



Animal Health Trust
Trustees' Report and Accounts

For the year ended 31 December 2016

Registered charity no: 209642
Registered company no: RC000011

Registered office: Lanwades Park, Kentford, Newmarket, Suffolk, CB8 7UU

AHT Trustees' Report and Accounts 2016

Council of Management and Executive Committee

Council of Management (Trustees)

President: Her Royal Highness The Princess Royal KG KT GCVO QSO

Deputy President: The Lord Kirkham CVO

Honorary Treasurer: Sir John Spurling KCVO OBE

Council members:

NG Byrne MIH
DR Ellis BVetMed DEO FRCVS
R Flynn BA (hons)
Professor CJ Gaskell BVSc PhD DVR MRCVS
Professor AC Minson BSc PhD FMedSci
Professor K Morley
H Salwey CBE TD DL
Professor DBA Silk MD AGAF FRCP

From May 2016:

J Gildersleeve
WR Irving B.Com CA
SP Shore BSc Hons ACA FRSA

To May 2016:

PH Locke BVSc MRCVS
Sir John Skehel FRS FMedSci
J Whalley

Honorary Vice-Presidents:

(Honorary Vice-Presidents are honorary members of Council and therefore not Trustees)

HH Sheikh Mohammed Bin Rashid Al Maktoum
The Rt Hon the Lord Fairhaven KStJ JP DL
The Lady Vestey SRN

Executive Committee

Chief Executive: Dr M Vaudin PhD

Chief Operating Officer & Trust Secretary: S Masson BSc FCA

Dr JR Newton BVSc MSc PhD DLSHTM DipECVPH FRCVS
S Murphy BVM&S MSc DipECVIM-CA (Onc) MRCVS
AN Simmonds MA Hons
A Wilkinson LLM Chartered MCIPD DMS

In attendance: SP Shore BSc Hons ACA FRSA

Principal advisers

Bankers

Lloyds Bank Plc
48 High Street, Newmarket
Suffolk, CB8 8LF

Investment managers

Vestra Wealth LLP
14 Cornhill
London, EC3V 3NR

Auditors

RSM UK Audit LLP
Abbotsgate House, Hollow Road
Bury St Edmunds, Suffolk, IP32 7FA

Solicitors

Taylor Vinters LLP
Merlin Place, Milton Road
Cambridge, CB4 0DP

Trustees' Report

Structure, Governance and Management

Animal Health Trust (AHT) was founded in 1942 by Dr R W Wooldridge CBE FRVCS and became incorporated by Royal Charter in 1963. The AHT's aim is to be a leading authority in the understanding of disease and injury in animals through scientific endeavour and its application to their welfare. It is based on one site in Newmarket where the different disciplines of research, education and veterinary services are all undertaken to meet that aim.

AHT is governed by the Council of Management. This consists of Trustees whose names are listed on page two. The Council normally meets four times each year.

The formula for the appointment of Trustees is set out in AHT's Rules. There is a Nominations Committee responsible for annually reviewing the overall skill base of The Council. This ensures there is an appropriate range of skills and backgrounds. The Committee proposes new Trustees for election at the next Annual General Meeting (AGM) and in-between AGMs where appropriate.

At each AGM one third of those Council members who are subject to rotation are obliged to retire. Members of Council retiring at an AGM after five years' service shall not be eligible for re-election until the date of the next following AGM.

Trustee induction training is offered to new Trustees. This includes external courses on the responsibilities of being a Trustee. New Trustees also spend time getting to know the senior staff and understanding the work of the Trust.

Day to day management is entrusted to the Chief Executive, who is also Chair of the Executive Committee. The Executive Committee is comprised of the Chief Executive and five members of the senior management team whose names are listed on page two. The Executive Committee meets at least ten times each year.

Apart from internal management committees, there are currently four advisory (Scientific Advisory, Equine Industry, Ethical Review, Fundraising and Appeals) and three working (Nominations, Remuneration and Audit) committees.

Objectives and activities

The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing objectives and activities.

AHT is an independent charity which employs over 250 scientists, vets and support workers. Its principal objectives are to study and endeavour to cure disease in animals and to advance the teaching and practice of veterinary art and science.

AHT:

- develops new knowledge and techniques for the better diagnosis, prevention and cure of disease;
- provides a world-class clinical referral service;
- promotes post-graduate education; and
- communicates its findings to others.

Charitable activities

AHT carries out a range of activities in order to achieve its objectives, which are closely linked for maximum benefit. These activities are grouped under the three main headings of Scientific Research, Clinical Activities and Education.

Scientific Research

The Scientific Research activities are focused on inherited disease and infectious disease. Inherited disease includes genetics, oncology and stem cell. Infectious disease includes bacteriology, virology, immunology and equine epidemiology and disease surveillance.

Clinical Activities

The veterinary clinics provide world class referral services to small animal and equine veterinary practitioners. There are two clinical centres of excellence: the Centre for Small Animal Studies and the Centre for Equine Studies. The services also incorporate diagnostic laboratories and genetic screening services.

Both clinics have active clinical research programmes and, together with the diagnostic laboratories and genetic services, work closely with the research teams to further AHT's scientific developments and achievements. Both clinics are also core to fulfilling AHT's educational objectives.

Education

AHT has a strong commitment to the provision of education and post-graduate training. Its clinics run active internship and residency training programmes and its Continuous Professional Development (CPD) programme has also expanded in recent years to now provide both day courses and evening classes for vets in small animal and equine studies.

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Education (continued)

In 2016, we had 12 students undertaking PhD's or MSc courses, registered through the Universities of Cambridge, Liverpool, Royal Veterinary College and University College London, Manchester, Birmingham and Bologna.

AHT publishes papers detailing its research and clinical findings in journals and online, sharing its knowledge with the wider world for the good of veterinary professionals and scientists. It also has its own free to use library housing the latest journals, publications and findings which is available for use by anyone studying animal health.

AHT is also committed to promoting the welfare of animals directly to the public which is done through provision of information and advice on the care of horses, dogs and cats through a variety of channels including events, print materials, social media and the AHT website.

An in-depth review of AHT's activities can be found in its 2016 Annual Review, available to view at www.aht.org.uk from July 2017.

Statement of Trustees' Responsibilities

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

Charity law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of AHT and of the surplus or deficit of AHT for that period. In preparing those financial statements, the Trustees are required to:

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

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of AHT and to enable them to ensure that the financial statements comply with the requirements of the Charities Act 2011, the Charity (Accounts and Reports) Regulations 2008 and the provisions of AHT's Royal Charter. They are also responsible for safeguarding the assets of AHT and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal Risks and Uncertainties

AHT's management carries out a detailed review of risks annually and the results are reported to the Council of Management. In 2016 the Trustees have assessed the strategic, operational and financial risks to which AHT is exposed, and have identified the following principal risks and uncertainties.

Governance

AHT's Royal Charter dates from 1963, whilst this was added to with a Supplemental Charter in 1992 and AHT's constitutional Rules were updated in 1995 the Trustees have identified a risk that these have fallen behind developments in charity legislation and governance best practice. The Trustees have reviewed and approved a new constitution in the form of its Charter and Rules and are now seeking approval from the Privy Council for those changes to be implemented.

Legacy income

Whilst AHT has a more diverse range of income streams than many other charities, it is reliant on an annual level of legacy income to meet its running costs; there is a risk that reductions in this income stream could materially affect AHT's financial position. The Trustees are attempting to mitigate this risk by building an appropriate level of reserves and by growing and diversifying other fundraising income streams.

Pension schemes

Whilst the most recent actuarial valuation of the closed AHT Pension Scheme as at 5 April 2016 showed a small decrease in the potential funding shortfall to £4.7m (2013: £5.0m) the new recovery plan agreed with the scheme trustee is for slightly increased deficit recovery payments to maintain the 2034 end date of the plan.

The most recent actuarial valuation of the USS scheme deficit had an effective date of 5 April 2014. A recovery plan is currently in place which included an increase, with effect from April 2016, in employer contributions from 16% to 18% of pensionable salaries. The next valuation will be on 5 April 2017 after which a new recovery plan may be required.

The Trustees recognise both the closed AHT scheme and the USS scheme pose significant risks to AHT, though they consider the risks are over the long term, being decades, rather than a material short term risk.

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Principal Risks and Uncertainties (continued)

Brexit

AHT employs and recruits staff including specialist clinicians from a number of EU countries. The Trustees recognise that the UK leaving the EU creates a risk to the ability to continue to fill posts and provide services. The Trustees are monitoring developments closely and joining in with scientific and veterinary umbrella bodies seeking to ensure this risk is recognised by the Government.

The Trustees are satisfied that the major risks identified have been mitigated. However they recognise that systems can only provide reasonable, but not absolute, assurance that major risks have been adequately managed.

Achievements and Performance – a few highlights from the year

Disease and injury are recognised as the biggest threats to animal welfare. In working to achieve AHT's aims, the Trustees strive to ensure the welfare of, and relieve the suffering of, animals. This has benefits for society as a whole, both in a professional and public context.

Scientific Research – disease and injury in dogs

Fighting inherited disease in dogs

In 2016, AHT launched Give a Dog a Genome, supported by the Kennel Club and individual breed clubs, to create the UK's largest canine genome bank. The genome bank will improve dog health by radically increasing understanding of the canine genome by sequencing the entire genome of a large number of different breeds and will revolutionise canine genetics research.

The data generated will have profound effects on the ability to identify mutations which cause inherited diseases in purebred dogs, and the rate at which new DNA tests can be developed as tools for breeders.

Before selecting which individual dog's DNA should be sequenced for each breed, AHT conducted a self-reported Breed Health Summary by asking Breed Health Coordinators to identify top health concerns amongst the initial 75 breeds involved. Key themes emerging from the health summary were eye diseases, such as progressive retinal atrophy, glaucoma, and epilepsy. These themes are reflected in the first samples to be sequenced, from the Gordon Setter, Picardy Sheepdog, Shetland Sheepdog, Tibetan Terrier, Siberian Husky, Basset Hound, Dandie Dinmont Terrier, Cairn Terrier, Pug, English Bulldog and Italian Spinone breeds.

Fighting cancer in dogs

AHT continues to be the only UK charity with a dedicated canine cancer research team. In 2016, thanks to funding from Zoe's Journey UK, AHT began a new research project into lymphoma, one of the most common canine cancers. AHT is developing a new prognostic test for vets treating dogs with mast cell tumours, the most common type of skin cancer in dogs. In addition, AHT's scientists and vets continue research into five of the most common malignant cancers in dogs to gain a better understanding of how they develop, how they spread and how they respond to treatment.

Scientific Research – disease and injury in horses

AHT's work fighting disease impacts locally and globally. In 2016, when two infectious diseases affected thoroughbred horses in Newmarket, AHT's vets and scientists were on hand to assist and advise on minimising disease spread.

Internationally, AHT participates in a twinning programme, as a World Organisation for Animal Health (OIE) Reference Lab for equine influenza and equine herpes virus, which gives AHT's scientists the opportunity to share knowledge and experience with labs in other countries. Under the programme, AHT acts as the "parent lab" to the National Research Centre for Equines (NRCE), based in Hisar, India. During the last three years AHT has provided training and expertise, aiming to help the NRCE achieve a reliable testing process to detect equine flu that can be readily implemented throughout India.

AHT has been able to help the NRCE team develop and validate their own diagnostic test to detect the equine flu virus in nasal swabs. This test is a great addition as the equipment required and the processes involved are relatively inexpensive, it is excellent for testing large sample numbers and the results can be easily available within a day. Monitoring outbreaks and determining any changes in the pathogen also helps identify strains that may have the potential to cause further outbreaks or vaccine breakdown. The ultimate goal is for the NRCE to become the OIE Reference Lab in India, as presently only Europe and the USA have these facilities. AHT is very proud to provide support not only to equine vets in the UK, but also overseas, and the Twinning Programme is proving to be a real success.

Fighting orthopaedic injury in horses

Dr Sue Dyson, world-renowned expert in equine orthopaedics, was one of only three scientists inducted into the University of Kentucky Equine Research Hall of Fame in 2016. As Head of Department in AHT's Equine Clinic, her service and contribution to equine research was recognised and rewarded by her peers, colleagues and previous inductees, who nominated her for this accolade.

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Fighting orthopaedic injury in horses (continued)

Some of Sue's most ground breaking research includes validating the usefulness and limitations of ultrasonography, scintigraphy and MRI for routine diagnostic use. This data has then been translated into practical benefits for improving the accuracy of diagnosis and treatment for all horses suffering from injury, at AHT's Equine Clinic and beyond. Current projects focus on the recognition of pain in horses, the influence of tack and a rider on lameness and how horses adapt their gait in the face of injury.

Clinical activities

In 2016, our Small Animal Centre and Equine Centre treated more than 3,850 (2015: 3,600) newly referred animals. AHT's DNA testing service produced test results for more than 8,100 (2015: 9,500) samples. 61 DNA health tests are now offered for more than 70 breeds of dog. In AHT's Diagnostic Laboratory Services more than 47,600 (2015: 40,300) samples were processed. AHT also successfully retained its ISO 17025 status.

The primary focus of the vets working in our equine and small animal clinics is the health and welfare of the individual animals referred to them. In addition to this, the information they are able to learn from treating these patients enables us to better understand disease and educate others. In the equine clinic, the clinical research team provides scientific solutions to sport, performance, racing and pleasure horse problems. In our small animal clinic, the clinicians analyse information about patients with the aim of increasing understanding of specific conditions so this can be passed on for the benefit of all animals.

Education

Career development

In 2016, AHT senior staff continued to support and supervise the intern and residency programmes, as well as 12 students undertaking PhD and MPhil courses. As a result, two AHT students were awarded a PhD in 2016. Within the clinical teams, in addition to Dr Sue Dyson being inducted into the University of Kentucky Equine Research Hall of Fame, another clinician obtained an FRCVS for Meritorious Contributions to Clinical Practice, two clinicians passed their European specialist qualification, and three clinicians became recognised Royal College of Veterinary Surgeons (RCVS) specialists. Within the Nursing team three nurses passed exams including the Registered Veterinary Nurse (RVN) diploma and ISFN Feline Diploma.

Educating the veterinary profession and associated stakeholders

In 2016, AHT held more than 22 CPD lectures and days for people working in the veterinary profession. AHT's team presented, on clinical and research work, at events in the UK and internationally.

AHT authored published papers in 2016

| | Total | First & /or Last Author |
|--------------------------------|--------------|------------------------------------|
| Papers | 66 | 52 |
| E – Pubs | 19 | 13 |
| Published conference abstracts | 59 | 48 |
| | 144 | 113 |

By sharing its expertise and disseminating the results of its research to the veterinary profession, AHT improves wider veterinary knowledge which in turns benefits not only the animals being treated in its clinics but also those in general practice, as well as their owners.

Public engagement

During 2016, AHT focussed attention on digital channels to educate the general public. AHT's website received visits from more than 760,000 people. Likes on AHT's Facebook page increased by 26% and engagement on Twitter increased by 160%, resulting in more people than ever engaging with AHT digitally. Using traditional media, AHT placed more than 1,000 individual articles in print and online channels, reaching almost 37 million people helping to educate them about AHT and its work.

Fundraising

As a charity, AHT relies on generous donations from the general public to carry out its vital work. The Fundraising department works with corporate supporters, major donors, charitable trusts and members of the public to gain financial support. AHT organises and attends events, speaks directly to supporters via post, email and face to face and co-ordinates charitable trusts and legacy programmes.

Fundraising activities had a mixed year. Income from donations increased by more than 18% to £1.66m, however legacy income fell from £2.7m in 2015 to £0.7m, its lowest level since 2001.

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Volunteers

AHT has a dedicated group of volunteers who give up their time to help in many different ways: from helping on trade stands by selling merchandise, inspiring the general public to support AHT and assisting with vital fundraising activities.

Future plans

Scientific Research

AHT will continue its research programmes to develop new diagnostic tests, treatments, vaccines, and preventative measures, to fight disease and injury in horses, dogs and cats.

Clinical Activities

AHT will plan to expand the capacity of its clinics and increase the resources available for the provision of referral services and clinical research.

Education

AHT will continue to teach, supervise and support its staff, the wider veterinary profession, associated stakeholders and the general public through CPD events, registered training programmes, lectures, published papers, the media, social media the AHT website and associated communication methods.

Financial review

AHT had a mixed 2016. Overall net position for the year was down from a £2.1m surplus in 2015 to a £12k deficit in 2016.

Both years results were affected by property disposals, in 2016 Lanwades Hall was sold with a profit on disposal of £0.9m, this followed a land disposal in 2015 generating a profit on disposal of £1.5m. 2016 also saw a significant drop in legacy income compared to recent years.

With the 2016 actuarial loss on its historic pension scheme, the total value of funds decreased by £3.1m.

Income

AHT's total income in 2016 was £15.7m. Excluding the one off land disposal gains in 2015 and 2016, income of £14.8m represents a decrease of £0.7m (4.5%) from 2015.

The key reason for the decrease in income was legacies down from £2.7m in 2015 to £0.7m in 2016. This was partly offset by a £1.1m increase in clinical activities income which was up from £9.1m to £10.2m, a 12% increase.

Expenditure

Total expenditure increased by £1.0m to £15.9m. AHT's expenditure on its charitable activities increased to a record high of £14.9m.

AHT expended £3.4m (2015: £3.2m) in its scientific research activities, £10.4m (2015: £9.6m) in running its clinical activities and £1.1m (2015: £1.1m) in delivering its educational activities

Included in the costs above are apportioned Support and Governance costs of £2.3m (2015: £2.1m) which represents an increase of 0.3% as a percentage of total expenditure.

Investments

The performance of investment portfolios is regularly reviewed and reported to the Trustees.

AHT has adopted a balanced investment objective with a low risk profile and has a socially responsible investment principle as one of those objectives.

The performance of AHT's portfolios in 2016 was as follows:

| <u>Portfolio</u> | <u>Portfolio Total Return</u> | <u>Benchmark</u> ARC balanced peer group |
|----------------------|-------------------------------|---|
| AHT Unrestricted | 6.02% | 8.64% |
| AHT Mellon Endowment | 6.33% | 8.64% |

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Investments (continued)

The AHT funds underperformed against the benchmark primarily because it was underinvested in UK equities during the year. The relatively cautious attitude around Brexit and the US elections meant the portfolio lagged a sharply rising equity market; however this felt prudent given the risks of a significant market correction around several events that were difficult to call and the results of which were relative unknowns for the market.

Subsidiary Companies

AHT holds 100% of the issued share capital of both of the following companies, both of which are registered in England and Wales:

Animal Health Trust Promotions Limited, the principal activities of the company are the letting of Lanwades Hall as a wedding and events venue, and selling merchandise on behalf of AHT. Following the sale, by AHT, of Lanwades Hall the income from the letting of the Hall as a venue has ceased.

Equine Genetics Research Limited, the principal activity of the company is to exploit intellectual property arising from equine genetics research for the benefit of horseracing and breeding, the company did not trade in either 2016 or 2015.

A summary of the results of the subsidiaries is shown below:

| | Animal Health Trust Promotions Limited | | Equine Genetics Research Limited | |
|---|--|---------------|----------------------------------|---------------|
| | 2016 £'000 | 2015 £'000 | 2016 £'000 | 2015 £'000 |
| Turnover | 65 | 90 | - | - |
| Cost of sales | (30) | (41) | - | - |
| Gross profit | 35 | 49 | - | - |
| Administration expenses | (23) | (45) | (11) | (3) |
| Operating and retained profits / (losses) | 12 | 4 | (11) | (3) |

At year end Animal Health Trust Promotions Limited owed AHT £51,191 (2015: £63,375) and Equine Genetics Research Limited owed AHT £2,323 (2015: £nil). A bad debt provision of £45,000 has been created against AHT Promotions Limited's debt as the Trustees are reviewing the viability of the company and its ability to repay the debt.

AHT is the sole member of Animal Health Trust Pension Trustees Limited, a company limited by guarantee incorporated in England and Wales. The company has been established to act as a corporate trustee for the Animal Health Trust Pension and Life Assurance scheme. AHT's liability as a member is restricted to £1. The company has remained dormant since incorporation.

AHT is a member of Together for Animals Limited, a company limited by guarantee incorporated in England and Wales. It became a registered charity in April 2004 (Registered Charity No. 1102985). AHT's liability as a member is restricted to £10. Together for Animals coordinates and promotes payroll giving to benefit the work of five animal charities, including AHT.

AHT is a member of Discover Newmarket Community Interest Company, a company limited by guarantee incorporated in England and Wales on 19 December 2014. AHT's liability as a member is restricted to £1. Discover Newmarket has been established as a not for profit community interest company to carry on activities which benefit the community and in particular the horseracing industry and local businesses within the town of Newmarket and the surrounding areas.

Senior Executive Pay

The remuneration of the Chief Executive and other members of the Executive Committee is set by the Trustees' remuneration committee. The committee's policy for assessing the remuneration of AHT's senior executives is for their pay and benefits to be in line with market rates for similar roles in the sectors in which AHT operates. Any pay increases for senior executives should be in line with awards made to other AHT employees generally. A review of the policy and the pay and benefits for the Executive Committee and other senior managers is underway in 2017.

The total cost of remuneration and benefits received by members of the Executive Committee, as disclosed in note 8 to the financial statements, in 2016 was £621,000 (2015: £551,000).

Reserves Policy

It is the long term intention of the Trustees that the freely available reserves of AHT, defined as the investments and net current assets or liabilities of the general fund, should be built up to, and maintained at, a level sufficient to ensure the continuance of AHT's activities, should there be an unexpected short-term adverse fluctuation in income. The appropriateness of the reserves policy and the level of reserves are reassessed on a regular basis.

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Reserves Policy (continued)

The Trustees have calculated based on risk that an appropriate level of free reserves would be in the range of £4.5m to £8.5m or between 3 to 6 months normal expenditure. The accounts value of free reserves as at 31 December 2016 amounted to £3.3m and represents a little under 2 ½ months of normal expenditure. The Trustees are committed to budgeting for a surplus over the medium term to build the value of reserves up to the calculated range.

Pension Schemes

AHT contributes to two defined benefit schemes; the AHT Pension and Life Assurance Scheme and the Universities Superannuation Scheme (USS), and one defined contribution scheme. The assets of these schemes are held separately from those of AHT in independently administered funds.

AHT Pension and Life Assurance Scheme

The scheme which had been closed to new members since September 2004 was closed to future accrual with effect from 31 March 2011. The most recent actuarial valuation as at 6 April 2016 shows a potential funding shortfall of £4.7m.

A new recovery plan has been agreed with the Scheme Trustee to eliminate the past service deficit by 31 March 2034. This requires payments of £276,000 per annum payable monthly in arrears between April 2017 and March 2020, a lump sum payment of £150,000 in March 2020, followed by payments of £328,800 per annum payable monthly in arrears between April 2020 and 31 March 2034. Under the recovery plan AHT also pays the levies and administration expenses of the scheme and the scheme has a charge over the Lanwades site together with deeds of agreement over certain other property assets.

The valuation of the AHT scheme as at 31 December 2016 by a Fellow of the Institute of Actuaries for the disclosures in note 21 to the Financial Statements shows a potential shortfall in the fund's assets of £6.89 million (2015: £4.03m).

FRS102 requires that the discount rate used to value scheme liabilities should reflect the investment returns on high quality corporate bonds, the returns on such bonds have decreased substantially during 2016, as a result the present value of the scheme liabilities and of the deficit have both substantially increased.

USS

Following the completion of the April 2014 valuation of the scheme a recovery plan has been agreed with scheme employers that saw employer contributions increase from 16% to 18% of pensionable salary with effect from April 2016 until March 2031. Within the 18%, deficit reduction contributions have been deemed by USS to be 2.1%.

To ensure the sustainability of USS the benefit structure has been revised, with effect from April 2016 the final salary part of the scheme has been closed with all existing active members of the final salary scheme being transferred into the USS career average scheme. From October 2016, for higher earning members contributions on pensionable salary above a salary threshold are being paid into a defined contribution scheme.

In adopting the FRS102 charity SORP AHT has accrued a liability on its balance sheet representing the present value of its estimated future obligations to the USS recovery plan; details can be seen in note 21, as at 31 December 2016 this is estimated at £0.93m (2015: £0.91m).

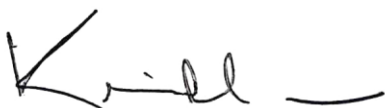
AHT has categorised staff into different 'job families' with membership of USS to new staff being restricted to certain families. For other job families, with effect from 1 April 2011 a defined contribution group personal pension scheme has been established.

Going Concern

Following the sale of Lanwades Hall In 2016 there was a significant improvement in AHT's cash position at the year end with balances of £3.17m. However within this a designated fund with a year-end balance of £2.35m exists to invest in building new offices and student accommodation to replace facilities that had been sold.

AHT experienced a significant fall in legacy income during 2016 which will have an impact on cash flow in 2017. The Trustees have always recognised the risk that AHT's cash flow is susceptible to volatility in legacy receipts, however they believe with its investment portfolio and access to overdraft facilities, AHT is in a position to withstand short term adverse cash flow fluctuations. On this basis the Trustees consider it appropriate to prepare the financial statements on the going concern basis.

The above Trustees' report and attached financial statements were adopted by the Trustees at the Council of Management meeting on 31 May 2017.



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The Lord Kirkham CVO (Deputy President)

Independent auditor's report to the trustees of Animal Health Trust

Opinion on financial statements

We have audited the financial statements of Animal Health Trust for the year ended 31 December 2016 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2016 and of its incoming resources and application of resources for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Charities Act 2011.

Emphasis of matter – early adoption of the Charities SORP (FRS 102)

In forming our opinion, which is not modified, we have considered the disclosure in note 1 concerning the charity's early adoption of the Charities SORP (FRS 102) issued in July 2014, rather than applying the Charities 2005 SORP which has been withdrawn but is still referred to in the extant Charities (Accounts and Reports) Regulations 2008. This departure has been necessary for the financial statements to show a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice effective for accounting periods beginning on or after 1 January 2015.

Scope of the audit of the financial statements

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

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 requires us to report to you if, in our opinion:

- the information given in the Trustees' Report is inconsistent in any material respect with the financial statements; or sufficient accounting records have not been kept; or
- the 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.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' responsibilities set out on page 4 the trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditors under section 144 of the Charities Act 2011 and report in accordance with regulations made under section 154 of that Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

This report is made solely to the charity's trustees as a body, in accordance with the Charities Act 2011. 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 opinion we have formed.

RSM UK Audit LLP

RSM UK Audit LLP
Statutory Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
Suffolk
IP32 7FA

Date *13 June 2017*

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

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Statement of financial activities
For the year ended 31 December 2016

| | Note | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | 2016 Total £'000 | 2015 Total Note 26 £'000 |
|---|------------------------|--------------------------------|------------------------------|-----------------------------|------------------------|-----------------------------------|
| Income from | | | | | | |
| Donations, legacies and grants | 2 | 1,555 | 2,037 | - | 3,592 | 5,194 |
| Charitable activities | | | | | | |
| • Scientific research | | 580 | - | - | 580 | 686 |
| • Clinical activities | | 10,164 | - | - | 10,164 | 9,080 |
| • Education | | 14 | - | - | 14 | 93 |
| Other trading activities | | | | | | |
| • Fundraising events | | 337 | - | - | 337 | 333 |
| • Non charitable trading | | - | - | - | - | 3 |
| • Rental income | | 24 | - | - | 24 | 31 |
| Investments | 3 | 55 | 9 | - | 64 | 73 |
| Other | 4 | 973 | - | - | 973 | 1,545 |
| Total income | | 13,702 | 2,046 | - | 15,748 | 17,038 |
| Expenditure on | | | | | | |
| 5 | | | | | | |
| Raising funds | | | | | | |
| • Fundraising costs | | (547) | - | - | (547) | (540) |
| • Fundraising events | | (263) | - | - | (263) | (258) |
| • Non charitable trading | | (45) | - | - | (45) | (-) |
| • Investment management | | (61) | - | - | (61) | (47) |
| | | (916) | - | - | (916) | (845) |
| Charitable activities | | | | | | |
| • Scientific research | | (2,256) | (1,118) | - | (3,374) | (3,185) |
| • Clinical activities | | (9,797) | (558) | - | (10,355) | (9,561) |
| • Education | | (1,142) | - | - | (1,142) | (1,097) |
| | | (13,195) | (1,676) | - | (14,871) | (13,843) |
| Other | 7 | (75) | - | - | (75) | (248) |
| Total expenditure | | (14,186) | (1,676) | - | (15,862) | (14,936) |
| Gains on investments | 11 | 85 | - | 17 | 102 | 28 |
| Net (Expenditure) / Income | | (399) | 370 | 17 | (12) | 2,130 |
| Transfers between funds | 16, 17 & 18 | 114 | (71) | (43) | - | - |
| Other recognised (losses) / gains | | | | | | |
| • Actuarial (loss) / gain on defined benefit pension scheme | 21 | (3,122) | - | - | (3,122) | 1,154 |
| Net movement in funds | | (3,407) | 299 | (26) | (3,134) | 3,284 |
| Reconciliation of funds | | | | | | |
| Total funds brought forward | | 10,691 | 671 | 478 | 11,840 | 8,556 |
| Total funds carried forward | | 7,284 | 970 | 452 | 8,706 | 11,840 |

All amounts relate to continuing activities.

All recognised gains and losses for the year are included in the statement of financial activities above.

The notes on pages 14 to 33 form part of these financial statements.

Balance sheet as at 31 December 2016

| | Note | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | 2016 Total £'000 | 2015 Total £'000 |
|---|-----------------|--------------------------------|------------------------------|-----------------------------|------------------------|------------------------|
| Tangible fixed assets | 9 | 9,310 | 179 | - | 9,489 | 10,613 |
| Intangible fixed assets | 10 | 5 | - | - | 5 | 12 |
| Fixed asset investments | 11 | 1,897 | - | 430 | 2,327 | 2,823 |
| | | <u>11,212</u> | <u>179</u> | <u>430</u> | <u>11,821</u> | <u>13,448</u> |
| Current assets | | | | | | |
| • Stock | | 114 | - | - | 114 | 192 |
| • Debtors | 12 | 2,677 | 296 | - | 2,973 | 3,746 |
| • Investments | 11 | - | - | 22 | 22 | 40 |
| • Cash at bank | | 2,662 | 504 | - | 3,166 | 802 |
| | | <u>5,453</u> | <u>800</u> | <u>22</u> | <u>6,275</u> | <u>4,780</u> |
| Creditors due within one year | 13 | (1,576) | (9) | - | (1,585) | (1,457) |
| Net current assets | | <u>3,877</u> | <u>791</u> | <u>22</u> | <u>4,690</u> | <u>3,323</u> |
| Total assets less current liabilities | | 15,089 | 970 | 452 | 16,511 | 16,771 |
| Creditors due after more than one year | 15 | (913) | - | - | (913) | (898) |
| Net assets excluding pension liability | | 14,176 | 970 | 452 | 15,598 | 15,873 |
| Defined benefit pension scheme liability | 21 | (6,892) | - | - | (6,892) | (4,033) |
| Net assets including pension liability | | <u>7,284</u> | <u>970</u> | <u>452</u> | <u>8,706</u> | <u>11,840</u> |
| REPRESENTING: | | | | | | |
| Fund balances | 16,17,18 | 7,284 | 970 | 452 | 8,706 | 11,840 |

The financial statements on pages 11 to 33 were approved and authorised for issue by the Council of Management (Trustees) on 31 May 2017.

The notes on pages 14 to 33 form part of these financial statements.


.....
Sir John Spurling KCVO OBE (Honorary Treasurer)


.....
The Lord Kirkham CVO (Deputy President)

Cash flow statement for the year ended 31 December 2016

| | Note | 2016 | | 2015 |
|---|-----------|--------------|--------------|---------|
| | | £'000 | £'000 | £'000 |
| Cashflows from operating activities: | | | | |
| Net cash provided by operating activities | 20 | | 435 | 1,518 |
| Cashflows from investing activities: | | | | |
| • Interest received | | 5 | | 2 |
| • Dividends received | | 43 | | 48 |
| • Bank interest paid | | - | | (4) |
| • Purchase of investments | | (233) | | (467) |
| • Movement in investment cash | | 2 | | 172 |
| • Payments to acquire tangible fixed assets | | (581) | | (264) |
| • Proceeds from sale of investments | | 947 | | 295 |
| • Proceeds from sale of tangible fixed assets | | 1,746 | | 1,517 |
| • Cash flows attributable to endowment fund transfers | | (21) | | (5) |
| Net cash provided by investing activities | | | 1,908 | 1,294 |
| Cashflows from financing activities: | | | | |
| Repayment of other borrowing | | - | | (1,500) |
| Cash flows attributable to endowment fund transfers | | 21 | | 5 |
| Net cash realised from / (used) in financing activities | | | 21 | (1,495) |
| Change in cash & cash equivalents in the reporting period | | | 2,364 | 1,317 |
| Cash & cash equivalents at the beginning of the reporting period | | | 802 | (515) |
| Cash & cash equivalents at the end of the reporting period | | | 3,166 | 802 |
| Analysis of cash and cash equivalents | | | | |
| | | | 2016 | 2015 |
| | | | £'000 | £'000 |
| Cash in hand (including short term deposits) | 20 | | 3,166 | 802 |

The notes on pages 14 to 33 form part of these financial statements.

1. Accounting policies

Animal Health Trust is a charity incorporated by Royal Charter, domiciled and registered in England. The principal accounting policies are set out below.

a. Basis of accounting

The financial statements have been prepared under the historical cost convention as modified by the recognition of certain financial assets measured at fair value in accordance with generally accepted accounting principles. In preparing the financial statements the Charity follows best practice as set out in the Statement of Recommended Practice Accounting and Reporting by Charities "SORP FRS 102" and the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), and the Charities Act. AHT constitutes a Public Benefit entity as defined by FRS 102.

The accounts have been prepared to give a 'true and fair' view and have departed from the Charities (Accounts and Reports) Regulations 2008 only to the extent required to provide a 'true and fair view'. This departure has involved following the best practice as set out above rather than the Accounting and Reporting by Charities: Statement of Recommended Practice effective from 1 April 2005 which has since been withdrawn.

The Trustees consider that there are no material uncertainties about AHT's ability to continue as a going concern.

b. Income

Where sufficient evidence to entitlement, measurability and probability of receipt is available material donations are accounted for when receivable, all other donations are accounted for on a receipts basis. Donated assets are taken to income, when donated, at estimated value to AHT.

Legacies are accounted for when received or if before receipt, where sufficient evidence is available to support entitlement, measurability and probability of receipt.

Grant income is recognised when receivable. Where resources are received in advance of the performance of the activity, and there are preconditions attached to the grant which stipulate that the resources must be expended in future periods the resources are deferred to the corresponding period, in accordance with the SORP.

Income from charitable activities is fee income earned from clinical and diagnostic services, contract research, hosting CPD courses and consultancy services and is accounted for on an accruals basis.

Income from fundraising events is accounted for on an accruals basis.

Non charitable trading income is accounted for on an accruals basis.

Rental income accounted for under other trading activities relates to income earned from letting properties that are also utilised by AHT in delivering charitable activities. Rental income from investment properties is accounted for as investment income.

Investment income is accounted for on an accruals basis.

Other Income is accounted for on an accruals basis.

c. Expenditure and basis of allocation of costs

All expenditure is accounted for on an accruals basis.

Fundraising costs include the salaries, direct expenditure of fundraising activities and apportioned support costs attributable to AHT's fundraising department.

Fundraising events costs include the salaries, direct expenditure on fundraising events and apportioned support costs attributable to AHT's fundraising events.

Investment management costs include the costs of managing AHT's investment portfolios, investment properties, and IP.

Scientific research costs are the salaries, direct expenditure and apportioned support costs of the departments carrying out AHT's research projects.

Clinical activities costs are the salaries, direct expenditure and apportioned support costs of running AHT's clinical and diagnostic service departments.

Education costs are the salaries, direct expenditure and apportioned support costs of AHT's educational activities.

Support costs, including governance costs, are the salaries, direct costs and overheads of; the site services, finance, directorate, human resources, public relations and information technology departments. Public relations costs are allocated 45% to Fundraising, 5% to Fundraising events, 25% to Education and 25% to Clinical activities. All other Support and governance costs are allocated to Scientific research, Clinical activities, Education and Fundraising in proportion to direct salary costs.

Other resources expended are the FRS102 finance costs and the administration costs of the closed AHT Pension and Life Assurance scheme.

1. Accounting policies continued

d. Depreciation

Tangible fixed assets costing more than £1,500 are capitalised and included at cost including any incidental expenses of acquisition.

Assets either under construction or not yet in use are not depreciated until the asset is bought into use.

Depreciation is provided to write off evenly over their expected useful lives the cost less estimated residual values, of all fixed assets, except freehold land. It is calculated at the following rates:

- Freehold buildings - 25 or 50 years
- Portable buildings - 5 years
- Motor vehicles - 5 years
- Equipment & fittings - 5 or 10 years

e. Investments

Trade investments are equity investments over which the Charity has no significant influence, joint control or control and are initially measured at transaction price. Transaction price includes transaction costs, except where trade investments are measured at fair value through the Statement of Financial Activities when transaction costs are expensed as incurred.

The fair value of trade investments quoted on a recognised stock exchange is the quoted bid price. The fair value of unlisted investments (excluding investments in associated undertakings and subsidiaries) is measured using valuation techniques which include turnover multiple, earnings multiple, net assets or discounted cash flows, as appropriate, based on the nature and circumstances of the investment.

Investment properties are periodically valued and are stated at their most recent valuation. Investments in subsidiaries are stated at cost less any impairment.

Realised and unrealised gains and losses are recorded in the Statement of Financial Activities. Realised gains and losses are recognised when the investment is disposed of, unrealised gains and losses are recognised annually.

f. Intangible assets

Capitalised computer software expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Computer software expenditure initially recognised as an expense is not recognised as assets in the subsequent period. Capitalised computer software expenditure is amortised on a straight-line method over a period of 5 years.

g. Stocks

Stocks are included at the lower of cost and net realisable value.

h. Financial instruments

AHT has chosen to adopt Sections 11 and 12 of FRS102 in respect of financial instruments. Financial assets and financial liabilities are recognised when AHT becomes a party to the contractual provisions of the instrument.

(i) Financial assets

Basic financial assets including trade and other receivables and cash and bank balances are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through the Statement of Financial Activities, which are initially measured at fair value.

Equity investments (excluding investments in associated undertakings and subsidiaries) are valued in accordance with AHT's Investments accounting policy above.

(ii) Financial liabilities

Basic financial liabilities, including trade and other payables are recognised at transaction price. Trade payables are obligations to pay for goods and services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities where payment is due within one year or less. If not, they are presented as creditors due after more than one year. Trade payables are recognised at transaction price.

i. Foreign currency

Foreign currency transactions are translated at the rates ruling on the date of the transaction. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences arising are taken into account in arriving at the net result for the year.

1. Accounting policies continued

j. Fund accounting

Unrestricted funds comprise accumulated surpluses and deficits on the general fund and designated funds. They are available for use at the discretion of the Trustees, in furtherance of the AHT's charitable objectives.

Designated funds are those funds designated for particular purposes or projects at the discretion of the Trustees.

Restricted funds are created when grants, donations or legacies are made, which have a restriction placed on them, by the donor, as to their use.

Endowment funds represent funds, which are either permanent or expendable by the charity. Income arising on and expendable capital of each of the endowment funds can be used in accordance with the objects of each fund and is included as unrestricted and restricted income as appropriate. Any gains or losses arising on the investments form part of the fund.

k. Pension costs

AHT is the sponsoring employer of the AHT Pension and Life Assurance Scheme, which is a defined benefit scheme. The scheme was closed to future accrual with effect from 31 March 2011. The Scheme's assets are held separately from the assets of AHT and are administered by a trustee and managed professionally. Pension costs are assessed in accordance with actuarial advice and based on the most recent actuarial valuations of the scheme. These costs are accounted for in accordance with the requirements of FRS102.

A liability is recognised in the balance sheet in respect of the scheme which represents the present value of the defined benefit obligation at the balance sheet date less the fair value of scheme assets. A full valuation of the liability is calculated by an independent actuary every three years and updated on an annual basis using the projected unit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses are recognised in the Statement of Financial Activities in the year in which they arise.

AHT also participates in the Universities Superannuation Scheme (USS). In the current and preceding periods, USS was a defined benefit only pension scheme until 31 March 2016 which was contracted out of the State Second Pension (S2P). From October 2016 contributions on earnings exceeding an earnings threshold have been on a defined contribution basis. The assets of the scheme are held in a separate trustee-administered fund. Because of the mutual nature of USS, the scheme's assets are not hypothecated to individual institutions and a scheme-wide contribution rate is set. AHT is therefore exposed to actuarial risks associated with other institutions' employees and is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by Section 28 of FRS 102 "Employee benefits", accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the Statement of Financial Activities represents the contributions payable to USS in respect of the accounting period. Since AHT has entered into an agreement (the Recovery Plan that determines how each employer within the scheme will fund the overall deficit), AHT recognises a liability for the contributions payable that arise from the agreement to the extent that they relate to the deficit and the resulting expense in the income and expenditure account.

From 1 April 2011, AHT has operated a defined contribution GPP scheme for employees not eligible to join USS. The assets of the scheme are held separately from those of the charity. The annual contributions payable are included in the statement of financial activities in the financial year in which they become payable.

l. Taxation

AHT, as a charity, is not liable for assessment to tax on its charitable activities, and recoverable income tax is accrued within the accounts.

2. Donations, legacies and grants

| | 2016 | 2015 |
|-----------|--------------------------|-------------------|
| | £'000 | £'000 |
| Donations | 1,662 | 1,404 |
| Legacies | 747 | 2,673 |
| Grants | 1,183 | 1,117 |
| | <hr/> 3,592 <hr/> | <hr/> 5,194 <hr/> |

3. Investment income

| | 2016 £'000 | 2015 £'000 |
|--------------------------------|---------------|---------------|
| (a) By type | | |
| Quoted investments | 43 | 48 |
| Rental income | 16 | 23 |
| Interest | 5 | 2 |
| | 64 | 73 |
| (b) Geographic analysis | | |
| UK | 24 | 37 |
| Non UK | 40 | 36 |
| | 64 | 73 |

4. Other income

| | 2016 £'000 | 2015 £'000 |
|---------------------------------|---------------|---------------|
| Gain on property disposal | 916 | 1,516 |
| Licencing intellectual property | 57 | 29 |
| | 973 | 1,545 |

5. Total expenditure

| | Staff costs £'000 | Other costs £'000 | Support costs £'000 | Total 2016 £'000 | Total 2015 £'000 |
|-------------------------------|-------------------------|-------------------------|---------------------------|------------------------|------------------------|
| Raising funds: | | | | | |
| Fundraising costs | 216 | 194 | 137 | 547 | 540 |
| Fundraising events | 35 | 210 | 18 | 263 | 258 |
| Non charitable trading | - | 45 | - | 45 | - |
| Investment management | - | 61 | - | 61 | 47 |
| | 251 | 510 | 155 | 916 | 845 |
| Charitable activities: | | | | | |
| Scientific research | 1,523 | 1,419 | 432 | 3,374 | 3,185 |
| Clinical activities | 5,061 | 3,812 | 1,482 | 10,355 | 9,561 |
| Education | 688 | 216 | 238 | 1,142 | 1,097 |
| | 7,272 | 5,447 | 2,152 | 14,871 | 13,843 |
| Other | - | 75 | - | 75 | 248 |
| Total expenditure | 7,523 | 6,032 | 2,307 | 15,862 | 14,936 |

Included in resources expended above are:

| | 2016 £'000 | 2015 £'000 |
|----------------------|---------------|---------------|
| Auditor fees – audit | 28 | 29 |
| Auditor fees – other | 18 | 6 |
| | 46 | 35 |

6. Support costs

| | Site Services | Finance | IT | HR | Directorate | PR | Governance | Total 2016 | Total 2015 |
|-------------------------------|------------------|------------|------------|------------|-------------|------------|------------|---------------|---------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Raising funds: | | | | | | | | | |
| Fundraising costs | 20 | 9 | 10 | 10 | 9 | 76 | 3 | 137 | 121 |
| Fundraising events | 3 | 2 | 2 | 2 | 1 | 8 | - | 18 | 15 |
| | 23 | 11 | 12 | 12 | 10 | 84 | 3 | 155 | 136 |
| Charitable activities: | | | | | | | | | |
| Scientific research | 138 | 67 | 70 | 73 | 65 | - | 19 | 432 | 412 |
| Clinical activities | 460 | 221 | 234 | 245 | 216 | 42 | 64 | 1,482 | 1,356 |
| Education | 63 | 30 | 32 | 33 | 29 | 42 | 9 | 238 | 210 |
| | 661 | 318 | 336 | 351 | 310 | 84 | 92 | 2,152 | 1,978 |
| Total expenditure | 684 | 329 | 348 | 363 | 320 | 168 | 95 | 2,307 | 2,114 |

PR costs are apportioned to reflect PR activities, this is estimated to be Fundraising costs 45%, Fundraising events 5%, Education 25% and Clinical activities 25%. All other Support costs are apportioned in proportion to staff costs.

7. Other expenditure

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| FRS102 finance costs (note 21 i) | 156 | 184 |
| FRS102 past service cost (note 21 i) | (155) | - |
| AHT Pension & Life Assurance Scheme administration costs | 74 | 64 |
| | 75 | 248 |

8. Staff costs and employee benefits

| | 2016 | 2015 |
|---|--------------|-------|
| | £'000 | £'000 |
| (a) Costs | | |
| Wages and salaries | 7,176 | 6,522 |
| Redundancy and termination | 3 | 14 |
| Social security costs | 673 | 566 |
| Pension costs | 865 | 800 |
| USS difference between actual and expected contribution experience (note 21 ii) | 58 | 391 |
| Other benefits | 85 | 46 |
| | 8,860 | 8,339 |

Other benefits are the costs of staff discounts given on veterinary treatment and the premiums payable for death in service insurance, an employee cash health plan and an employee assistance programme.

(b) The average number of employees analysed by function was:

| | 2016 | 2015 |
|------------------------|---------------|--------|
| | Number | Number |
| Charitable activities | 230 | 208 |
| Fundraising | 7 | 6 |
| Support and management | 33 | 32 |
| | 270 | 246 |

(c) Higher paid employees

The emoluments of higher paid employees (including redundancy and lieu of notice but excluding pension contributions) fell within the following bands:

| | 2016 | 2015 |
|---------------------|---------------|--------|
| | Number | Number |
| £60,001 - £70,000 | 9 | 5 |
| £70,001 - £80,000 | 3 | 2 |
| £90,001 - £100,000 | 1 | - |
| £130,001 - £140,000 | 1 | 1 |

All the above are members of one of the three AHT pension schemes (2015: all).

(d) Remuneration and benefits received by key management personnel

No member of the Council of Management received remuneration in the year (2015 none).

The total cost of remuneration and benefits received in the year by members of the Executive Committee amounted to:

| | 2016 | 2015 |
|---|--------------|-------|
| | £'000 | £'000 |
| Salaries, employers NI, pensions and other benefits | 621 | 551 |

9. Tangible fixed assets

| | Freehold land and buildings £'000 | Equipment and fittings £'000 | Motor vehicles £'000 | Total £'000 |
|----------------------------|--|---------------------------------------|----------------------------|----------------|
| Cost | | | | |
| At 1 January 2016 | 16,592 | 7,364 | 79 | 24,035 |
| Additions | 345 | 236 | - | 581 |
| Disposals | (1,221) | (195) | - | (1,416) |
| At 31 December 2016 | 15,716 | 7,405 | 79 | 23,200 |
| Depreciation | | | | |
| At 1 January 2016 | 7,003 | 6,345 | 74 | 13,422 |
| Charge for the year | 470 | 399 | 5 | 874 |
| Disposals | (390) | (195) | - | (585) |
| At 31 December 2016 | 7,083 | 6,549 | 79 | 13,712 |
| Net book value | | | | |
| At 31 December 2016 | 8,633 | 856 | - | 9,489 |
| At 31 December 2015 | 9,589 | 1,019 | 5 | 10,613 |

Included within tangible fixed assets are the following which were not depreciated in the year.

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Buildings in the course of construction | 259 | 23 |
| Equipment in the course of construction | 51 | - |
| | 310 | 23 |

10. Intangible fixed assets

| | 2016 £'000 | 2015 £'000 |
|--------------------------------------|---------------|---------------|
| Cost | | |
| At 1 January | 180 | 180 |
| Disposals | (15) | - |
| At 31 December | 165 | 180 |
| Amortisation | | |
| At 1 January | 168 | 161 |
| Charge for the year | 7 | 7 |
| Disposals | (15) | - |
| At 31 December | 160 | 168 |
| Net book value at 31 December | 5 | 12 |

11. Investments

(a) Market Value

| | Quoted Investments | Investment Property | 2016 Total | 2015 Total |
|--|-------------------------------|--------------------------------|-----------------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 |
| At 1 January 2016 | 2,071 | 753 | 2,824 | 2,626 |
| Additions | 233 | 100 | 333 | 467 |
| Disposals | (272) | (675) | (947) | (295) |
| Net gains | 82 | 18 | 100 | 26 |
| At 31 December 2016 | 2,114 | 196 | 2,310 | 2,824 |
| Unquoted investments | | | 16 | 14 |
| Investments in subsidiaries | | | 5 | 5 |
| Cash | | | 18 | 20 |
| Total investments at 31 December 2016 | | | 2,349 | 2,863 |
| Fixed asset investments | | | 2,327 | 2,823 |
| Current asset investments | | | 22 | 40 |
| Total investments | | | 2,349 | 2,863 |

Investment properties are stated at market value.

The investments in subsidiaries are stated at cost. The Trustees consider that the market value of these investments is not materially different to cost.

| | | |
|---|--------------|-------|
| | 2016 | 2015 |
| | £'000 | £'000 |
| (b) Investment gains and losses | | |
| Realised gains / (losses) | 24 | (3) |
| Unrealised gains | 78 | 31 |
| | 102 | 28 |
| (c) Quoted investments at cost | 1,991 | 2,032 |
| (d) Geographical analysis of investments | | |
| UK | 299 | 873 |
| Non UK | 2,050 | 1,990 |
| | 2,349 | 2,863 |

11. Investments continued

(e) Subsidiary undertakings

AHT owns 100 per cent of the issued share capital of Animal Health Trust Promotions Limited, a company incorporated in England and Wales. The company recommenced trading with effect from 1 July 2012, principally in the merchandising of goods and the letting of Lanwades Hall as a wedding venue. With AHT selling Lanwades Hall in 2016 the property is no longer available to Animal Health Trust Promotions Limited to let and this activity has ceased.

The financial statements of the company disclose the following:

| | Year ended 31 December 2016 £ | Year ended 31 December 2015 £ |
|-----------------------|--|--|
| Income | 65,370 | 89,676 |
| Expenditure | (53,016) | (85,970) |
| Profit for the year | 12,354 | 3,706 |
| Paid up share capital | 2 | 2 |
| Accumulated reserves | (44,032) | (56,386) |
| Net liabilities | (44,030) | (56,384) |

(f) Subsidiary undertakings continued

AHT owns 100 per cent of the issued share capital of Equine Genetics Research Limited, a company incorporated in England and Wales whose principal activity is to exploit intellectual property arising from equine genetics research for the benefit of horseracing and breeding.

The financial statements of the company disclose the following:

| | Year ended 31 December 2016 £'000 | Year ended 31 December 2015 £'000 |
|----------------------------|--|--|
| Income | - | - |
| Expenditure | (11) | (3) |
| Loss for the year | (11) | (3) |
| Paid up share capital | 10 | 10 |
| Share premium | 95 | 95 |
| Accumulated reserves | (107) | (96) |
| Net (liabilities) / assets | (2) | 9 |

AHT is the sole member of Animal Health Trust Pension Trustees Limited, a company limited by guarantee incorporated in England and Wales on 19 July 2010. The company has been established to act as corporate trustee for the Animal Health Trust Pension and Life Assurance scheme, and was appointed trustee on 1 August 2010. The company has not traded since incorporation.

12. Debtors

| | 2016 | 2015 |
|--|--------------|-------|
| | £'000 | £'000 |
| Professional services | 1,934 | 1,742 |
| Amounts due from subsidiary undertakings | 12 | 63 |
| Other debtors | 474 | 253 |
| Accrued legacies | 190 | 1,281 |
| Prepayments and accrued income | 363 | 407 |
| | 2,973 | 3,746 |

13. Creditors due within one year

| | 2016 | 2015 |
|---|--------------|-------|
| | £'000 | £'000 |
| Expense creditors | 802 | 620 |
| Taxes and social security | 472 | 479 |
| Other creditors | 156 | 209 |
| USS deficit reduction obligation (note 21 ii) | 63 | 60 |
| Accruals and deferred income | 92 | 89 |
| | 1,585 | 1,457 |

14. Financial instruments

The carrying amount of AHT's financial instruments at 31 December were

| | 2016 | 2015 |
|---|----------------|-------|
| | £'000 | £'000 |
| Financial assets | | |
| Instruments measured at fair value through income and expenditure | 2,130 | 2,085 |
| Debt instruments measured at amortised cost | 5,753 | 4,085 |
| Financial liabilities | | |
| Measured at amortised cost | (1,050) | (918) |

15. Creditors due after more than one year

| | 2016 | 2015 |
|---|--------------|-------|
| | £'000 | £'000 |
| USS deficit reduction obligation (note 21 ii) | 863 | 848 |
| Deferred income | 50 | 50 |
| | 913 | 898 |

Deferred income of £50,000 relates to the sale, in 2011, of an option with an initial term of eight years, over land at Wrea Green, Lancashire.

16. Unrestricted funds

| | Balance at 01/01/2016 | Income | Expenditure | Investment Gains | Pension Losses | Transfers | Balance at 31/12/2016 |
|--|--------------------------|---------------|-----------------|---------------------|-------------------|----------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| General fund | 9,053 | 13,702 | (13,794) | 85 | - | (2,001) | 7,045 |
| Pension Reserve | (4,941) | - | 245 | - | (3,122) | - | (7,818) |
| General funds including pension reserve | 4,112 | 13,702 | (13,549) | 85 | (3,122) | (2,001) | (773) |
| Designated funds | | | | | | | |
| Building Fund | 5,549 | - | (270) | - | - | (331) | 4,948 |
| Equipment Fund | 715 | - | (257) | - | - | 93 | 551 |
| New Offices Fund | - | - | - | - | - | 2,353 | 2,353 |
| Centre of Small Animal Studies funds | 200 | - | (44) | - | - | - | 156 |
| Other designated funds | 115 | - | (66) | - | - | - | 49 |
| | 6,579 | - | (637) | - | - | 2,115 | 8,057 |
| | 10,691 | 13,702 | (14,186) | 85 | (3,122) | 114 | 7,284 |

The Pension reserve represents the FRS102 deficit of the AHT Pension fund, and the present value of the USS deficit reduction obligation.

The Building and Equipment funds account for the written down value of certain buildings and equipment where the purchase cost has been funded by designated and restricted funds. The assets transferred to these funds have no continuing restrictions placed upon their use by the donors. The balances on these funds are reduced by an annual depreciation charge over the useful economic life of the assets.

Following the sale of Lanwades Hall, the net proceeds of £2,415,000 have been transferred from General funds to a designated New Offices fund, to fund the construction of new offices and employee accommodation buildings. £62,000 has been transferred to the Building fund from the New Offices fund representing construction costs of the new buildings at year end and £393,000 has been transferred from the Building fund to the General fund, this represents the balance within the Building fund that was attributable to Lanwades Hall.

Centre of Small Animal Studies funds represents funds designated by AHT's management for various projects or investment in the Centre.

Other designated funds represents the balance of an amount designated in 2013 to fund planning application costs of AHT's former site at Balaton Lodge, and a designated fund created in 2014 to fund anticipated costs of the ongoing Grass Sickness trial.

17. Restricted funds

| | Balance at 01/01/2016 | Income | Expenditure | Transfers | Balance at 31/12/2016 |
|--------------------------------|--------------------------|--------------|----------------|-------------|--------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Appeals & Restricted Donations | 556 | 863 | (560) | (71) | 788 |
| Project funds | 115 | 1,183 | (1,116) | - | 182 |
| | 671 | 2,046 | (1,676) | (71) | 970 |

Appeals and Restricted Donations funds represent donations and legacies received for restricted purposes, either to fund core running costs of AHT or capital costs of new equipment and building work which are then transferred to the designated Building or Equipment Fund.

Project funds represent grants received for specific projects.

18. Endowment Funds

| | Balance at 01/01/2016 £'000 | Income £'000 | Expenditure £'000 | Investment Gains £'000 | Transfers £'000 | Balance at 31/12/2016 £'000 |
|--------------------------------------|-----------------------------------|-----------------|----------------------|------------------------------|--------------------|-----------------------------------|
| <i>Permanent Endowments</i> | | | | | | |
| Animal Health Trust Research Fund | 21 | - | - | - | (21) | - |
| <i>Expendable Endowments</i> | | | | | | |
| P Mellon Endowment | 457 | - | - | 17 | (22) | 452 |
| | 478 | - | - | 17 | (43) | 452 |

Income and expendable capital from the P Mellon fund is restricted to fund equine research expenditure.

In March 2016 the Trustees exercised their powers under s281 of the Charities Act 2011 to resolve that the purposes of the Animal Health Trust Research Fund would be better served if the restrictions on spending the capital of the fund were released, the capital of the fund has been transferred to the General fund.

19. Analysis of net assets between funds

| | Tangible fixed assets £'000 | Intangible fixed assets £'000 | Fixed asset investments £'000 | Net current assets £'000 | Creditors due after more than one year £'000 | Pension liability £'000 | Total £'000 |
|---------------------------------------|-----------------------------------|-------------------------------------|-------------------------------------|--------------------------------|--|-------------------------------|----------------|
| Unrestricted funds | | | | | | | |
| <i>General fund</i> | 3,811 | 5 | 1,897 | 1,382 | (50) | - | 7,045 |
| <i>Pension reserve</i> | - | - | - | (63) | (863) | (6,892) | (7,818) |
| <i>Designated funds</i> | | | | | | | |
| Building Fund | 4,948 | - | - | - | - | - | 4,948 |
| Equipment Fund | 551 | - | - | - | - | - | 551 |
| New Offices Fund | - | - | - | 2,353 | - | - | 2,353 |
| Other designated funds | - | - | - | 205 | - | - | 205 |
| Restricted funds | | | | | | | |
| Appeals & Restricted Donations | 169 | - | - | 619 | - | - | 788 |
| Project funds | 10 | - | - | 172 | - | - | 182 |
| Expendable Endowment Funds | | | | | | | |
| | - | - | 430 | 22 | - | - | 452 |
| Total funds 2016 | 9,489 | 5 | 2,327 | 4,690 | (913) | (6,892) | 8,606 |

20. Cash flow information

Reconciliation of net income for the reporting period to net cashflow from operating activities

| | 2016 | 2015 |
|--|--------------|---------|
| | £'000 | £'000 |
| Net (expenditure) / income for the reporting period | (12) | 2,130 |
| Investment gains | (102) | (28) |
| Non cash legacy | (100) | - |
| Dividends, interest received & paid | (48) | (46) |
| Non cash flows relating to FRS102 pension provisions | (262) | (80) |
| Depreciation | 874 | 880 |
| Amortisation | 7 | 7 |
| Profit on disposal of fixed assets | (916) | (1,511) |
| Decrease / (increase) in stock | 78 | (56) |
| Decrease / (increase) in debtors | 773 | (500) |
| Increase in creditors | 143 | 722 |
| Net cash provided by operating activities | 435 | 1,518 |

Restricted cash

Within the total of cash and cash equivalent balances at 31 December 2016 of £3.166m is an amount of £2.478m from the sale of Lanwades Hall, being held by AHT's solicitors under an escrow agreement with the trustee of the AHT Pension and Life Assurance Scheme.

These funds may be drawn down by AHT to meet construction costs of new offices and employee accommodation buildings to replace facilities lost with the sale of the Hall, the balance will be released to AHT on approval of a new charge granting security over the Lanwades site to the pension scheme.

21. Pension costs

AHT contributes to two defined benefit schemes and one defined contribution scheme, the assets of which are held separately from those of AHT in independently administered funds. Contributions to the defined benefit schemes have been made on the basis of actuarial valuations. The pension contributions paid to the three schemes during the year amounted to £1,192,000 (2015: £1,104,000). The two defined benefit schemes are the AHT Pension and Life Assurance Scheme and Universities Superannuation Scheme.

(i) Animal Health Trust Pension and Life Assurance Scheme

This defined benefit pension scheme closed to future accrual on 31 March 2011. The Scheme's assets are held separately from the assets of AHT, are administered by a trustee and managed professionally.

The most recent formal actuarial valuation of the Scheme was carried out as at 6 April 2016. The results have been updated to 31 December 2016 by a qualified independent actuary.

The assumptions used were as follows:

Financial assumptions

| | 2016 | 2015 |
|--|----------------------|-------|
| Discount rate | 2.60% | 4.00% |
| Price inflation - RPI | 3.40% | 3.20% |
| Price inflation - CPI | 2.60% | 2.40% |
| Pension increases | | |
| - Pre 88 GMP | 0.00% | 0.00% |
| - Post 88 GMP | 2.60% | 2.40% |
| - Pension in excess of GMP | 2.60% | 2.40% |
| Rate of increase for deferred pensioners | 2.60% / 2.50% | 2.40% |

21. Pension costs continued

(i) Animal Health Trust Pension and Life Assurance Scheme continued

Demographic assumptions

| | 2016 | | 2015 | |
|---------------------------|--|--|--|--|
| | Male | Female | Male | Female |
| Pre retirement mortality | S2PMAcmi 2015 rate of improvement of 1% | S2PFAcmi 2015 rate of improvement of 1% | PMA08cmi 2014 rate of improvement of 1% | PFA08cmi 2014 rate of improvement of 1% |
| Post retirement mortality | S2PMAcmi 2015 rate of improvement of 1% | S2PFAcmi 2015 rate of improvement of 1% | PMA08cmi 2014 rate of improvement of 1% | PFA08cmi 2014 rate of improvement of 1% |

Life expectancies

| | 2016 | | 2015 | |
|---|-------------------|-------------------|------------|------------|
| | Males | Females | Males | Females |
| Life expectancy for a current 65 year old | 21.9 years | 23.9 years | 22.8 years | 25.1 years |
| Life expectancy at age 65 for a current 45 year old | 23.2 years | 25.4 years | 24.1 years | 26.5 years |

Assets

The assets of the Scheme are invested in a diversified portfolio.

| | 2016 | | 2015 | |
|---|-----------------------|--------------------------------|-----------------------|--------------------------------|
| | Market Value £'000 | % of total scheme assets | Market Value £'000 | % of total scheme assets |
| Equities | 3,735 | 36.6% | 3,808 | 41.1% |
| Property | 510 | 5.0% | 713 | 7.7% |
| Bonds | 2,000 | 19.6% | 1,946 | 21.0% |
| Other | 3,205 | 31.4% | 2,382 | 25.7% |
| Cash | 755 | 7.4% | 417 | 4.5% |
| Total | 10,205 | | 9,266 | |
| Actual return on assets over the period | 1,005 | | 300 | |

21. Pension costs continued

(i) Animal Health Trust Pension and Life Assurance Scheme continued

Reconciliation to the balance sheet

| | 2016 £'000 | 2015 £'000 |
|---|----------------|----------------|
| Present value of funded obligations | (17,097) | (13,299) |
| Fair value of Scheme assets | 10,205 | 9,266 |
| Pension liability recognised in the balance sheet | <u>(6,892)</u> | <u>(4,033)</u> |

Analysis of changes in the value of the scheme obligations over the year

| | 2016 £'000 | 2015 £'000 |
|--|---------------|---------------|
| Present value of funded obligations at start of year | 13,299 | 14,279 |
| Past service cost | (155) | - |
| Interest cost | 525 | 508 |
| Benefits paid | (330) | (310) |
| Actuarial loss / (gain) | 3,758 | (1,178) |
| Present value of funded obligations at end of year | <u>17,097</u> | <u>13,299</u> |

Analysis of changes in the value of the scheme assets over the year

| | 2016 £'000 | 2015 £'000 |
|---|---------------|---------------|
| Fair value of assets at start of year | 9,266 | 9,012 |
| Interest income | 369 | 324 |
| Return on scheme assets excluding amounts included in interest income | 636 | (24) |
| Employer contributions | 264 | 264 |
| Benefits paid | (330) | (310) |
| Fair value of assets at end of year | <u>10,205</u> | <u>9,266</u> |

Amounts recognised in Statement of Financial Activities

| | 2016 £'000 | 2015 £'000 |
|---|----------------|---------------|
| Interest expense | (525) | (508) |
| Interest income | 369 | 324 |
| Past service cost | 155 | - |
| Net charge | <u>(1)</u> | <u>(184)</u> |
| Total charge to statement of financial activities | <u>1</u> | <u>184</u> |
| Actuarial (loss) / gain | <u>(3,122)</u> | <u>1,154</u> |

Future funding obligation

Following the completion of the actuarial valuation of the Scheme performed by the actuary for the Scheme Trustee as at 6 April 2016, AHT expects to pay £273,000 to the Scheme during the accounting year beginning 1 January 2017.

21. Pension costs continued

(ii) Universities Superannuation Scheme

AHT participates in the Universities Superannuation Scheme (USS), a defined benefit scheme, which is contracted out of the State Second Pension. The assets of the scheme are held in a separate fund administered by the trustee, Universities Superannuation Scheme Limited.

FRS 102 makes the distinction between a Group Plan and a multi-employer scheme. A Group Plan consists of a collection of entities under common control typically with a sponsoring employer. A multi-employer scheme is a scheme for entities not under common control and represents (typically) an industry-wide scheme such as that provided by USS.

The accounting for a multi-employer scheme where the employer has entered into an agreement with the scheme that determines how the employer will fund a deficit results in the recognition of a liability for the contributions payable that arise from the agreement (to the extent that they relate to the deficit) and the resulting expense is recognised in profit or loss. The Trustees are satisfied that the scheme provided by USS meets the definition of a multi-employer scheme and have therefore recognised the discounted fair value of the contractual contributions under the funding plan in existence at the date of approving the financial statements.

The assumptions used, movement in AHT's obligation and amounts charged to the Statement of Financial Activities are detailed below.

Financial assumptions

| | 2016 | 2015 |
|--|--------------|-------|
| Discount rate | 2.60% | 4.00% |
| Estimated long term per annum USS payroll growth | 2.50% | 3.00% |

Reconciliation to the balance sheet

| | 2016 £'000 | 2015 £'000 |
|--|-----------------------------|---------------|
| Present value of deficit reduction obligation at 1 January | 908 | 536 |
| Deficit contributions paid | (63) | (40) |
| Unwinding of discount factor | 23 | 21 |
| Difference between actual and expected contribution experience | 58 | 391 |
| Present value of deficit reduction obligation at 31 December | 926 | 908 |
| Creditors due within one year | 63 | 60 |
| Creditors due after more than one year | 863 | 848 |
| | 926 | 908 |

Amounts recognised in Statement of Financial Activities

| | 2016 £'000 | 2015 £'000 |
|--|-----------------------------|---------------|
| Service cost of benefit accrual | 483 | 425 |
| Unwinding of discount factor | 23 | 21 |
| Difference between actual and expected contribution experience | 58 | 391 |
| Total charge to Statement of Financial Activities | 564 | 837 |

21. Pension costs continued

(ii) Universities Superannuation Scheme continued

Governance and actuarial

At 31 December 2016 AHT had 70 employees as active members of USS and there were contributions of £65,648 (2015: £62,437) included in other creditors.

The latest available full actuarial valuation of the scheme was at 31 March 2014 ("the valuation date"), which was carried out using the projected unit method.

Since AHT cannot identify its share of scheme assets and liabilities, the following disclosures reflect those relevant for the scheme as a whole.

The 2014 valuation was the third valuation for USS under the scheme-specific funding regime introduced by the Pensions Act 2004, which requires schemes to adopt a statutory funding objective, which is to have sufficient and appropriate assets to cover their technical provisions. At the valuation date, the value of the assets of the scheme was £41.6 billion and the value of the scheme's technical provisions was £46.9 billion indicating a shortfall of £5.3 billion. The assets therefore were sufficient to cover 89% of the benefits which had accrued to members after allowing for expected future increases in earnings.

Defined benefit liability numbers for the scheme, as at 31 March, have been produced using the following assumptions:

| | 2016 | | 2015 |
|---------------------------|-------------|--|--|
| Discount rate | 3.6% | | 3.3% |
| Pensionable salary growth | n/a | | 3.5% in the first year and 4.0% thereafter |
| Pension increases (CPI) | 2.2% | | 2.2% |

The main demographic assumption used relates to the mortality assumptions. Mortality in retirement is assumed to be in line with the Continuous Mortality Investigation's (CMI) S1NA tables as follows:

| | |
|---------------------------|--|
| Male members' mortality | 98% of S1NA ["light"] YoB tables – No age rating |
| Female members' mortality | 99% of S1NA ["light"] YoB tables – rated down 1 year |

Use of these mortality tables reasonably reflects the actual USS experience. To allow for further improvements in mortality rates the CMI 2014 projections with a 1.5% pa long term rate were also adopted. The current life expectancies on retirement at age 65 are:

| | 2016 | 2015 |
|-----------------------------------|-------------|-------------|
| Males currently aged 65 (years) | 24.3 | 24.2 |
| Females currently aged 65 (years) | 26.5 | 26.4 |
| Males currently aged 45 (years) | 26.4 | 26.3 |
| Females currently aged 45 (years) | 28.8 | 28.7 |

| | 2016 | 2015 |
|------------------------------|-------------|-------------|
| Scheme assets | £49.8bn | £49.1bn |
| Total scheme liabilities | £58.3bn | £60.2bn |
| FRS 102 total scheme deficit | £8.5bn | £11.1bn |
| FRS 102 total funding level | 85% | 82% |

AHT Trustees' Report and Accounts 2016

Notes forming part of the financial statements for the year ended 31 December 2016 continued.

21. Pension costs continued

(iii) GPP Scheme

From 1 April 2011, AHT has operated a defined contribution scheme for some employees, at year end there were 203 active members of the scheme. The assets of the scheme are held separately from the charity in separately administered funds. Contributions payable by AHT amounted to £387,000 (2015: £375,000) and there were contributions of £39,489 (2015: £71,338) within other creditors at the year end.

22. Contingent Liabilities

Lloyds Bank Plc issued on 23 October 2014 a guarantee amounting to up to £12,000 addressed to The Environment Agency under environmental permitting regulations relating to High Activity Sealed Radioactive Sources, to provide for disposal of a Sr-90 Source in the event of AHT failing to meet its obligations under the regulations.

23. Capital commitments

At the end of the year AHT had capital commitments contracted but not provided for of £344,724 (2015: £23,995).

24. Related party transactions

Income from related parties

| | 2016 £ | 2015 £ |
|---|---------------|----------------|
| Donations from associated undertakings | 45,000 | 54,860 |
| Rental income from subsidiary companies | 11,850 | 18,100 |
| Fee income from associated undertakings | 255 | 2,597 |
| Events income from related companies | 16,425 | 17,135 |
| Events income and donations from trustees | 19,700 | 28,151 |
| | 93,230 | 120,843 |

AHT is a member and a director of Discover Newmarket Community Interest Company, an annual 'stakeholder' fee of £2,000 is paid to the company.

Animal Health Trust Promotions Limited, a wholly owned subsidiary of AHT owed £55,191 (2015: £63,375) to AHT at year end. A provision of £45,000 (2015: £nil) has been created against this as a potential bad debt.

During the year AHT provided services, on a shared costs basis, to Animal Health Trust Promotions Limited to the value of £17,132 (2015: £37,982).

Equine Genetics Research Limited, a wholly owned subsidiary of AHT owed £2,323 (2015: £nil) to AHT at year end.

The reimbursement of travel expenses, which have been made or are due to be made to three (2015: two) members of the Council of Management in respect of the year were £715 (2015: £409).

NG Byrne, Trustee, is Chief Executive of the Bedford Lodge Hotel in Newmarket. During 2016 AHT incurred expenditure of £13,094 (2015: £11,722) with the Bedford Lodge Hotel. Of the total £5,713 (2015: £5,108) related to AHT's staff Christmas party, staff contributed £1,934 (2015: £1,637) towards the cost.

AHT owed £3,313 (2015: £2,708) to Bedford Lodge Hotel at 31 December 2016.

SP Shore, Trustee, is a director of Bet Solutions International PLC. At year end the company owed AHT £6,750 (2015: £7,000) in respect to sponsorship of fundraising events.

During 2016 one (2015: no) Executive Committee member received discounts, inclusive of VAT, of £166 (2015: £nil) on veterinary services under the AHT staff discount scheme.

25. Commitments under operating leases

(a) AHT as lessee

As at 31 December 2016, AHT had total commitments under non-cancellable operating leases in respect of buildings, items of equipment and vehicles as set out below:

| | 2016 £'000 | 2015 £'000 |
|--------------------|-----------------------------|---------------|
| Within 1 year | 115 | 97 |
| Within 1 -2 years | 72 | 52 |
| Within 2 - 5 years | 119 | 97 |
| Over 5 years | 14 | - |
| | 320 | 246 |

(b) AHT as lessor

As at 31 December 2016, AHT was due rental income from properties under agreements as set out below:

| | 2016 £'000 | 2015 £'000 |
|--------------------------|-----------------------------|---------------|
| Agreements which expire: | | |
| Within 1 year | 9 | 29 |

26. 2015 Statement of Financial Activities

| | Unrestricted Funds £'000 | Restricted Funds £'000 | Endowment Funds £'000 | 2015 Total £'000 |
|---|--------------------------------|------------------------------|-----------------------------|------------------------|
| Income from | | | | |
| Donations, legacies and grants | 3,421 | 1,750 | 23 | 5,194 |
| Charitable activities | | | | |
| • Scientific research | 686 | - | - | 686 |
| • Clinical activities | 9,080 | - | - | 9,080 |
| • Education | 93 | - | - | 93 |
| Other trading activities | | | | |
| • Fundraising events | 333 | - | - | 333 |
| • Non charitable trading | 3 | - | - | 3 |
| • Rental income | 31 | - | - | 31 |
| Investments | 65 | 8 | - | 73 |
| Other | 1,545 | - | - | 1,545 |
| Total income | 15,257 | 1,758 | 23 | 17,038 |
| Expenditure on | | | | |
| Raising funds | | | | |
| • Fundraising costs | (540) | - | - | (540) |
| • Fundraising events | (258) | - | - | (258) |
| • Non charitable trading | - | - | - | - |
| • Investment management | (47) | - | - | (47) |
| | (845) | - | - | (845) |
| Charitable activities | | | | |
| • Scientific research | (2,022) | (1,163) | - | (3,185) |
| • Clinical activities | (9,071) | (490) | - | (9,561) |
| • Education | (1,097) | - | - | (1,097) |
| | (12,190) | (1,653) | - | (13,843) |
| Other | (248) | - | - | (248) |
| Total expenditure | (13,283) | (1,653) | - | (14,936) |
| Gains / (losses) on investments | 31 | - | (3) | 28 |
| Net Income | 2,005 | 105 | 20 | 2,130 |
| Transfers between funds | 130 | (102) | (28) | - |
| Other recognised gains | | | | |
| • Actuarial losses on defined benefit pension schemes | 1,154 | - | - | 1,154 |
| Net movement in funds | 3,289 | 3 | (8) | 3,284 |
| Reconciliation of funds | | | | |
| Total funds brought forward | 7,402 | 668 | 486 | 8,556 |
| Total funds carried forward | 10,691 | 671 | 478 | 11,840 |

