A woman in blue scrubs is kneeling and shaking hands with a golden retriever. A man in a dark jacket is kneeling next to the dog, smiling. The background shows a white wall with 'pdsa' and 'advice' written on it. There are blue circles in the top right corner.

Annual
Report &
Accounts
2011

**A healthy life
for all our pets**

pdsa
for pets in need of vets

www.pdsa.org.uk

What
we do

**PDSA is the UK's leading
veterinary charity – we fight
poverty in a special way**

Our mission is:

**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 never turn away a sick or injured pet.

In 2011 we treated **413,000** pets
and provided **2.4 million** free
PetAid hospital treatments.

We receive no Central Government
funding for our work.

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.

78.28% of eligible
households in the UK are
covered by our services through:

43 PetAid hospitals,

7 PetAid branches,

377 PetAid practices.



Achieving our vision and mission

PDSA
at a
glance

Our long-term priorities

- Maintenance of existing PDSA PetAid services on a stable, sustainable and long-term basis.
- Expansion of 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.



Highlights of the year

- Launching the first annual *PDSA Animal Wellbeing (PAW) Report*, the largest survey into the state of our nation's pets.
- Raising record income of £93.5 million.
- Reaching £1.5 million towards our 3-year £6 million capital appeal, which has enabled work to start on the new PetAid hospital in Plymouth, The Gwen Rees Centre.
- Treating a record 413,000 animals.
- Providing a record 2.4 million free PetAid hospital treatments.
- Opening new PetAid branches in Belfast and Stoke-on-Trent.
- Increasing the contribution from our retail operation by 31% year on year.

Our 10 strategic goals (see page 4)

PetAid services

1. Maintain existing 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.
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.

Income

5. Provide sustainable income to meet PetAid service demands within benchmarked fundraising and trading ratios.

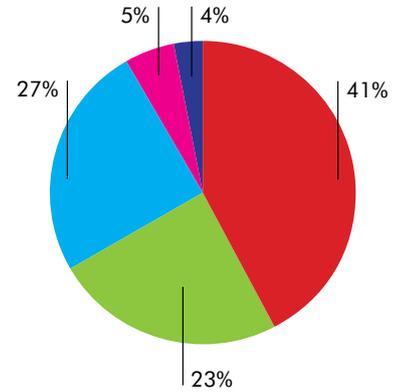
PDSA at a glance

Income and expenditure

Income comes from a wide range of sources

Voluntary income (donations and legacies) is PDSA's most important income source – 64% of total income. It is PDSA's long-term aim to reduce reliance on this area by increasing sales from emerging income streams.

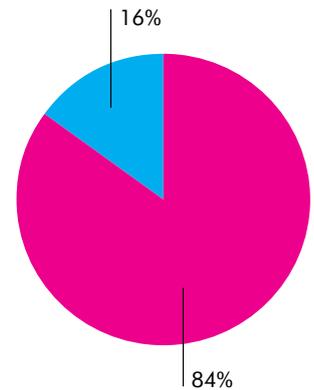
■ Legacies	41%	£38.1m
■ Donations	23%	£21.7m
■ Trading and Retail	27%	£24.6m
■ Preventive services	5%	£5.0m
■ Investment income/disposals	4%	£4.1m
	100%	£93.5m



£93.5m

84% of your donations were available for our mission ...

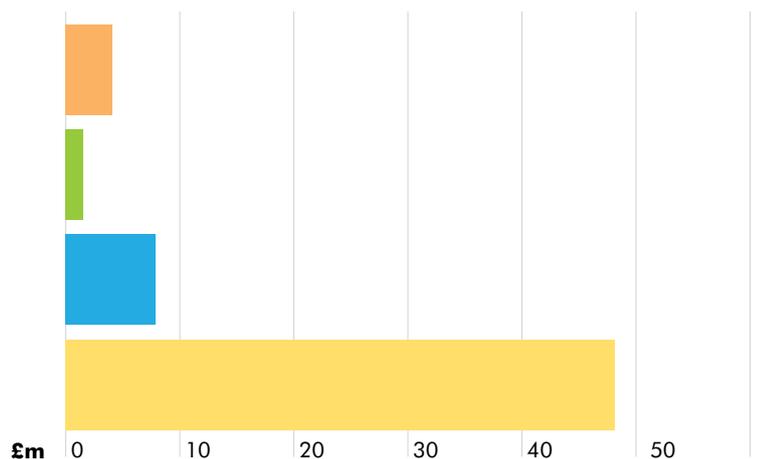
Raising voluntary income is not without cost – but PDSA works hard to keep costs low. The cost was 16p per pound (£), compared to 15p last year.



Spending £61.6m on our mission

Spending on our mission grew by £0.8 million to £61.6 million in 2011 and exceeded our 'net incoming resources available for charitable activities' by £0.9 million. Some PetAid services are contracted to local veterinary practices in order to increase the reach of our work in a cost-efficient way.

■ Preventive services	£4.1m
■ Promotion of Responsible Pet Ownership	£1.5m
■ Contracted services	£7.8m
■ PetAid hospitals	£48.2m



Chairman's letter

Where
PDSA
is now



Set against such a difficult economic backdrop, 2011 has proved to be another year of solid progress for PDSA as it fights poverty in a special way, with its purpose to care for the pets of people in need and promote responsible pet ownership. A special thank you goes to our staff, volunteers and PetAid practice partners for the dedication, innovation and energy displayed in treating 413,000 sick and injured animals during the year. This involved 2.4 million free PetAid hospital treatments and 424,000 preventive treatments. Our expenditure on veterinary services for communities in most need of our support came to £61.6 million.

In the current economic climate, not only do our supporters have less to give but there is increasing competition between charities for donations. It is very pleasing, therefore, to see that PDSA has met this challenge with innovative ways of fundraising; engaging with new as well as existing supporters resulting in record incoming resources of £93.5 million. Our Pet Hospital Appeal gained momentum during the year and so far has raised £1.5 million, allowing us to commence the construction of a new replacement PetAid hospital in Plymouth, The Gwen Rees Centre; the first of three such replacement

PetAid hospitals. Generating new sources of income to complement our traditional income streams is a top priority for our Senior Management Team.

We do need increasing amounts of income to meet the service demand in our PetAid hospitals as both demand and inflationary pressures increase the cost of providing our vital services. In 2011 we were particularly affected, not only by cost inflation but increases in VAT and National Insurance which between them cost PDSA £6.9 million. The exercise of strict cost control and good stewardship of our financial and physical resources has meant that we have maintained our reserves at a level which will prove sufficient to maintain and grow our future service levels during this challenging economic climate.

In March 2011 we launched our landmark *PDSA Animal Wellbeing (PAW) Report* through which we learned more about the health and welfare of the nation's pets. The report was the result of collaboration between PDSA and leading researcher YouGov and was well received by veterinary and animal welfare bodies. The results summarised the nation's pets' condition as being 'Stressed, Lonely, Overweight, Bored, Aggressive, Misunderstood ... but LOVED'. We aim to use this wealth of information to work with the pet-owning public to improve pet health and welfare. Change won't happen quickly, but the *PAW Report* gives PDSA the authority to meet this challenge with the benefit of reliable and relevant data.

This letter would not be complete without reference to the many reasons behind PDSA's success, which can be expressed in one word: people. Increasing emphasis is being placed on leadership and team work with a strong lead being given by the Senior Management Team. This will result in a more dynamic and flexible organisation ready to meet the challenges faced in this diverse and complex charity. I am confident that PDSA will continue to enjoy the support of staff, volunteers, partners and donors in achieving our

mission. Thank you to everyone who has and continues to help make PDSA what it is today.

I'll conclude with what I feel is a telling quote from one of our veterinary surgeons, Chris Sherwood, who said about PDSA '... our services really are vital to the families who love and own these animals. We get to make a real difference every day.'

A handwritten signature in black ink that reads "Michael Bolton". The signature is fluid and cursive.

Michael Bolton
Chairman

Despite economic challenges, PDSA increased income and the number of pets treated ... pet health is a growing focus in service and education.

Our strategic goals

Services, pet health and income

Maintaining PDSA PetAid services

Replacement of existing PetAid hospitals

Our programme of replacing existing PetAid hospitals continued with the commencement of construction of the replacement Plymouth PetAid hospital, The Gwen Rees Centre, in October 2011. This new state-of-the-art facility will open to the public in the autumn of 2012.



In addition, land has been identified for the Birmingham (Quinton) replacement PetAid hospital and will be purchased in 2012. A site search has begun in the northwest of England to secure land, which will ensure that service coverage is maximised in a region with the highest Poverty Index.

Refurbishment

During the year we completed a number of significant projects to improve the ability of existing PetAid hospitals to meet the rising demand for our services. This included creating an additional consulting room in Bournemouth PetAid hospital and improved isolation facilities at Brighton PetAid hospital. Extended inpatient areas through the reconfiguration of existing space were also completed at a number of sites. The programme for 2012 will include refurbishments of East Glasgow, Thamesmead (The Freda Powell Centre) and Croydon PetAid hospitals.

Partnership

Our partnership with Best Friends Group continues at Northampton PetAid hospital.

Expanding PDSA PetAid services

Numbers of animals treated

Demand for PetAid services increased in 2011. We treated 413,000 sick and injured animals through PetAid hospitals, PetAid practices and PetAid Special Requests, representing a 1.5% increase on 2010. We will continue to see growth

throughout 2012. Managing this growth will be assisted by completing the rollout of new digital telephone systems, which will help improve customer service and access to our services.

PetAid branch opportunities

During 2011, branches were opened for Belfast and Stoke-on-Trent PetAid hospitals. We have also identified a branch location in Sheffield which will open in mid-2012, and a combined retail and veterinary branch operation in Southampton. We will continue to investigate PetAid branch opportunities to support our principal PetAid hospital operations strategically in locations where a branch could, cost-effectively, help expand service availability.

Additional PetAid practices

We are committed to the PetAid practice service as this provides important access to customers who do not live near to a PetAid hospital. During the year practice services were launched in four new locations as well as a service extension in one area. In 2012 we will look to further expand our services in partnership with private veterinary practices

Coverage of eligible households

New service launches take the number of PetAid practice locations to 189 with 377 contracted PetAid practices. Coverage of PDSA eligible households by the PetAid practice service is 19.44% and combined with the PetAid hospital service is 78.28%, an increase of 0.02%. Households with neither PetAid practice nor PetAid hospital service have access to the PetAid special

request service and this achieves 100% coverage of eligible households throughout the UK.

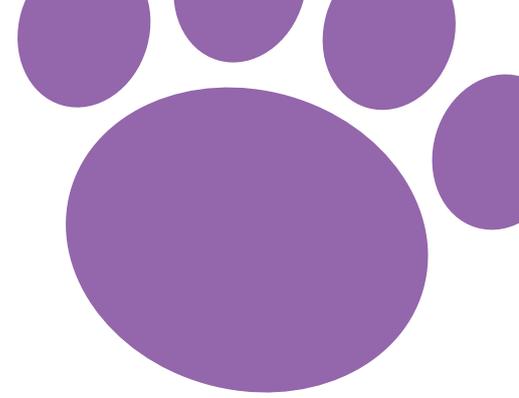
Optimising use of veterinary resources

We spent nearly £62 million on delivering much-needed pet care treatment, education and information to disadvantaged communities across the UK. These services are delivered in a range of different ways to ensure effective use of our financial resources.

Expansion of capacity at pressure points has been achieved by introducing PetAid branches and by changing work patterns. Effective retendering processes, notably for pharmaceuticals and clinical waste, enabled us to mitigate the effects of cost inflation in these areas. The continued rollout of digital x-ray processors saves clinical time (and has welfare benefits for pets) and consumables costs.

Collaboration with Cats Protection and Dogs Trust resulted in over 5,500 bitch spays and dog castrations and over 17,700 cats being neutered, to a combined value of £490,000.

Importantly, client complaints ran at less than 0.3% of all animals treated in PetAid hospitals and branches. More branches are under development and alternative models for providing out-of-hours services will be evaluated.



Income

Marketing income

2011 was the first full year of the 3-year £6 million capital appeal in support of our new PetAid hospital replacements at Plymouth, Birmingham (Quinton) and Cardiff. £1.2 million was raised in 2011, bringing the total to £1.5 million to date.

As well as the focus on capital appeal targets, plans will be progressed in 2012 to increase the efficiency of the marketing programme across the supporter base, to explore new products and propositions to engage with existing and attract new supporters.

**Resources
are precious.
Careful control
allows more
treatments.**

Client contributions

Clients are asked to make a voluntary contribution for their pet's treatment. These contributions are an invaluable source of income increasing by 14% year on year.

Retail

In 2011 we increased profitability of the retail operation by 31% year on year, driven by donated goods sales and improved systems to maximise the sales value of each item. We opened further stores and expanded online sales through Amazon and eBay. During 2012 we plan to open more new stores.

Promoting pet health

Preventive services

Preventive services continue to grow and during 2011 total sales increased by 9.1% to £5.0 million with over 124,000 preventive procedures performed and over 300,000 preventive products sold. We continue to promote preventive services as part of our responsible pet ownership message and in 2012 aim to increase preventive sales to £5.6 million, helping eligible owners to keep their pets healthy.

Pet health

In 2011 we launched the first *PDSA Animal Wellbeing (PAW) Report*, the largest survey into the state of the UK's pets, surveying over 11,000 pet owners in conjunction with leading research organisation YouGov. PR coverage generated by the launch of this groundbreaking Report led to nearly 22 million opportunities to hear about the Report and the work of PDSA. In addition, a range of mini-guides on caring for dogs, cats and rabbits as well

as several e-learning modules to support the findings of the *PAW Report* among all pet owners were developed. In 2012 we will build on the coverage achieved by the *PAW Report* by repeating sections of the study, focusing on a number of key areas in greater depth. Alongside this we will be supporting our PetAid hospital staff, so that they can use the *PAW Report* to influence client pet care behaviours.

PetCheck programme

The PetCheck programme had over 66,000 visitors and completed over 5,000 free pet health checks. The Schools PetCheck nurse also delivered 157 talks to nearly 14,000 schoolchildren. We will continue to use the PetCheck vehicles, the first of which was generously sponsored by PDSA benefactors Julie and Robert Breckman, and the nursing team to educate and raise awareness of animal welfare issues across the UK. Educating schoolchildren will be a key aim in 2012. The PetCheck programme will be community focused and based regionally to ensure our messages and free health checks are reaching those most in need, correlating closely with the findings of the *PAW Report*.

Awareness and shared services

Legacy income

Legacy income is the largest single source of income for the charity. A key operational challenge lies in the timing of cash receipts, as these are always uncertain. In 2011 the legacy management team sought to improve its processes to understand better the nature of bequests and to work with executors to improve cash prediction. Further resources have been committed to legacy marketing, as securing this income stream for the future is of paramount importance.

Awareness

Awareness and media coverage

PDSA's *Animal Wellbeing (PAW) Report*, together with PDSA's Pet Fit Club programme, provided unique and effective media engagement platforms from which we significantly increased our coverage across the key media channels of TV, radio, national press and online. PDSA's digital presence increased significantly with a PDSA presence established on all major social media network platforms resulting in an increase in engagement of new and younger target audiences. In 2012 we will continue the development of our digital marketing strategy across a broad range of digital media platforms to attract and engage with a new cohort of supporters.

Shared services

Financial management

During the year we further developed financial controls. In particular, much emphasis was given to improve cash and working capital management, with some success; working capital reduced by £2.3 million during 2011. In addition, capital expenditure processes were updated to strengthen control and the charity's reserves policy was redefined.

Resources

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

Procurement

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

When we grow awareness of our work, income grows too.



Structure and governance

About PDSA

Governing documents and registration

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. The charity is registered both with the Charity Commission in England and the Office of the Scottish Charity Regulator.

Governing body – Council

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

One new Trustee was formally elected at the Annual General Meeting: Ms Catherine Dixon. The total number of Trustees is currently 12 and they are identified below.



Chairman

Mr Michael Bolton, FCA*

Deputy Chairman

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

Other Trustees

Mr Richard Clowes, BSc MI Mech E*

Mr Mike Dernie, BA, FRSA

Ms Catherine Dixon, MBA (appointed 16 June 2011)

Mr Gary Ennis, BSc *

Mr Noel Guilford, BA, FCA*#

Mr Chris Heaps, LLB (retired 16 June 2011)

Mr Roger Hills*

Ms Laurie Mayers, BA, MA*

Mr John Miller, BSc, MCIPD, AFBPsS

Mr John Murphy

Mr Mike Radford, OBE, LLB#

* Member of the Finance & Investment Committee

Member of the Audit Committee

2011 was the charity's 94th year of caring for pets.

Structure and governance

Committees

The committees that met regularly during 2011 were: Finance & Investment Committee, which reviews the Fund Manager's performance, the budget and most other financial matters; Special Purposes Committee [see details of members on page 33], 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 and, at a strategic level, 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 identify 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

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 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

PDSA undertakes charitable service delivery and fundraising. Trading activities



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

consist of ten to twelve Trustees. However, Council may plan to increase this number to take account of planned retirements while maintaining an appropriate range of skills and expertise. Trustees normally serve

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

Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).



The law applicable to charities in England and Wales requires the Trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources of the charity for that period. In preparing these financial statements, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently.
- Observe the methods and principles in the Charities SORP.
- Make judgements and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Charities Act 2011, the Charity (Accounts and Reports) Regulations

2008 and the provisions of The People's Dispensary for Sick Animals Acts 1949 and 1956. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the charity and financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 and Internal Audit department, considers risk in detail. A formal review of the charity's risk management processes is undertaken annually.

Council considers its key risk factors to be those identified in the reserves policy:

- **Legacy income** – this represents approximately 40% of PDSA's total income and there is a risk that reductions in this income source could materially affect PDSA's financial position.
- **Investment portfolio** – this represents the majority of free reserves and can be subject to significant volatility from time to time.
- **Unique Animals** – demand for PDSA's services can fluctuate over short periods of time that can result in significant cost increases.
- **Service infrastructure** – PDSA is a large and complex service operation over a wide geographical area. Risk factors include cost increases due to service growth and inflation, PetAid hospital replacement programme and the national distribution of services. Service provision would need a long turnaround period in order to downsize operations should financial constraints require and this needs to be reflected in the level of free reserves.

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

Our people are vital to the success of PDSA. PDSA aims to recruit and retain dedicated staff and volunteers, engaging and enabling them to fulfil their potential to improve organisational performance.

PDSA has continued to strengthen its internal communication and 'Inform, Involve and Inspire' staff and volunteers through PDSA's quarterly magazines, *PDSA News and Focus*; weekly updates such as *Veterinary Bulletin* and *Retail News*; PDSA's intranet, *Pawtal*; and team briefing system, *TeamTalk*. This focus on communicating PDSA's vision, mission and Business Plan, together with annual Performance and Development Reviews, has assisted staff in understanding more clearly the role that they can play in the delivery of PDSA's Business Plan.

PDSA is committed to developing our staff and volunteers so that they are able to fulfil their potential. A key focus for 2012 will be the further development of our leaders.

Staff engagement remains high, as evidenced by the findings of the latest staff survey which was conducted at the end of 2011. The survey results demonstrate that the actions implemented following the 2008 survey have had a positive impact. Action plans will be developed in response to the findings of the 2011 survey.

PDSA values its Staff Consultation and Communication (SCC) Groups which were introduced in 2004. These well-established arrangements enable PDSA to consult staff and involve them in its work. The SCC process continues to develop and evolve and remains a challenging, relevant and effective mechanism.

A record 5,343 volunteers support PDSA by working in its PetAid hospitals, stores and offices or at fundraising events in their communities. 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. During 2011 an employer-supported volunteering strategy was developed to



work with corporate partners offering secondments and projects to help PDSA. New bespoke and specialist volunteer roles were also created to maximise a particular volunteer's skills or to fulfil a specific departmental need, and numbers of volunteers in PetAid hospitals grew substantially.

There were record numbers of people contributing to our success: 5343 volunteers and 1646 full-time equivalent staff.

Overview

Finances

Overview

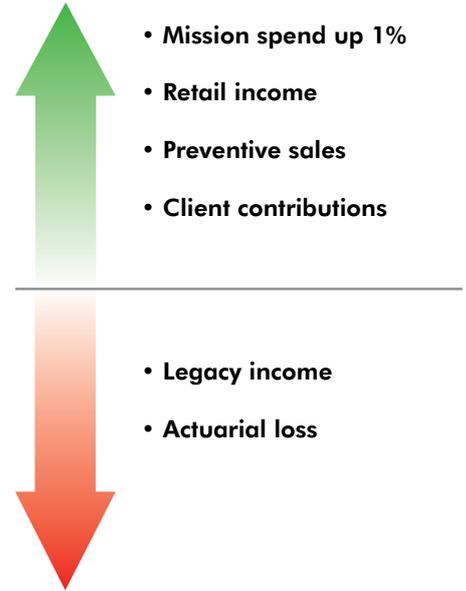
We predicted that 2011 was going to be a challenging year given the economic outlook and in particular the need to:

- Accommodate 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.

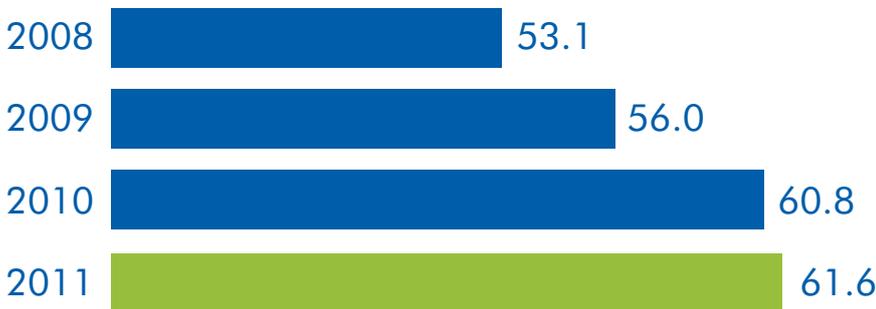
In line with our forecasts, there was a deficit in net incoming resources before other recognised gains and losses of £1.1 million (2010: £1.3 million). In addition, there was a reduction of £4.9 million (2010: gain £6.2 million) in the value of our investment fund which is the result of volatile investment markets during 2011.

Regardless of these challenges we achieved record income of £93.5 million (2010: £92.7 million), despite legacy income falling by 3% to £38.1 million (2010: £39.3 million). Sales of preventive services increased by 9% to £5.0 million and client contributions increased by 14% to £8.0 million.

In our retail operation, donated goods sales were 4% higher than 2010, despite tough trading conditions on the high street. This was in part due to improved stock distribution processes and, importantly, costs were kept under tight control despite external cost pressure. This combination of factors led to an increase in retail profits of 31% compared to 2010.



Spending on charitable activities (£million)



Resources expended on charitable activities were 1% higher than in 2010, reflecting growth in client demand and veterinary cost inflation. This cost amounted to 102% of net incoming resources available for charitable activities (2010: 102%).

There was an actuarial loss in 2011 of £2.9 million (2010: £1.5 million 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 at the year end.

PDSA receives no funding from Central Government or the National Lottery for our PetAid services and therefore relies on generating its income from both voluntary and trading activities. The following table is an alternative method of presenting our results, which gives additional clarity on the sources of our net income.

Income and investments

	2011 £ million	cost/£	2010 £million	cost/£
Voluntary net income	50.1	0.16	51.9	0.15
Trading-related net income	1.9	0.92	0.9	0.96
Asset-related net income	3.7	0.09	2.4	0.14
Preventive services gross income	5.0	0.81	4.6	0.83
Net incoming resources available for charitable activities	60.7	0.38	59.8	0.39

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 above it can be seen that the cost of raising voluntary income overall from our donors rose slightly in 2011 to 16p per pound (£).

Despite the slightly lower level, legacies receivable remains the largest source of income, some 63% of net income (2010: 66%). 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 92p per pound (2010: 96p). However, trading delivers a net surplus which, in 2011, totalled £1.9 million (2010: £0.9 million). It is encouraging that this ratio has been improved in such a challenging market through increased sales and 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, available for charitable activities, would be 19p per pound (£) (2010:19p).

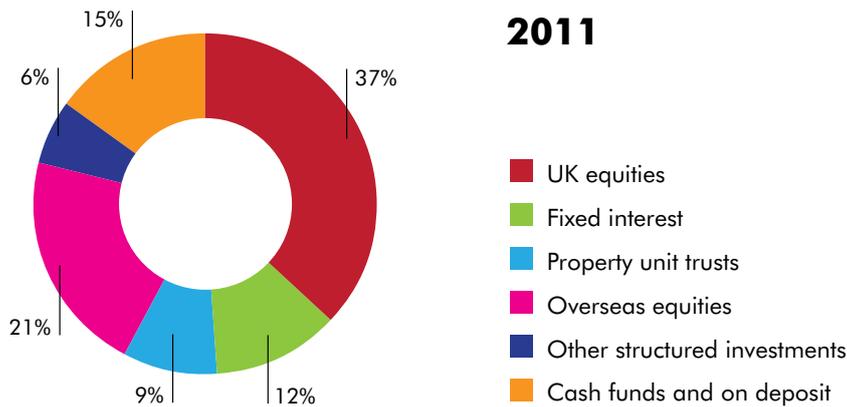
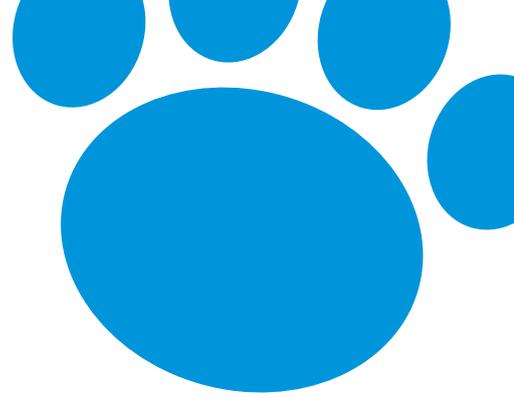
Governance costs represented 0.26% of incoming resources (2010: 0.33%).

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 2011 investments totalled £71.5 million (2010: £77.6 million) and mainly consist of the externally managed investment fund. 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.

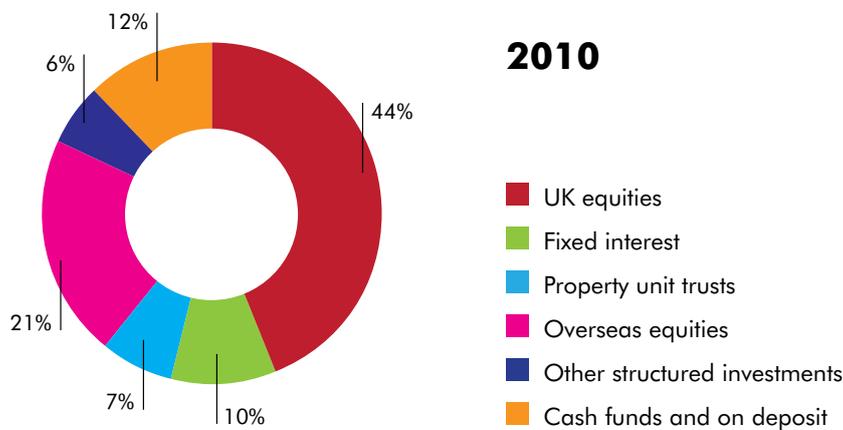




2011

- UK equities
- Fixed interest
- Property unit trusts
- Overseas equities
- Other structured investments
- Cash funds and on deposit

The investment fund is managed on a total return basis, but subject to the charity's ethical investment policy and increased income target. The fund's Statement of Investment Principles states a target asset allocation as shown in the table below. 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 Business Plan to maintain and expand the delivery of PDSA's veterinary services.



2010

- UK equities
- Fixed interest
- Property unit trusts
- Overseas equities
- Other structured investments
- Cash funds and on deposit

Investment markets were volatile in 2011 and ultimately provided a reduction of £4.9 million (2010: £6.1 million gain) in the investment fund valuation. The main fund's total performance for 2011 showed a deficit of 3.6% (2010: surplus 14.6%), compared to the composite benchmark deficit of 1.1% and reflects market volatility.

The level of income generated by the investment fund was targeted for growth in 2011, with the investment manager refining the portfolio accordingly. This was successful and investment income grew by 37% to £3.9 million (2010: £2.8 million). Investment properties held are revalued each year by external surveyors. The value at 31 December 2011 was £2.5 million (2010: £2.4 million).

The breakdown of the fund by asset categories as at 31 December 2011:

	Main fund £'000	Target allocation	Actual allocation	No.2 account £'000	Total £'000
UK equities	25,200	50%	45.6%	-	25,200
Fixed interest	5,813	10%	10.5%	2,613	8,426
Property unit trusts	6,136	10%	11.1%	-	6,136
Overseas equities	14,484	30%	26.2%	-	14,484
Other structured investments	-	0%	0.0%	4,428	4,428
Cash funds and on deposit	3,655	0%	6.6%	6,661	10,316
Total	55,288	100%	100.0%	13,702	68,990
Share	80.1%			19.9%	

Reserves and retirement benefits plan

Reserves and going concern

Council reviews its reserves policy regularly as part of its business planning process and this year redefined its policy. It seeks to ensure that it retains sufficient reserves to fund planned activity agreed in the Business Plan, be responsive to unforeseen and unplanned activity and to protect PDSA from unexpected events such as fluctuations in income and the valuation of investments that are not anticipated in the Business Plan. PDSA adopts Charity Commission guidance on reserves policy as set out in Charity Commission Guidelines CC19. The reserves policy will be supported by contingency planning to determine the potential impact on the level of free reserves of defined risk factors. Contingency planning will determine the minimum level of free reserves that are considered necessary to protect from any prolonged financial risks and consider measures that may need to be addressed should reserves fall below agreed levels.

On this basis, the minimum level of free reserves is set, as planned, at £49 million. At 31 December 2011 the charity had total free reserves of £66 million (2010: £73 million) in addition to the contingent assets of the legacy pipeline of £23.6 million. As described previously, the charity's investment fund has liquidity to give flexibility in managing any potential downturn in income. In addition, there is a £2 million unsecured overdraft facility with Lloyds TSB Bank plc.

Given current 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 is an important element of group financial management. Each autumn the Trustees formally review financial plans for the current and following four years.

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



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 £2.3 million at 31 December 2011 (2010: £2.1 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. Of this, £0.8 million (2010: £0.6 million) is segregated in an escrow account to be used on deficit reduction activities agreed with the pension scheme Trustees. The 31 December 2011 triennial valuation is in progress.

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, although 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.

PDSA has strong reserves to protect its ability to continue services during economic uncertainty.

Meeting the need

Public benefit

Public benefit

PDSA is governed by two Acts of Parliament (1949 and 1956) and the objects of the charity are the relief of poverty through the provision of 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 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.

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 furries'.

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.

There is no doubt that without the 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 unnecessarily suffer. PDSA provides vital veterinary services for those communities in most need of support and spent £61.6 million in providing this service in 2011, a 1% increase compared to 2010. 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.

Public benefit in Scotland

PDSA is registered as a charity in Scotland. Its activities there 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 2011 from charity stores, fundraising groups and PetAid hospitals in Scotland amounted to £4.5 million (2010: £4.3 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
3 May 2012

Free treatment for pets of those in need, available nationally, is PDSA's unique public benefit.

Independent auditor's 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 2011 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 19. 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 Trustees, as a body, in accordance with section 144 of the Charities Act 2011, regulations made under section 154 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 (as amended). 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 auditor under section 144 of the Charities Act 2011 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and report in accordance with 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 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 group's and the parent charity's affairs as at 31 December 2011 and of the group's incoming resources and application of resources, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011, the Charities and Trustee Investment (Scotland) Act 2005, regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), 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 2011 and the Charity Accounts (Scotland) Regulations 2006 (as amended) 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
8 May 2012

Deloitte LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006 and consequently to act as the auditor of a registered charity.

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 2011

		Unrestricted funds	Restricted funds	Total 2011	Total 2010
Incoming resources					
From generated funds					
	Note				
Voluntary income	2	55,102	4,620	59,722	61,162
Activities for generating funds	2	24,641	-	24,641	24,108
Investment income	2	3,865	-	3,865	2,823
From charitable activities					
Preventive services		5,049	-	5,049	4,626
From other sources					
Net gain on disposal of fixed assets		186	-	186	22
Total incoming resources		88,843	4,620	93,463	92,741
Resources expended					
Cost of generating funds					
Costs of generating voluntary income	3	9,605	7	9,612	9,233
Fundraising trading: costs of goods sold and other costs	3	22,779	-	22,779	23,262
Investment management costs	3	351	-	351	404
Total costs of generating funds		32,735	7	32,742	32,899
Net incoming resources available for charitable activities		56,108	4,613	60,721	59,842
Charitable activities					
PetAid hospitals	3	44,135	4,070	48,205	47,976
Contracted PetAid services	3	7,557	298	7,855	7,548
Promotion of responsible pet ownership	3	1,470	6	1,476	1,419
Preventive services	3	4,069	-	4,069	3,850
		57,231	4,374	61,605	60,793
Governance costs	3	245	-	245	307
Total resources expended		90,211	4,381	94,592	93,999
Net (outgoing)/incoming resources before other recognised gains and losses		(1,368)	239	(1,129)	(1,258)
(Loss)/gain on investment assets	7	(4,701)	-	(4,701)	6,158
Actuarial loss on defined benefit pension	19	(2,900)	-	(2,900)	(1,500)
Net movement in funds		(8,969)	239	(8,730)	3,400
Reconciliation of funds					
Total funds brought forward		102,245	4,528	106,773	103,373
Total funds carried forward	14	93,276	4,767	98,043	106,773

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 2011

	Note	Group		Charity	
		Total 2011	Total 2010	Total 2011	Total 2010
Fixed assets					
Tangible assets	6	27,417	27,600	27,862	27,857
Investments	7	71,466	77,639	71,466	77,639
Total fixed assets		98,883	105,239	99,328	105,496
Current assets					
Stocks		1,733	2,079	698	823
Debtors	8	5,924	6,554	8,061	8,626
Investments	9	19	18	19	18
Cash at bank and in hand		2,601	2,352	1,280	1,797
Total current assets		10,277	11,003	10,058	11,264
Creditors – amounts falling due within one year	10	(8,071)	(6,776)	(7,352)	(6,454)
Net current assets		2,206	4,227	2,706	4,810
Total assets less current liabilities					
		101,089	109,466	102,034	110,306
Creditors – amounts falling due after more than one year	11	(27)	-	(27)	-
Provisions for liabilities	12	(686)	(557)	(686)	(557)
Net assets excluding pension liability		100,376	108,909	101,321	109,749
Defined benefit pension scheme liability	19	(2,333)	(2,136)	(2,333)	(2,136)
Net assets including pension scheme liability		98,043	106,773	98,988	107,613
The funds of the charity					
Restricted income funds	14	4,767	4,528	4,767	4,528
Unrestricted income funds					
Unrestricted income funds	14	59,389	69,988	60,334	70,828
Designated funds	14	36,220	34,393	36,220	34,393
Unrestricted funds excluding pension reserve		95,609	104,381	96,554	105,221
Pension reserve	14	(2,333)	(2,136)	(2,333)	(2,136)
Total unrestricted funds		93,276	102,245	94,221	103,085
Total charity funds		98,043	106,773	98,988	107,613

Approved by Council and signed on its behalf on 3 May 2012.



Michael Bolton
Chairman

Consolidated Cash Flow Statement

£'000

For the year ended 31 December 2011

	Note	2011	2010
Net cash outflow from operating activities	a	(737)	(742)
Returns on investment and servicing of finance			
Interest received		437	97
Dividends received		2,852	2,123
Net cash inflow from returns on investment and servicing of finance		3,289	2,220
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,256)	(3,319)
Sale of tangible fixed assets		407	130
Purchase of investments		(2,826)	(2,116)
Pension deficit contributions		(1,703)	(1,700)
Sale of investments		4,076	341
Net cash outflow from capital expenditure and financial investment		(2,302)	(6,664)
Increase/(decrease) in cash in the year		250	(5,186)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash in the year		250	(5,186)
Net funds at 1 January		2,370	7,556
Net funds at 31 December	b	2,620	2,370

Notes to consolidated cash flow statement

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

	2011	2010
Net outgoing resources before recognised gains and losses	(1,129)	(1,258)
Investment income	(3,289)	(2,220)
Net gain on disposal of tangible fixed assets	(186)	(22)
Depreciation	2,218	2,279
Movements on investments	222	244
(Increase)/decrease in pension provision excluding actuarial loss	(1,000)	800
Decrease/(increase) in stocks	346	(297)
Decrease/(increase) in debtors	649	(1,036)
Increase in creditors	1,303	643
Increase in provisions	129	125
Net cash outflow from operating activities	(737)	(742)

b. Changes in cash and current asset investments

	2010	Cash flow	2011
Cash at bank and in hand and current asset investments	2,370	250	2,620

Included in the cash at bank balance is £300,000 subject to a standby letter of credit agreement on behalf of PDSA Trading Limited to facilitate import arrangements for the company's primary retail new goods agent.

Notes to the financial statements for the year ended 31 December 2011

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 2011, the Charities and Trustees Investment (Scotland) Act 2005, 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 1 to 15 and elsewhere in the financial statements. For the year ended 31 December 2011 the financial statements show that PDSA had a deficit on net incoming resources before other recognised gains and losses of £1.1 million with cash consumed by operating activities of £0.7 million. The financial statements also show that the Group balance sheet had net assets including a pension scheme liability of £98.0 million with net current assets of £2.2 million. The minimum free reserves required under the reserves policy is £49 million compared to the current value of free reserves of £66 million. In addition, the charity has the contingent asset of the legacy pipeline of £23.6 million. The charity held cash and short-term investments of £2.6 million as at 31 December 2011. It can quickly draw on its investment fund 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 and they therefore consider that it is appropriate for the financial statements to be prepared on the going concern basis.

The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the charity and its subsidiary undertakings. The results of the subsidiaries are consolidated on a line-by-line basis. All entities concerned prepared financial statements to 31 December 2011.

Fund accounting

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

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

Restricted funds are funds that are used in accordance with specific restrictions imposed by donors. The aim and use of each restricted fund is set out in note 14 to the financial statements. Income received less than £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 financial statements.

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 buildings	25–50 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

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

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

Stocks

Stocks are stated at the lower of cost and net realisable value. 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 held separately from those of the group. The cost of the contributions is 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.

2 Incoming resources from generated funds

	2011	£'000 2010 (as restated)#
Voluntary income		
Legacies receivable	38,069	39,281
Donations and gifts	21,653	21,881
	59,722	61,162
Activities for generating funds		
Lottery and similar income	3,455	3,679
Sale of donated goods*	17,517	16,775
Sale of retail new goods	2,343	2,656
Other sales income	1,326	998
	24,641	24,108
Investment income		
Listed securities – dividends	2,852	2,123
Interest on cash held as part of investment portfolio	16	8
Bank and other interest	421	89
Rents receivable	576	603
	3,865	2,823

* 2011 includes income of £3,367,000 of donations from supporters resulting from sale of their goods through PDSA's Retail Gift Aid programme (2010: £2,324,000).

2010 numbers are restated: Gift Aid income on donated goods of £651,000 in 2010 is now shown as sale of donated goods, rather than donations.

3 Total resources expended

	Activities undertaken directly	Support costs allocated	2011 Total	2010 Total
Costs of generating voluntary income				
Legacies receivable	1,510	133	1,643	1,712
Donations and gifts	6,648	344	6,992	6,860
Raising public perception and awareness	865	112	977	661
	9,023	589	9,612	9,233
Costs of generating trading income				
Merchandising and charity store operating costs	18,771	2,061	20,832	21,395
Lottery ticket sales	1,852	95	1,947	1,867
	20,623	2,156	22,779	23,262
Investment management costs	313	38	351	404
Charitable activities:				
PetAid hospitals	44,046	4,159	48,205	47,976
Contracted PetAid services	7,751	104	7,855	7,548
Promotion of responsible pet ownership	1,385	91	1,476	1,419
Preventive services	3,854	215	4,069	3,850
	57,036	4,569	61,605	60,793
Governance costs	221	24	245	307
	87,216	7,376	94,592	93,999

Support costs breakdown by activity	Human Resources	Property Services	Finance and Management	Information Technology	2011	£'000 2010
Costs of generating voluntary income						
Legacies receivable	54	-	39	40	133	136
Donations and gifts	51	-	173	120	344	323
Raising public perception and awareness	30	-	23	59	112	107
Costs of generating trading income						
Merchandising and charity store operating costs	548	612	486	415	2,061	2,010
Lottery ticket sales	7	-	48	40	95	93
Investment management costs	-	30	8	-	38	38
Charitable activities:						
PetAid hospitals	1,967	587	1,338	267	4,159	3,886
Contracted PetAid services	37	10	15	42	104	111
Promotion of Responsible Pet Ownership	50	1	36	4	91	75
Preventive services	114	-	101	-	215	170
Governance costs	7	-	6	11	24	29
Total support costs	2,865	1,240	2,273	998	7,376	6,978

Bases of allocation

Human Resources	staff costs
Property Services	property costs excluding rent
Finance and Management	expenditure
Information Technology	number of IT devices

4 Net outgoing resources before other recognised gains and losses

		2011	2010
These are stated after charging:			
Auditor's remuneration	audit fees charity	61	56
	audit fees subsidiaries	10	10
	non-audit fees charity	7	1
	– tax services	1	13
	– pensions services	4	30
	– other consultancy services	7	4
	non-audit fees subsidiaries	7	4
	– tax services	3,334	2,488
Irrecoverable VAT		2,218	2,279
Depreciation – owned assets		3,871	4,020
Operating leases – buildings			

5 Employees

		2011	2010
Employment costs			
Salaries		41,634	39,387
Social security costs		3,630	3,386
Employer's pension costs		1,527	3,445
Other staff costs		335	260
		47,126	46,478
Average number of employees, calculated on a full-time equivalent basis		1646	1615

	2011	2010
Employment costs		
The number of higher paid employees whose emoluments were within the following scales, as follows:		
£60,001–70,000	32	28
£70,001–80,000	8	7
£80,001–90,000	4	5
£90,001–100,000	2	1
£100,001–110,001	2	2
£120,001–130,000	1	1
£140,001–150,001	-	1
£150,001–160,000	1	-

Thirty-six (2010: thirty-eight) of the higher paid staff are members of the charity's defined benefit pension scheme. Four of the staff are members of the Group Personal Pension Plan (2010: six).

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 £17,133 during the year for thirteen Council members (2010: £22,578 for fourteen).

6 Fixed assets

	Assets under course of construction		Freehold land and buildings		Leasehold buildings		PetAid hospital land and buildings		Furniture fittings & equipment	Motor vehicles	£'000
					Long lease	Short lease	Freehold	Long lease			Total
Cost											
At 1 January 2011	587	4,372	647	5,683	27,607	5,547	13,202	2,840	60,485		
Reclassification	-	-	-	191	-	-	(191)	-	-		
Additions	359	-	65	217	150	853	612	2,256			
Disposals	-	-	(173)	(10)	(261)	-	(1,063)	(470)	(1,977)		
At 31 December 2011	946	4,372	474	5,929	27,563	5,697	12,801	2,982	60,764		
Depreciation											
At 1 January 2011	-	990	202	5,510	11,038	2,070	11,403	1,672	32,885		
Reclassification	-	-	-	191	-	-	(191)	-	-		
Charge for the year	-	99	25	69	915	168	478	464	2,218		
Disposals	-	-	(38)	(10)	(234)	-	(1,044)	(430)	(1,756)		
At 31 December 2011	-	1,089	189	5,760	11,719	2,238	10,646	1,706	33,347		
Net book value											
At 31 December 2011	946	3,283	285	169	15,844	3,459	2,155	1,276	27,417		
At 31 December 2010	587	3,382	445	173	16,569	3,477	1,799	1,168	27,600		

The difference between the Group and charity fixed assets is cost of assets in the course of construction held in PDSA PetAid Enterprises Limited of £501,000 and the exclusion of the intra-group profit of £946,000. 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 (2010: £19,617), accumulated depreciation £17,270 (2010: £19,617) are subject to an operating lease to a third party. Aggregate rentals receivable by the Group in the accounting period were £4,473 (2010: £2,065).

7 Fixed asset investments

Group and charity	Investment properties				£'000
	Listed investments	Unlisted investments	Freehold	Long leasehold	Total
At 1 January 2011	75,221	-	2,342	76	77,639
Additions/transfers in	2,826	-	-	-	2,826
Withdrawals/transfers out	(4,122)	-	(176)	-	(4,298)
Net gains/(losses) on revaluations and disposals	(4,935)	-	234	-	(4,701)
At 31 December 2011	68,990	-	2,400	76	71,466
Historical cost					
At 31 December 2011	66,712	-	603	72	67,387

	2011	2010
Listed investments		
UK equities	25,200	32,834
UK bonds and gilts	7,142	7,268
Overseas bonds	1,284	-
Property unit trusts	6,136	5,218
Overseas equities	14,484	16,224
Other structured investments	4,428	4,587
Cash funds and on deposit	10,316	9,090
Total	68,990	75,221

	2011	2010
At 31 December the charity had the following holdings constituting more than 5% of the portfolio market value		
Newton Real Return Fund	4,428	4,587
The listed investments are distributed		
UK listed	55,954	58,758
Listed elsewhere	13,036	10,232

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 2011 of £2,476,000.

All properties were valued as at 31 December 2011 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 6 February 2012 (the 'Valuation Report') and is an updated desktop valuation following on from the full valuation dated 31 December 2006.

8 Debtors

	Group		Charity	
	2011	2010	2011	2010
Accrued legacies	2,313	2,385	2,313	2,385
Amounts due from subsidiary undertakings	-	-	2,734	2,716
Income tax recoverable	292	680	291	680
Sundry debtors	1,569	1,569	973	925
Prepayments	1,750	1,920	1,750	1,920
Total	5,924	6,554	8,061	8,626

The charity has received notification of legacies amounting to approximately £23,574,000 (2010: £23,305,000).

This total has not been recognised as income at 31 December 2011, but represents a contingent asset that will be recognised in future years.

9 Current asset investments

	£'000
Group and charity	Interest bearing deposit accounts
At 1 January 2011	18
Increase	1
At 31 December 2011	19

10 Creditors: amounts falling due within one year

	Group		Charity	
	2011	2010	2011	2010
Taxation and social security	1,048	1,011	1,048	1,011
Sundry creditors	4,270	3,017	3,565	2,708
Deferred income	94	-	94	-
Accruals	2,659	2,748	2,645	2,735
	8,071	6,776	7,352	6,454

11 Creditors: amounts falling due after more than one year

	2011	2010
Group and charity		
Sundry creditors	27	-
	27	-

12 Provisions for liabilities

	2011	2010
Group and charity		
These represent obligations for dilapidations in respect of rented properties the leases of which expire by 2027	686	557
	686	557

13 Analysis of Group net assets between funds

Fund balances at 31 December 2011 are represented by:

	Restricted	Designated	General	Total
Tangible fixed assets	3,483	-	23,934	27,417
Investments	-	36,220	35,246	71,466
Current assets	1,284	-	8,993	10,277
Creditors – amounts falling due within one year	-	-	(8,071)	(8,071)
Creditors – amounts falling due after more than one year	-	-	(27)	(27)
Provisions for liabilities	-	-	(686)	(686)
Net assets excluding pension liability	4,767	36,220	59,389	100,376
Defined benefit pension scheme liability	-	-	(2,333)	(2,333)
Net assets including pension liability	4,767	36,220	57,056	98,043

14 Statement of funds

	At 1 January 2011	Incoming resources	Outgoing resources	Gains/ (losses)	Transfers	£'000 At 31 December 2011
General fund	69,988	88,843	(90,211)	(7,601)	(1,630)	59,389
Designated funds						
PetAid hospital replacement	34,393	-	-	-	1,827	36,220
	34,393	-	-	-	1,827	36,220
Unrestricted funds excluding pension reserve	104,381	88,843	(90,211)	(7,601)	197	95,609
Pension reserve	(2,136)	-	-	-	(197)	(2,333)
Total unrestricted funds	102,245	88,843	(90,211)	(7,601)	-	93,276
Restricted funds						
Liverpool Huyton PetAid hospital, The Thomas Williams Centre	193	-	(12)	-	-	181
Restricted legacies	1,479	3,893	(4,132)	-	-	1,240
Equipment and van for Kent	57	-	(13)	-	-	44
Belfast Urban Development grant	58	-	(3)	-	-	55
Liverpool Kirkdale PetAid hospital, The Jeanne Marchig Centre	106	-	(5)	-	-	101
Liverpool Kirkdale PetAid hospital, The Jeanne Marchig Centre – appeal	854	-	(39)	-	-	815
Sunderland PetAid hospital, The Reay Hudson Centre – appeal	702	-	(29)	-	-	673
Glasgow (Shamrock Street) PetAid hospital – appeal	170	12	(11)	-	-	171
Llanelli PetAid branch – appeal	13	-	(5)	-	-	8
Digital x-ray – appeal	212	56	(31)	-	-	237
Plymouth PetAid hospital, The Gwen Rees Centre – appeal	376	74	-	-	-	450
Operating table – Wolverhampton PetAid hospital	2	-	-	-	-	2
Cardiff PetAid hospital – appeal	5	15	-	-	-	20
Birmingham (Quinton) PetAid hospital – appeal	2	71	-	-	-	73
National PetAid hospital – appeal	49	354	-	-	-	403
Southampton PetAid branch	250	-	-	-	-	250
Dundee PetAid hospital floor refurbishment	-	30	(1)	-	-	29
Glasgow East PetAid hospital refurbishment	-	16	(1)	-	-	15
Luton & Bedfordshire PetAid services	-	10	(10)	-	-	-
Scotland	-	10	(10)	-	-	-
Miscellaneous restricted donations less than £10,000	-	79	(79)	-	-	-
Total restricted funds	4,528	4,620	(4,381)	-	-	4,767
Total funds excluding pension reserve	108,909	93,463	(94,592)	(7,601)	197	100,376
Total funds	106,773	93,463	(94,592)	(7,601)	-	98,043

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 purposes:

- 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 £1,827,000 has been made to increase the fund to the current projected level.

The general fund increased by £197,000 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.
- Funds bequeathed by legators for use within a specific geographical location. The balance carried forward comprises legacies received and not yet expended at Aberdeen £310,000, Ilford £587,000 and Helmsley/Kirbymoorside £343,000.
- 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 Förderung 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.
- 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.
- Donations received for Dundee PetAid hospital floor refurbishment, to be released over the life of the asset.
- Donation received for Glasgow East PetAid hospital refurbishment, to be released over the life of the asset.
- Donation received for Luton & Bedfordshire PetAid services costs.
- Donation received for use in Scotland.
- Miscellaneous restricted donations received that are less than £10,000 are shown here in aggregate.

15 Capital commitments

	2011	£'000 2010
Group and charity		
Purchase of tangible fixed assets authorised but not contracted	4,835	4,783

16 Operating lease commitments

	2011	2010
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	1,037	669
Within two to five years	1,561	1,878
After more than five years	1,287	1,353
	3,885	3,900

17 Charity and subsidiary undertakings

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

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 charity-only results is as follows:

	2011	£'000 2010
Total incoming resources	85,305	84,500
Net movement in funds	(8,625)	3,565

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	
	2011	2010	2011	2010	2011	2010
Turnover	10,390	9,750	-	-	5,933	6,316
Cost of sales	(3,118)	(3,132)	-	-	(4,345)	(4,928)
Gross profit	7,272	6,618	-	-	1,588	1,388
Administration expenses	(4,834)	(4,266)	(3)	(2)	(209)	(217)
Operating profit/(loss)	2,438	2,352	(3)	(2)	1,379	1,171
Interest received	1	1	-	-	2	1
Gifted to The People's Dispensary for Sick Animals	(2,439)	(2,353)	-	-	(1,381)	(1,172)
Retained loss	-	-	(3)	(2)	-	-

Aggregate of the assets and liabilities:

	PDSA Trading Limited		PDSA Property Services Limited		PDSA PetAid Enterprises Limited	
	2011	2010	2011	2010	2011	2010
Assets	1,710	1,608	22	25	1,758	1,463
Liabilities	(1,703)	(1,601)	(28)	(28)	(1,758)	(1,463)
Net assets/(liabilities)	7	7	(6)	(3)	-	-

18 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 Benefit Plan 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 calculated the Plan liabilities from data provided by the Plan administrators as at 1 May 2011. The Trustees are satisfied this is suitable for use as at 31 December 2011.

Amounts for the current and previous four periods

	2011	2010	2009	2008	2007
Defined benefit obligation	(78.8)	(71.6)	(62.2)	(50.3)	(58.1)
Scheme assets	76.5	69.5	60.7	50.4	52.3
(Deficit)/surplus	(2.3)	(2.1)	(1.5)	0.1	(5.8)
Experience gain on scheme liabilities	1.5	1.7	1.7	-	-
Experience gain/(loss) on scheme assets	1.1	2.9	3.9	(9.1)	(0.3)

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

	2011	2010
Discount rate	4.85%	5.40%
Expected return on scheme assets (for the following year)	4.97%	5.43%
Future salary increases	2.50%	3.00%
Future value of pensions in deferment (RPI)	2.75%	2.75%
Future value of pensions in deferment (CPI)	2.25%	n/a
Average rate of increase in pensions (5% LPI)	2.75%	2.75%
Average rate of increase in pensions (2.5% LPI)	2.50%	2.50%
Mortality assumptions (actuarial tables used)	S1PA year of birth tables with CMI projections and 0.75% long-term trend rate	S1PA year of birth tables with CMI projections and 0.75% long-term trend rate
Average expected future life at age 65 for:		
Male currently aged 65	21.7	21.6
Female currently aged 65	23.6	23.6
Male currently aged 45	22.7	22.6
Female currently aged 45	24.8	24.8

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

	2011		2010	
	Expected return		Expected return	
Assets				
Corporate bonds	4.85%	6.1	5.40%	5.2
Gilts	2.95%	31.1	4.20%	27.6
Equities and property	6.95%	37.2	6.60%	35.3
Cash	0.50%	2.1	0.50%	1.4
Fair value of scheme assets		76.5		69.5
Present value of funded obligations		(78.8)		(71.6)
Deficit		(2.3)		(2.1)
Related deferred tax (liability)/asset		no allowance		no allowance
Net pension liability		(2.3)		(2.1)

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 value of £1.4 million at 31 December 2011. 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	2011	2010
Opening defined benefit obligation	71.6	62.2
Service cost	1.9	2.5
Past service cost	(1.3)	-
Contributions by scheme participants	0.8	0.8
Interest on scheme liabilities	3.9	3.6
Actuarial losses	4.0	4.4
Benefits paid	(2.1)	(1.9)
Closing defined benefit obligation	78.8	71.6

Changes in the fair value of scheme assets	2011	2010
Opening value of the scheme's assets	69.5	60.7
Expected return	3.4	3.0
Actuarial gains	1.1	2.9
Contributions by employer to the plan	3.0	3.4
Contributions by employer to the escrow account	0.8	0.6
Contributions by scheme participants	0.8	0.8
Benefits paid	(2.1)	(1.9)
Closing fair value of the scheme assets	76.5	69.5

The actual return on the scheme's assets was	2011	2010
	4.5	5.9

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 Consolidated Statement of Financial Activities	2011	2010
Service cost	1.9	2.5
Past service cost	(1.3)	-
Interest on obligation	3.9	3.6
Expected return on scheme assets	(3.4)	(3.0)
Amounts included within resources expended	1.1	3.1
Actuarial losses on the defined benefit obligation	4.0	4.4
Actuarial gains on the scheme assets	(1.1)	(2.9)
	2.9	1.5
Total	4.0	4.6
Cumulative actuarial losses	15.9	13.0

Notes

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

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HRH Princess Alexandra, the Hon. Lady Ogilvy, KG, GCVO, meets Catherine West with Sandy and Pauline Dodds with Darcy

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	John Cole, BA Hons (Mod.)
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.

To find out more about leaving a gift in your will to PDSA,
visit www.pdsa.org.uk/how-you-can-help

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**
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Registered charity nos.
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for pets in need of vets