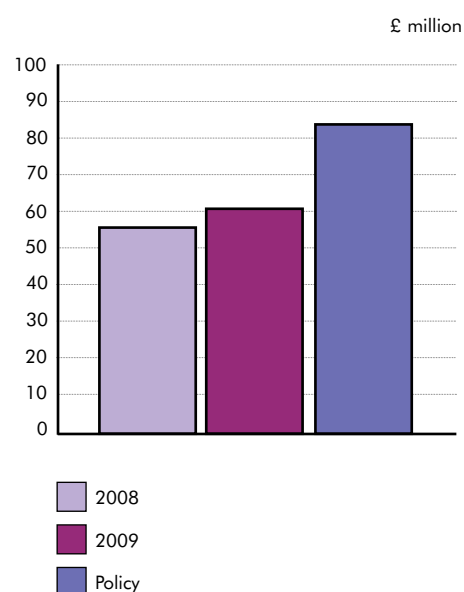
PDSA aims to contain the growth in its commitment to pension provision but at the same time to continue to offer an attractive pension scheme to employees.

PDSA continues to review the pension benefits provided to staff. Recent changes to pension benefits include:

- The defined benefit scheme was closed to new employees in June 2006.
- Contribution rates for defined benefits scheme members were increased in 2008.
- A defined contribution scheme was opened in January 2008 for new employees, although existing members of the defined benefits scheme can transfer to this new scheme at their request.

At the end of 2009, 127 staff had joined the defined contribution scheme.

Reserves

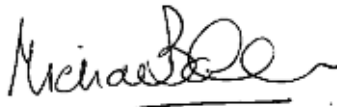


Public benefit in Scotland

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 from charity stores, fundraising groups and PetAid hospitals in Scotland amounted to £4.2 million during 2009 (2008: £4.4 million). Also of note was a direct marketing appeal to raise funds specifically for the refurbishment of the Shamrock Street, Glasgow PetAid hospital, which was generously supported, raising almost £0.3 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
30 April 2010



TV personality, Michelle McManus, right, viewing a patient's x-ray after she officially opened the refurbishment at Shamrock Street, Glasgow PDSA PetAid hospital

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

We have audited the group and individual charity financial statements (the 'financial statements') of The People's Dispensary for Sick Animals for the year ended 31 December 2009, which comprise the consolidated statement of financial activities, the consolidated and individual charity balance sheets, the consolidated cash flow statement and the related notes 1 to 19. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charity's trustees, as a body, in accordance with section 43 of the Charities Act 1993 and regulations made under section 44 of that Act. 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 auditors' 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 auditors

The trustees' responsibilities for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

We have been appointed as auditors under s43 Charities Act 1993 and report in accordance with regulations made under s44 of that Act. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Charities Act 1993 and The People's Dispensary for Sick Animals Acts 1949 and 1956. We also report to you if, in our opinion, the trustees' report is not consistent with the financial statements, if the charity has not kept proper accounting records or if we have not received all the information and explanations we require for our audit.

We read the other information contained in the Annual Report as described in the contents section. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements and of whether the accounting policies are appropriate to the group's and charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view of the group's and individual charity's state of affairs, in accordance with United Kingdom Generally Accepted Accounting Practice as at 31 December 2009 and of the group's incoming resources and application of resources in the year then ended; and
- the financial statements have been properly prepared in accordance with the Charities Act 1993 and The People's Dispensary for Sick Animals Acts 1949 and 1956.

Deloitte LLP

Deloitte LLP
Chartered Accountants and Statutory Auditors
London
21 May 2010

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

					£'000	
For the year ended 31 December 2009		Unrestricted funds	Restricted funds	Total 2009	Total 2008	
Incoming resources						
From generated funds						
	Note					
Voluntary income	2	56,327	6,191	62,518	58,019	
Activities for generating funds	2	23,657	-	23,657	24,319	
Investment income	2	2,695	-	2,695	3,398	
From charitable activities						
Preventive services		4,254	-	4,254	3,760	
From other sources						
Net gain on disposal of fixed assets		66	-	66	164	
Total incoming resources		86,999	6,191	93,190	89,660	
Resources expended						
Cost of generating funds:						
Costs of generating voluntary income	3	9,225	-	9,225	11,182	
Fundraising trading: costs of goods sold and other costs	3	23,347	7	23,354	23,695	
Investment management costs	3	452	-	452	367	
Total costs of generating funds		33,024	7	33,031	35,244	
Net incoming resources available for charitable activities		53,975	6,184	60,159	54,416	
Charitable activities:						
PetAid hospitals	3	38,933	4,954	43,887	41,812	
Contracted PetAid services	3	6,745	629	7,374	7,059	
Promotion of responsible pet ownership	3	1,044	6	1,050	813	
Preventive services	3	3,679	-	3,679	3,387	
		50,401	5,589	55,990	53,071	
Governance costs		3	228	228	226	
Total resources expended		83,653	5,596	89,249	88,541	
Gross transfers between funds	14	-	-	-	-	
Net incoming resources before other recognised gains and losses		3,346	595	3,941	1,119	
Gains/(losses) on investment assets	7	6,856	-	6,856	(17,442)	
Actuarial (loss)/gain on defined benefit pension	19	(4,147)	-	(4,147)	4,300	
Net movement in funds		6,055	595	6,650	(12,023)	
Reconciliation of funds						
Total funds brought forward		93,435	3,288	96,723	108,746	
Total funds carried forward		14	99,490	3,883	103,373	96,723

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

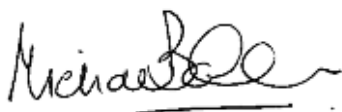
Balance Sheets

£'000

At 31 December 2009

	Note	Group		Charity	
		Total 2009	Total 2008	Total 2009	Total 2008
Fixed assets					
Tangible assets	6	26,668	27,611	27,224	28,188
Investments	7	69,950	61,196	69,950	61,196
Total fixed assets		96,618	88,807	97,174	89,384
Current assets					
Stocks		1,782	1,906	866	899
Debtors	8	5,518	5,886	7,676	8,930
Investments	9	3,633	917	3,633	917
Cash at bank and in hand		3,923	5,520	2,484	3,145
Total current assets		14,856	14,229	14,659	13,891
Creditors – amounts falling due within one year	10	(6,133)	(6,094)	(5,817)	(5,675)
Net current assets		8,723	8,135	8,842	8,216
Total assets less current liabilities					
		105,341	96,942	106,016	97,600
Creditors – amounts falling due after more than one year	11	-	(12)	-	(12)
Provisions for liabilities	12	(432)	(307)	(432)	(307)
Net assets excluding pension (liability)/asset		104,909	96,623	105,584	97,281
Defined benefit pension scheme (liability)/asset	19	(1,536)	100	(1,536)	100
Net assets including pension scheme (liability)/asset		103,373	96,723	104,048	97,381
The funds of the charity					
Restricted income funds	14	3,883	3,288	3,883	3,288
Unrestricted income funds					
Unrestricted income funds	14	66,916	63,215	67,591	63,873
Designated funds	14	34,110	30,120	34,110	30,120
Unrestricted funds excluding pension reserve		101,026	93,335	101,701	93,993
Pension reserve	14	(1,536)	100	(1,536)	100
Total unrestricted funds		99,490	93,435	100,165	94,093
Total charity funds		103,373	96,723	104,048	97,381

Approved by Council and signed on their behalf on 30 April 2010.



Michael Bolton
Chairman

Consolidated Cash Flow Statement

£'000

For the year ended 31 December 2009

	Note	2009	2008
Net cash inflow from operating activities	a	4,264	2,372
Returns on investment and servicing of finance			
Interest received		63	742
Dividends received		2,021	2,029
Net cash inflow from returns on investment and servicing of finance		2,084	2,771
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,717)	(2,723)
Sale of tangible fixed assets		259	281
Purchase of investments		(2,071)	(2,650)
Transfer to pension scheme		(1,700)	(1,700)
Sale of investments		-	40
Net cash outflow from capital expenditure and financial investment		(5,229)	(6,752)
Increase/(decrease) in cash in the year		1,119	(1,609)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the year		1,119	(1,609)
Net funds at 1 January		6,437	8,046
Net funds at 31 December	b	7,556	6,437

Notes to consolidated cash flow statement

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

	2009	2008
Net incoming resources before recognised gains and losses	3,941	1,119
Investment income reinvested	(2,084)	(2,771)
Net gain on disposal of tangible fixed assets	(65)	(164)
Depreciation	2,466	2,608
Movements on investments	173	219
(Decrease)/increase in pension provision excluding actuarial loss	(811)	103
Decrease/(increase) in stocks	124	(178)
Decrease in debtors	368	1,234
Increase in creditors	27	117
Increase in provisions	125	85
Net cash inflow from operating activities	4,264	2,372

b. Changes in cash and current asset investments

	2008	Cash flow	2009
Cash at bank and in hand and current asset investments	6,437	1,119	7,556

Notes to the financial statements for the year ended 31 December 2009

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 18 and elsewhere within the financial statements. The financial statements at 31 December 2009 show that PDSA generated net incoming resources of £3.9 million with cash generated from operating activities of £4.3 million. The financial statements also show that as at 31 December 2009 the group balance sheet had net assets of £103.4 million with net current assets of £8.7 million. The reserves required under the Reserves Policy of £60 million, in conjunction with the contingent asset of the legacy pipeline of £24.8 million, is in line with the estimated requirement in the charity's updated scenario planning which forms part of the latest four-year Business Plan. The charity held cash and short-term investments of £7.6 million as at 31 December 2009 and has generated positive operating cash inflows from continuing operations for each of the last two years to 31 December 2009. 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 suggests that the charity will not be 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 2009.

Fund accounting

General funds are unrestricted funds which 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 which 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.

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 in respect of capital expenditure are credited to restricted funds in full when received, 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 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 charity introduced a Group Personal Pension plan for staff in 2008. The contributions paid by the employer 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

	2009	2008
Voluntary income		
Legacies receivable	41,188	37,033
Donations and gifts	21,330	20,986
	62,518	58,019
Activities for generating funds		
Lottery ticket sales	3,208	3,688
Sale of donated goods*	16,505	16,572
Sale of new goods	3,193	3,408
Other sales income	751	651
	23,657	24,319
Investment income		
Listed securities – dividends	2,021	2,029
Interest on cash held as part of investment portfolio	27	354
Bank and other interest	36	388
Rents receivable	611	627
	2,695	3,398

* 2009 includes income of £2,163,000 of donations from supporters resulting from the sale of their goods through PDSA's Retail Gift Aid programme (2008: £1,836,000).

3. Total resources expended

	Activities undertaken directly	Support costs allocated	2009 Total	2008 Total
Costs of generating voluntary income				
Legacies receivable	1,396	125	1,521	1,810
Donations and gifts	6,733	329	7,062	7,402
Raising public perception and awareness	540	102	642	1,970
	8,669	556	9,225	11,182
Fundraising trading: costs of goods sold and other costs				
Merchandising and store operating costs	19,879	2,050	21,929	22,340
Lottery ticket sales	1,341	84	1,425	1,355
	21,220	2,134	23,354	23,695
Investment management costs	395	57	452	367
Charitable activities				
PetAid hospitals	40,256	3,631	43,887	41,812
Contracted PetAid services	7,268	106	7,374	7,059
Promotion of responsible pet ownership	992	58	1,050	813
Preventive services	3,506	173	3,679	3,387
	52,022	3,968	55,990	53,071
Governance costs	205	23	228	226
	82,511	6,738	89,249	88,541

Support costs breakdown by activity

	Human Resources	Property Services	Finance and Management	Information Technology	2009	2008
Costs of generating voluntary income						
Legacies receivable	44	-	29	52	125	111
Donations and gifts	33	3	139	154	329	291
Raising public perception and awareness	13	-	11	78	102	129
Costs of generating trading income	-	-	-	-	-	-
Merchandising and store operating costs	569	542	407	532	2,050	1,794
Lottery ticket sales	6	-	28	50	84	70
Investment management costs	-	49	8	-	57	33
Charitable activities	-	-	-	-	-	-
PetAid hospitals	1,776	542	970	344	3,632	3,100
Contracted PetAid services	35	9	8	54	106	142
Promotion of responsible pet ownership	32	-	20	5	57	36
Preventive services	101	-	72	-	173	141
Governance costs	6	-	4	13	23	21
Total support costs	2,615	1,145	1,696	1,282	6,738	5,868

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

	2009	2008
These are stated after charging:		
Auditors' remuneration – audit fees	64	64
Auditors' remuneration – non-audit fees	12	12
Irrecoverable VAT	2,499	2,621
Depreciation – owned assets	2,488	2,608
Operating lease – land and buildings	4,165	4,154

5. Employees

	2009	2008
Employment costs		
Salaries	37,511	34,523
Social security costs	3,182	2,902
Employer's pension costs	2,258	3,032
Other staff costs	258	389
	43,209	40,846
Average number of employees, calculated on a full-time equivalent basis	1,565	1,500

	2009	2008
Employment costs		
The emoluments of higher paid staff within the following scales were:		
£60,001–£70,000	28	23
£70,001–£80,000	5	7
£80,001–£90,000	4	2
£90,001–£100,000	3	2
£100,001–£110,001	1	1
£110,001–£120,000	-	-
£120,001–£130,000	-	1
£140,001–£150,000	1	-

Thirty-six (2008: thirty-three) of the higher paid staff are members of the charity's defined benefit pension scheme. Five of these staff are members of the Group Personal Pension Plan (2008: one).

Members of Council do not receive any remuneration.

Travel, accommodation, telecommunications and entertainment expenses incurred by Council members on charity business are reimbursed by the charity. Eleven Council members had £13,180 reimbursed during the year (2008: nine, excluding the former Director General, were reimbursed £12,052).

6. Fixed assets

	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	64	4,299	632	6,041	25,884	5,066	13,449	2,703	58,138
Reclassification	-	11	9	-	(11)	(9)	-	-	-
Additions	21	53	6	6	275	453	638	288	1,740
Disposals	-	-	-	(79)	(203)	-	(197)	(305)	(784)
At 31 December	85	4,363	647	5,968	25,945	5,510	13,890	2,686	59,094

Depreciation

At 1 January	-	792	151	5,415	9,413	1,742	11,618	1,396	30,527
Charge for the year	-	99	25	330	836	164	538	496	2,488
Disposals	-	-	-	(71)	(62)	-	(192)	(264)	(589)
At 31 December	-	891	176	5,674	10,187	1,906	11,964	1,628	32,426

Net book value

At 31 December 2009	85	3,472	471	294	15,758	3,604	1,926	1,058	26,668
At 31 December 2008	64	3,507	481	626	16,471	3,324	1,831	1,307	27,611

The difference between the group and charity fixed assets is the cost of assets in the course of construction of £85,000 and the exclusion of the intra-group profit £641,000. The intra-group profit arose from the construction and sale of PetAid hospital buildings by subsidiaries of the charity.

Assets of gross amount £17,270 (2008: £17,270), accumulated depreciation £17,270 (2008: £17,270) are subject to an operating lease to a third party. Aggregate rentals receivable by the group in the accounting period were £6,882 (2008: £6,882).

7. Fixed asset investments

Group and charity	Listed investments	Unlisted investments	Tenanted properties		Total
			Freehold	Long leasehold	
At 1 January 2009	58,728	-	2,217	251	61,196
Additions/transfers in	2,071	-	-	-	2,071
Withdrawals/transfers out	(173)	-	-	-	(173)
Net gains/(losses) on revaluations and disposals	6,628	-	213	15	6,856
At 31 December 2009	67,254	-	2,430	266	69,950
Historical cost					
At 31 December 2009	62,935	-	632	140	63,707

UK listed investments are represented by

	2009	2008 (restated)
UK equities	29,329	24,468
UK bonds	7,509	182
International bonds	-	7,980
Property unit trusts	3,919	4,133
Overseas equities	15,925	11,849
Other structured investments	4,336	-
Cash funds and on deposit	6,236	10,116
Total	67,254	58,728

The 2008 comparative above has been restated to classify the Special Situation Fund of £3,490,000 into its component parts rather than as separate classification.

At 31 December 2009 the charity had the following holdings constituting more than 5% of the portfolio market value:

	2009	2008
Newton Fund Managers Fixed Interest Unit Trust	-	3,487
Newton International Bond Fund	-	4,493
Newton Fund Managers Special Situations Fund	5,280	3,490
Newton Real Return Fund	4,336	-

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

Within fixed asset investments, investment properties include a valuation as at 31 December 2009 of £2,696,000 undertaken by qualified professional valuers working for the company of DTZ Debenham Tie Leung, Chartered Surveyors, acting in the capacity of External 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 Appraisal and Valuation Standards based on the information provided by the charity. Their valuation report is dated 8 February 2010 (the Valuation Report) and is an updated desktop valuation following on from the report for 31 December 2008.

In 2008 two properties were reclassified from investment properties to fixed assets at the end of the year; one property was reclassified from fixed assets to investment properties; the net gain in revaluations and disposals in 2008 included the revaluation gain of £120,327 for the property transferred in.

8. Debtors

	Group		Charity	
	2009	2008	2009	2008
Accrued legacies	2,026	2,492	2,026	2,492
Amounts due from subsidiary undertakings	-	-	2,629	3,577
Income tax recoverable	562	495	562	495
Sundry debtors	1,601	1,614	1,130	1,081
Prepayments	1,329	1,285	1,329	1,285
Total	5,518	5,886	7,676	8,930

The charity has received notification of entitlement to legacies amounting to approximately £24,762,000 (2008: £26,195,000). This total has not been recognised as income at 31 December 2009, but represents a contingent asset that will be recognised in future years.

Net investment in finance leases stood at £nil (2008: £nil); the cost of assets acquired for letting under finance lease was £nil (2008: £nil) and the aggregate rentals receivable in the year totalled £nil (2008: £nil).

9. Current asset investments

Group and charity

At 1 January 2009
Addition

Interest bearing deposit accounts
917
2,716
3,633

At 31 December 2009

10. Creditors: amounts falling due within one year

	Group		Charity	
	2009	2008	2009	2008
Taxation and social security	953	888	953	888
Sundry creditors	2,050	1,997	1,748	1,598
Deferred income	194	356	194	356
Accruals	2,936	2,853	2,922	2,833
	6,133	6,094	5,817	5,675

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

	2009	2008
Group and charity		
Sundry creditors	-	12
	-	12

12. Provisions for liabilities

	2009	2008
Group and charity		
These represent obligations for dilapidations in respect of rented properties whose leases expire by 2027.	432	307
	432	307

13. Analysis of group net assets between funds

Fund balances at 31 December 2009 are represented by:

	Restricted	Designated	General	Total
Tangible fixed assets	1,922	-	24,746	26,668
Investments	-	34,110	35,840	69,950
Current assets	1,961	-	12,895	14,856
Creditors – amounts falling due within one year	-	-	(6,133)	(6,133)
Creditors – amounts falling due after more than one year	-	-	-	-
Provisions for liabilities	-	-	(432)	(432)
Net assets excluding pension liability	3,883	34,110	66,916	104,909
Defined benefit pension scheme liability	-	-	(1,536)	(1,536)
Net assets including pension liability	3,883	34,110	65,380	103,373

		£'000				
14. Statement of funds	At 1 January 2009	Incoming resources	Outgoing resources	Gains/ (losses)	Transfers	At 31 December 2009
General fund	63,215	86,999	(83,653)	2,709	(2,354)	66,916
Designated funds						
PetAid hospital replacement	30,120	-	-	-	3,990	34,110
	30,120	-	-	-	3,990	34,110
Unrestricted funds excluding pension reserve	93,335	86,999	(83,653)	2,709	1,636	101,026
Pension reserve	100	-	-	-	(1,636)	(1,536)
Total unrestricted funds	93,435	86,999	(83,653)	2,709	-	99,490
Restricted funds						
Huyton, Liverpool PetAid hospital, The Thomas Williams Centre	217	-	(12)	-	-	205
Veterinary treatment in the Blackburn area	57	-	(43)	-	-	14
Restricted legacies	1,863	5,437	(5,423)	-	-	1,877
Equipment and van for Kent	83	-	(13)	-	-	70
Belfast Urban Development grant	64	-	(3)	-	-	61
Kirkdale, Liverpool PetAid hospital, The Jeanne Marchig Centre	72	44	(5)	-	-	111
Kirkdale, Liverpool PetAid hospital, The Jeanne Marchig Centre – appeal	932		(39)	-	-	893
Sunderland PetAid hospital appeal		338		-	-	338
Shamrock Street, Glasgow PetAid hospital appeal		180	(10)	-	-	170
Llanelli PetAid branch appeal		14	(1)	-	-	13
Digital x-ray appeal		136	(10)	-	-	126
Plymouth PetAid hospital appeal		3	-	-	-	3
Operating table – Wolverhampton PetAid hospital		2	-	-	-	2
Veterinary Care Assistants		37	(37)	-	-	-
Total restricted funds	3,288	6,191	(5,596)	-	-	3,883
Total funds excluding pension reserve	96,623	93,190	(89,249)	2,709	1,636	104,909
Total funds	96,723	93,190	(89,249)	2,709	-	103,373

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

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

The designated funds have been established for the following purposes:

- PetAid hospital replacement fund, designated for the replacement of 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 £3,990,000 has been made to increase the fund to the current projected level.

The restricted funds have been provided for the following purposes:

- Huyton, Liverpool 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. During the year special requests for veterinary treatment in this area totalled £43,000 (2008: £46,000).
- Funds bequeathed by legators for use within a specific geographical location. The balance carried forward comprises legacies received and not yet expended at Huddersfield £7,000, Northampton £8,000, Ilford £1,045,000 and Aston, Birmingham £817,000.
- Legacy received from the estate of Mrs B J Morris deceased for the provision of veterinary equipment and van in Kent.
- An urban development grant towards the PetAid hospital at Belfast from the Department of Social Development, Northern Ireland. The grant will be released to the General fund over the economic life of the PetAid hospital.
- Donation received from Stiftung zur Forderung der Tierschutzes for building Kirkdale, Liverpool PetAid hospital, The Jeanne Marchig Centre, to be written off over the life of the hospital.
- Donations received regarding the Shamrock Street, Glasgow 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 appeal donations have yet to be expended.
- Donations received for an operating table at Wolverhampton PetAid hospital, to be expended over the life of the asset.
- Donations received from an appeal for the ongoing costs of Veterinary Care Assistants.

	2009	2008
15. Capital commitments		
Group and charity		
Authorised but not contracted	5,517	5,531

	2009	2008
16. 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 which expire		
Within one year	417	197
Within two to five years	1,966	1,889
After five years	1,468	1,774
	3,851	3,860

17. Subsidiary undertakings

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 Principal activities: construction of new PetAid hospitals for the charity.

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	
	2009	2008	2009	2008	2009	2008
Turnover	9,409	9,722	-	211	4,405	4,952
Cost of sales	(2,750)	(3,497)	-	(52)	(3,321)	(4,113)
Gross profit	6,659	6,225	-	159	1,084	839
Administration expenses	(4,222)	(3,284)	(2)	(2)	(281)	(282)
Net profit	2,437	2,941	(2)	157	803	557
Interest received	5	33	1	5	5	61
Gifted to The People's Dispensary for Sick Animals	(2,442)	(2,974)	-	(162)	(808)	(618)
Retained profit	-	-	(1)	-	-	-

The aggregate of the assets, liabilities and funds was:

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2009	2008	2009	2008	2009	2008
Assets	1,849	1,919	27	293	1,157	1,839
Liabilities	(1,842)	(1,912)	(28)	(293)	(1,157)	(1,839)
Funds	7	7	(1)	-	-	-

18. Related parties

There are no transactions with related parties which require to be reported in accordance with FRS 8 Related Party Disclosures.

£ millions

19. Pension scheme

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. The contributions to the scheme by the charity in 2009 were £4.5 million, including a special contribution of £1.7 million. A future funding schedule has been agreed with the trustees of the Retirement Benefit Plan to eliminate the deficit over the fifteen years to December 2023.

The deficit as calculated under FRS17 has been updated by an independent qualified actuary as at 31 December 2009.

FRS17 requires the following disclosure:

Amounts for the current and previous four periods

	2009	2008	2007	2006	2005
Scheme's liabilities	(62.2)	(50.3)	(58.1)	(55.7)	(54.2)
Scheme's assets	60.7	50.4	52.3	45.0	35.3
(Deficit)/surplus	(1.5)	0.1	(5.8)	(10.7)	(18.9)
Experience adjustment on liabilities	1.7	-	-	(1.4)	-
Experience adjustment on assets	3.9	(9.1)	(0.3)	2.7	3.5

Principal actuarial assumptions used for the FRS17 calculations

	2009	2008
Discount rate	5.80%	6.50%
Rate of increase in Retail Prices Index	2.75%	2.75%
Rate of increase in salaries	3.00%	3.75%
Average rate of increase in pensions	2.70%	2.70%
Proportion of members commuting maximum allowable pension for cash at retirement	100%	100%
Average expected future life at age 65 for:		
Male currently aged 65	21.7	21.7
Female currently aged 65	24.0	24.0
Male currently aged 45	21.7	21.7
Female currently aged 45	24.0	24.0

Assets and liabilities of the scheme

	2009		2008	
Assets	Expected return		Expected return	
Bonds	5.80%	4.7	6.50%	23.5
Gilts	4.40%	23.5		n/a
Equities	6.60%	30.1	6.60%	20.2
Cash	0.50%	2.4	2.00%	6.7
Total value of assets		60.7		50.4
Present value of funded liabilities		(62.2)		(50.3)
Funded (deficit)/surplus		(1.5)		0.1
Total (deficit)/surplus		(1.5)		0.1
Related deferred tax (liability)/asset		no allowance		no allowance
Net (liability)/asset		(1.5)		0.1

The assumptions about the return on assets are as follows: the bond rate is based on an annual yield on over 15 year AA rated corporate bonds as recorded by Iboxx; the equities rate has been derived from the risk-free rate of return (taken as the yield on fixed interest government bonds) and an equity risk premium of 2.2% per annum; the cash rate is based on clearing bank base rate.

Reconciliation of the value of the scheme's liabilities

	2009	2008
Opening value of scheme's liabilities	50.3	58.1
Service cost	1.7	2.9
Past service cost	-	-
Member contributions	0.8	0.7
Interest on scheme liabilities	3.3	3.4
Actuarial losses/(gains)	8.0	(13.4)
Benefits paid	(1.9)	(1.4)
Closing value of the scheme's liabilities	62.2	50.3

Reconciliation of the value of the scheme's assets

The overall expected return on the scheme's assets has been derived as the weighted average of the expected returns on the categories of assets held by the scheme at the opening balance sheet date.

	2009	2008
Opening value of the scheme's assets	50.4	52.3
Expected return	3.0	3.4
Actuarial gains/(losses)	3.9	(9.1)
Employer contributions	4.5	4.5
Member contributions	0.8	0.7
Benefits paid	(1.9)	(1.4)
Closing value of the scheme's assets	60.7	50.4

Return on the scheme's assets

	2009	2008
The actual return on the scheme's assets was	6.9	(5.7)

Analysis of the amount charged to operating profit

	2009	2008
Service cost	1.7	2.9
Total	1.7	2.9

Analysis of the amount credited to financing of provisions

	2009	2008
Expected return on the scheme assets	3.0	3.4
Interest on the scheme liabilities	(3.3)	(3.4)
Total	(0.3)	0.0

Amount recognised in the Consolidation Statement of Financial Activities

	2009	2008
Actuarial (losses)/gains	(4.1)	4.3
Total	(4.1)	4.3

Cumulative actuarial gain or loss recognised in the Consolidated SOFA

Aggregate of actuarial losses	(11.5)
Total	(11.5)

Employer contribution

Expected employer's regular contribution for 2010	2.4
Special contribution in line with agreed future funding schedule	1.7
Total	4.1





PDSA veterinary staff help protect pets from suffering, injury and disease

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**
email: **info@pdsa.org.uk**
visit: **www.pdsa.org.uk**

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