

Animal Health Trust
Trustees' Report and Accounts

For the year ended 31 December 2014

Patron: Her Majesty The Queen

Registered charity no: 209642
Registered company no: RC000011

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

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:

DR Ellis BVetMed DEO FRCVS
WR Irving B.Com CA
FJ Landeg CBE BVetMed MSc MRCVS
PH Locke BVSc MRCVS
PI Jones CBE
Professor AC Minson BSc PhD FMedSci
SP Shore BSc Hons ACA FRSA
Sir John Skehel FRS FMedSci
J Whalley

To February 2014:

RS Smart

From May 2014:

Professor CJ Gaskell BVSc PhD DVR MRCVS
Professor DBA Silk MD AGAF FRCP

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 Joyce CPFA (from 14th July 2014)

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: PI Jones CBE, SP Shore BSc Hons ACA FRSA, A Jonas FCCA MAAT

Principal advisers

Bankers

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

Investment managers

Vestra Wealth LLP
14 Cornhill
London, EC3V 3NR

Auditors

Baker Tilly 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. AHT is based on one site in Newmarket where the different disciplines of research, education and veterinary services are all undertaken to meet the charity's aim. This is to be a leading authority in the understanding of diseases in animals through scientific endeavour and its application to their welfare.

AHT is governed by the Council of Management. This consists of Trustees, the names of whom are given on page two.

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).

At each AGM one third of the Council members, subject to rotation where applicable, are obliged to be put forward for re-election. Members of Council are elected for a maximum of five years and must stand down after five years' service. Subject to the approval of the Nominations Committee, they may stand for election at the AGM following the one at which they previously stood down.

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.

The Council normally meets four times each year.

Day to day management

This is entrusted to the Chief Executive, who is also Chairman of the Executive Committee. The Executive Committee is comprised of the Chief Executive and five members of the senior management team. In addition two members of the Council of Management and the Trust's financial accountant are in attendance. Their names are given on page two. The Executive Committee meets at least twelve 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, employing over 200 scientists, vets and support workers. Its principal objectives are to study and endeavour to cure diseases in animals useful to man 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
- communicates its findings to others.

Charitable activities

AHT has a range of means of achieving the above objectives. These are combined, where appropriate, for best effect. For the purpose of this report, these activities are grouped under three main headings: Research, Education and Veterinary Services.

Research

Research can be broken into two key areas: inherited disease and infectious disease. Inherited disease research includes genetics, oncology and stem cell. Infectious disease includes bacteriology, virology, immunology and equine epidemiology and disease surveillance.

Education

We have a strong commitment to the provision of education and post-graduate training. Our clinics run active internship and residency training programmes. Our Continuous Professional Development (CPD) programme has also expanded in recent years. In 2014, we had 10 students undertaking PhD's or MSc courses, registered through the Universities of Cambridge, Nottingham, Liverpool, Birmingham, Royal Veterinary College and University College London.

We publish papers detailing our research and clinical findings in journals and online, sharing our knowledge with the wider world for the good of the veterinary and science professions. We also have our own open-access library. Housing the latest journals, publications and findings, it is available for use by anyone studying animal health.

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

Veterinary Services

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

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

An in-depth review of our activities can be found in our 2014 Annual Review, available to view at www.aht.org.uk from July 2015.

Public Benefit

Disease and injury are recognised as the biggest threats to animal welfare. In working to achieve our aims we strive to ensure the welfare of, and relieve the suffering of, animals. This has benefits for society as a whole, as recognised in the passing of the Animal Welfare Act 2006 and the Animal Health and Welfare (Scotland) Act 2005.

Research also indicates that companion animals provide measurable benefits to people's physical and mental health, especially children, the elderly and the sick. We help horses, dogs and cats across the UK and the world by developing new diagnostic tests, new treatments, new vaccines and by providing continuing education to the international veterinary community. This work benefits the public by enabling their companion animals to live healthy, longer lives.

Our research activities advance knowledge and understanding of animal disease. By publishing, presenting and disseminating our findings at both a national and international level, we provide an educational public benefit to the veterinary and scientific professions. This knowledge can be applied worldwide for the advancement of animal health and welfare.

Our PhD, intern and residency training programmes provide educational benefits directly to participating vets and scientists. By providing post-graduate training to future generations of vets and scientists and by training a new generation of specialists, we are helping to alleviate animal disease and injury thus providing a public benefit to the wider society.

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

Statement of Trustees' Responsibilities

The Trustees are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Charity law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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:

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 2014 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. As such the Trustees have taken a decision to establish a working party to review AHT's governance structures.

Legacy income

Whilst AHT has a more diverse range of income streams than many other charities, it is highly 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.

Pension schemes

Whilst the most recent actuarial valuation of the closed AHT Pension Scheme as at 5th April 2013 shows a small decrease in the potential funding shortfall to £5.0m (2010: £5.5m) the recovery plan agreed with the scheme trustee following this valuation is for increased deficit recovery payments, over a longer period of time. The next actuarial valuation of the scheme has an effective date of 5th April 2016.

The current actuarial valuation, that is in the process of being finalised, of the USS scheme has an effective date of 5th April 2014. The deficit in the scheme has grown since the previous valuation. A consultation is taking place to consider reducing the future retirement benefits accruing in the scheme in an effort to ensure that the scheme remains sustainable, though costs to contributing employers are still expected to increase from April 2016.

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.

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

Research – disease and injury in horses

Fighting equine influenza

2014 was a busy year for the equine influenza research team, with around 30 outbreaks in horses in the UK. For each outbreak, we attempted to isolate the causative strain of influenza virus and determine its genetic and antigenic properties. Our findings were presented at the annual selection panel meeting at the World Organisation for Animal Health (OIE) headquarters in Paris, in order to review the current recommendations for equine influenza vaccines.

This year, we have also strengthened collaborative links with the National Research Centre on Equines (NRCE) in Hisar, India, through a visit to the NRCE. Funding from an OIE Twinning Programme grant enables us to host a return visit by NRCE scientists in 2015. The long-term aim is for the NRCE to become an OIE reference laboratory for equine influenza, thus improving global surveillance outside Europe and the USA.

The corner stone of the Equiflunet surveillance programme is the network of veterinary practices that are enrolled in the Horserace Betting Levy Board (HBLB) sponsored scheme, this has increased to approximately 300 with good coverage across the UK. We continue to advocate the need to vaccinate against equine flu, whilst encouraging vaccine manufacturers to update their products to contain relevant virus strains.

We know, from previous research, a small percentage of vaccinated horses fail to mount, and/or maintain, an adequate immune response to equine influenza and remains susceptible to disease. In collaboration with French colleagues, we have been investigating poor vaccine responders in the Thoroughbred population and have identified a possible previously overlooked critical factor that would need to be taken into account for the development of an antibody response at protective levels. These results will be presented and discussed at the British Equine Veterinary Association (BEVA) Congress and Association Veterinaire Equine Francaise (AVEF) meeting in 2015.

In our laboratories, we conducted numerous studies to support the update of equine influenza vaccines by Veterinary Vaccine Manufacturers (VVMs). These pivotal studies determine the efficiency of new and updated equine influenza vaccines, and are required for equine influenza vaccine registration to the European authorities. One updated equine influenza vaccine, evaluated in our laboratory, is now available on the market. This is benefitting the European horse population by providing more adapted protection against equine influenza viruses currently circulating in the EU. Our work in this area successfully supports all four main European VVMs in their effort to update or provide improved equine influenza vaccines which directly impacts several hundred thousand horses in the EU.

Fighting equine grass sickness

Our ground-breaking nationwide equine grass sickness (EGS) vaccine trial completed its first year in 2014. This field trial will enrol more than 1,000 horses and ponies, from British premises that have been affected by EGS at least once in the past three years.

Almost all cases of EGS occur in horses with access to grazing, and growing scientific evidence points to the bacterium *Clostridium botulinum* type C as being the cause. Commonly found within soil, this bacterium is capable of producing neurotoxins to which horses are particularly sensitive. EGS occurs when a combination of risk factors trigger the production of these toxins within the horse's intestinal tract, causing damage to the nervous system and paralysis of the gut.

The vaccine trial involves horses and ponies receiving either a course of the *C. botulinum* type C toxoid vaccine or an inactive placebo. If successful, the trial could be a breakthrough in preventing the disease, providing benefit to every horse owner in Britain.

Fighting laminitis

A serious and debilitating disease which can lead to long-term lameness and pathological changes in the foot, laminitis has the potential to strike any of Britain's horses and ponies. In a partnership project with the Royal Veterinary College (RVC), we are researching the true frequency of the disease in Britain, as well as how best to prevent it.

We are collecting data from horse owners across Britain to investigate the frequency of the disease as well as factors that increase or decrease its risk, in order to provide owners with evidence-based guidelines to reduce the impact of the condition nationwide.

Any horse or pony is eligible to take part in the study, whether it has experienced laminitis previously or not. Data is collected via a monthly questionnaire containing details of the horses' management. If successful, the study will provide the first set of evidence-based guidelines on how best to prevent the condition, leaving Britain's horse owners better equipped to protect their animals from the disease.

Fighting inherited disease through stem cell research

Tendon injuries are a common injury suffered by sports horses, particularly Thoroughbred race horses. Our Stem Cell Researchers have created artificial tendons by growing stem cells in a 3D culture model. We are now refining the model to apply external strain to mimic the effects of exercise. We hope this will help in developing a successful stem cell therapy for tendon injuries in racing and sport horses.

In addition, we are also using stem cell models to understand the genetics that control fracture risk in Thoroughbred horses. We have sequenced the whole genome of two fracture cases and two control horses to identify the specific mutations which contribute to fracture risk. We will then determine the effect of these mutations in bone produced by stem cells in the laboratory to understand how they lead to fracture. Our aim is to be able to advise owners and trainers of horses with a high-predisposition of fracture on suitable training regimes.

Fighting injury in horses through back research

We performed a study to obtain longitudinal data quantifying changes in horses' back dimensions over time, to identify the effects of horse, saddle and rider on these dimensions, and to determine their association with season, weight, work and saddle management. Results showed considerable variations in back dimensions over one year, with factors such as the presence of gait abnormalities at initial examination having a negative effect on changes in back dimensions and subsequent improved saddle fit and similar or increased work intensity among others having positive effects. This study highlights the importance of having saddle fit reassessed professionally several times a year.

Fighting injury in horses through arena surface research

There has been little research into how properties of arena surfaces change with different types of maintenance. By using the Orono Biomechanical Surface Tester we collected information on surface firmness, cushioning, responsiveness and grip and described how the mechanical properties of a waxed-sand with fibre, sand with fibre and sand with rubber arena surface change when maintained with a variety of maintenance equipment including combination machines, harrows, levellers, rollers and five-barred gates. The results indicate that different types of equipment can have similar effects on certain properties, but very different effects on other properties, indicating that care should be taken when selecting a piece of maintenance equipment. We have provided advice to the venues recruited for the study on how best to manage their surface maintenance, which can lower the load on the limbs of the horse in given situations, thereby reducing the risk of injury.

Our Equine Senior Orthopaedic Advisor also co-authored the world's most extensive study into the effect of arena surfaces on the orthopaedic health of sport horses, which was published by the Federation Equestre Internationale (FEI).

Through a four-year collaboration, between eight equine experts from six universities, three equine and racing-specific research and testing centres and two horse charities, in Sweden, the UK and United States, the study has brought together the latest data and published scientific papers on arena and turf surfaces, and the effects these have on horses in training and in competition.

Thanks to this research, and extensive support and partnership between welfare charities and horse sport, we can fully understand how the right surfaces, with the necessary preparation and ongoing maintenance, can extend the working lives of sport horses and produce the best performances.

Research – disease and injury in dogs and cats

Fighting inherited disease in dogs

During 2014 we continued to investigate inherited disorders that are highlighted by breeders and/or veterinarians as health and welfare burdens for breeds at risk. We seek to identify the causal mutation(s) for each disorder and develop DNA tests that breeders can use to reduce the prevalence of the disorder in their breed and that veterinarians can use to facilitate diagnosis, prevention and treatment, where appropriate. Our research utilises DNA collected by a simple mouth swab from pet dogs, always with their owner's consent.

During 2014 we received DNA samples from approximately 2,320 dogs, of 115 different breeds, of which around 37% were affected with an inherited disorder.

Major outcomes from 2014 include:

Whole Genome Sequencing

An exciting development during 2014 was the sequencing of whole genomes from 10 different dogs. Some of these dogs were healthy, older dogs and some were affected with an inherited disease. These whole genomes serve two main purposes. They can be screened for mutations associated with inherited disease, so may lead directly to the development of new DNA tests. They can also be used to exclude benign variants from having a disease association, thus expediting the search for a mutation. As the cost of whole genome sequencing continues to drop, we hope to make more extensive use of this technique to identify mutations in the future.

Whole Exome Sequencing

During 2014 we sequenced our first whole exomes. The *exome* is the name given to the coding parts of all the genes in an individual. We sequenced the whole exomes of 36 dogs, representing six different breeds. Half of the dogs had progressive retinal atrophy (PRA) and half had healthy eyes. During 2015 we will analyse this data and hopefully identify mutations associated with PRA in at least some of these six breeds. We think exome sequencing will represent a very cost-effective method for identifying mutations associated with single gene diseases, allowing several breeds to be investigated in parallel.

Macular Corneal Dystrophy in the Labrador Retriever

Macular corneal dystrophy (MCD) is a hereditary disease that can affect middle-aged Labrador Retrievers. Affected dogs develop cloudy eyes, due to an abnormal accumulation of carbohydrates in their corneas. This disease is progressive, and although not painful, can cause marked visual impairment in affected dogs. A case was first identified at AHT in 2013 and discussions of this unique presentation lead to the identification of a small number of additional cases. We undertook a research project to find the causal mutation. The project was successful and resulted in us making a DNA test available. This newly emerging disease, which is caused by a recessive mutation, can now be stopped in its tracks before the mutation has a chance to become more widespread and before any more dogs suffer impaired vision as a result.

Primary Open Angle Glaucoma in the Petit Basset Griffon Vendéen

Primary glaucoma is a painful and blinding disease associated with high pressure in the eye due to a build-up of fluid. In primary open angle glaucoma (POAG) the opening to the iridocorneal angle, a sieve-like network located at the junction of the cornea and the iris, appears normal and is open to the flow of aqueous humour and it is thought that the impairment of aqueous outflow is due to a defect deep within the iridocorneal angle.

In 2014, after several years of work using DNA samples provided by many supportive owners and breeders, we identified the mutation that causes POAG in the Petit Basset Griffon Vendéen. A DNA test was launched during Crufts in March 2015.

Fighting cancer in dogs

During 2014, AHT scientists have been evaluating whether archived tumour biopsies, normally only used by pathologists for making a diagnosis, can be useful in 'molecular genetic' investigations. We hope that by studying these tumour biopsies we can better understand how tumours behave.

Our study has focussed on uveal melanomas, the most common primary eye cancer, affecting all dog breeds. At present the only way to predict whether this tumour will spread is to remove an affected eye, or a significant part of an eye, for examination by a pathologist. A consequence of this is that eyes are sometimes unnecessarily removed from dogs found to have 'benign' tumours.

Results to date have been encouraging and we hope that the research could lead to the development of a minimally-invasive test to predict if a tumour of this kind will spread. As well as preventing the unnecessary removal of eyes unaffected by uveal melanoma, the availability of such a test would mean a patient would not have to undergo anaesthesia and surgery in order to provide a tumour biopsy.

The pilot study using uveal melanoma biopsies has been made possible through use of the GeneAtlas System, funded by the Kennel Club Charitable Trust. We are planning further studies, using this technology, to learn more about oral melanomas and mast cell tumours, two of the most common cancers in dogs. In the future our research could lead to the development of improved prognostic tests, helping clinicians to decide on the most appropriate treatment for a dog affected by one of these cancers.

Fighting deafness in cats

AHT was one of the first places in the country to offer Brainstem Auditory Evoked Response (BAER) hearing tests in cats and dogs for congenital deafness. However, the genetics causing this condition is still unclear. In 2014, we launched a new study to enable us to better understand the prevalence of congenital deafness in white kittens and their littermates in the UK.

Kittens between nine and 13 weeks old from four breeds: British Shorthair, Norwegian Forest, Russian and Turkish Vankedisi are assessed via a BAER hearing test – a completely safe and non-invasive test which monitors the kitten's brain response to a series of clicks to establish whether the kitten hears normally, or is deaf in one or both ears.

It is hoped this study will assist and contribute to further learning about the genetic heritability and genetic defects behind deafness in white cats which could ultimately lead to breeders being able to breed out the genes causing this condition altogether

Fighting hyperthyroidism and other diseases in cats

We undertook a retrospective study to ensure our pre-assessment of cats with hyperthyroidism, and our advice to vets and owners of cats with the disease, is relevant and necessary.

Cats referred to AHT with this diagnosis are thoroughly assessed and evaluated prior to radioiodine therapy to ensure they are suitable candidates. Treatment for hyperthyroidism involves a three-week isolation period. The aim of the assessment is to make sure the cat is otherwise healthy so that the risk of developing health issues, such as heart failure, during the three weeks of isolation is very low.

Our research demonstrated that nearly 20% of cats from the study referred for hyperthyroid treatment were found to have other concurrent but previously undiagnosed conditions, such as lymphoma or chronic intestinal disease. With one in five cats from the study suffering from other conditions as well as hyperthyroidism, the study ratified the need for our thorough pre-assessment which identifies cats suitable for the treatment and those that are not. This minimises the risk for unsuitable cats and also unnecessary cost for the owners.

Education

Educating staff

In 2014, our senior staff continued to support and supervise our intern and residency programmes, as well as 10 students undertaking PhD and MSc courses. As a result, two of our students were awarded a PhD in 2014 and one was awarded an MSc. Within our clinical teams two clinicians completed their residency programmes, five clinicians passed their European or Australian specialist qualification, and four clinicians became recognised Royal College of Veterinary Surgeons (RCVS) specialists. Within our Nursing team two nurses passed the Registered Veterinary Nurse (RVN) diploma and one of our nurses achieved the Feline Nursing Diploma, scoring the highest marks in the UK.

Educating the veterinary profession and associated stakeholders

In 2014, we held more than 30 CPD lectures and days for people working in the veterinary profession. Our team presented, on clinical and research work, at more than 150 events – in the UK and internationally. A total of 114 papers appeared in peer-reviewed journals and 23 educational articles featured in non-peer reviewed publications.

Educating the general public

During 2014, we focussed attention on digital channels to educate the general public. Our website received visits from more than 775,000 people. Likes/follows on our Facebook and Twitter pages increased by 52 and 42 per cent respectively, with more people than ever engaging with us digitally. Using traditional media, we placed more than 1,100 individual articles (almost 100 per month) in print and online channels, helping to educate more people about AHT and our work.

Veterinary Services

Our veterinary services continued to underpin our vital clinical research programmes.

In 2014, our Small Animal Centre and Equine Centre treated more than 3,300 (2013: 2,850) newly referred animals. Our DNA testing service offered five new tests and produced test results for more than 9,000 (2013: 11,500) samples. We now offer DNA health tests for more than 48 breeds of dog. Through our Diagnostic Laboratory Services, we processed more than 37,500 (2013: 35,500) samples and successfully retained our ISO 17025 status.

Building on its first year of operation in 2013, during 2014 the Kennel Club Cancer Centre at the AHT, administered more than 770 radiation doses to 76 individual dogs, from more than 20 breeds with 15 different types of cancer. We became the only centre in Europe computer planning both high dose radiation (HDR) and external beam radiotherapy using CT for small animals and C-Arm for horses. We also completed a full refurbishment of our Small Animal operating theatres, enabling us to remain cutting edge, work effectively at full capacity, improve patient safety and most importantly, treat more animals in need of our care.

We completed a restructure of our Diagnostic Laboratory Services (DLS) and reviewed our marketing practices for this area of our work. The result of this was a vastly-improved and easier to use price list detailing all of our testing services, and a commitment to offer DLS-specific CPD sessions for our customers.

Fundraising

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

We had a successful fundraising year with net income growing by 14.8% to £3.1m. Donations and legacy income both performed well and ahead of expectation, 2014 also saw record achievements in fundraising from flagship events such as the Newmarket Race Day and Equestrian Awards.

In 2014, we increased the number of supporters within our regular giving scheme, AHT Friends, by 10% to more than 1,500 direct debit supporters. Our total number of donors increased to 14,000, up from 11,000 in the previous year.

More than 10,000 people visited AHT's home, Lanwades Park, enjoying the Visitors Centre, Coffee Shop and the grounds. Animal Health Trust Promotions Limited had great success in using Lanwades Hall as a wedding venue with the aim of raising funds to maintain Lanwades Park, home of the AHT. In 2014, we hosted 11 weddings, and received a further 15 bookings for 2015.

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 and inspiring the general public to support; working in the fundraising office assisting with general duties; to joining events organising committees and helping with sponsorship and auction prizes. We are very grateful to all volunteers for their commitment and vital contribution.

Future plans

Research

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

Education

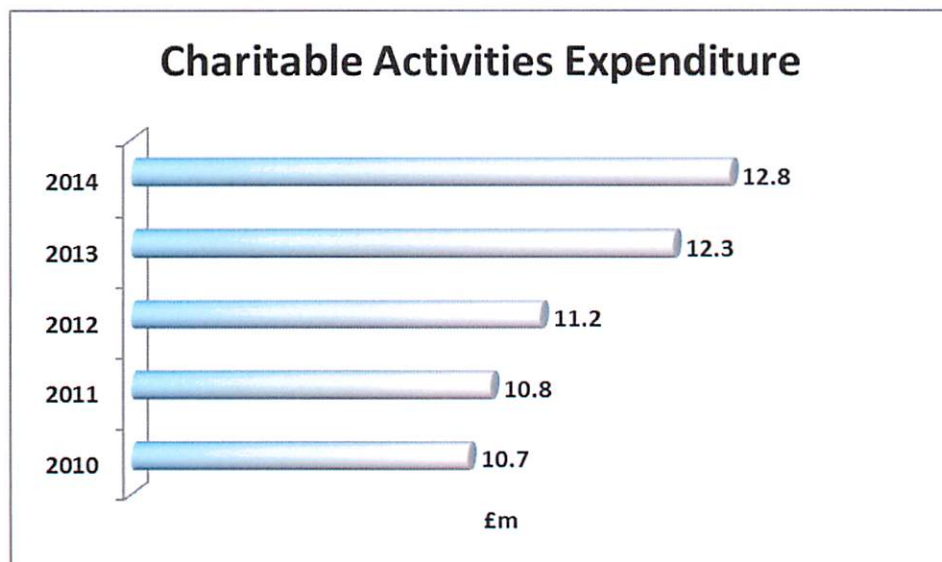
We will continue to teach, supervise and support our staff, the wider veterinary profession, associated stakeholders and the general public through CPD events, registered training programmes, lectures, published papers, the media, our website and associated communication methods.

Veterinary services

With the addition of the Kennel Club Cancer Centre at the Animal Health Trust, we aim to treat more horses, dogs and cats than ever before in our small animal and equine centres.

Financial review

AHT faced a challenging year in 2014 with ever increasing demand for its veterinary services, which due to weak cash flow, without investment was proving challenging to meet in a sustainable way. None the less, with growth in income AHT managed to increase it's spending on charitable activities to record levels.



In order to meet these challenges AHT has developed a robust five year '2020 financial plan'. The objective of the plan is that by investing in its veterinary services funded by disposing of surplus assets and utilising reserves, additional income can be generated that in the medium to long term can be reinvested in AHT's core research activities.

The first stage of this plan was realised shortly after year end with the successful disposal of a portion of surplus land at AHT's Lanwades home.

With record levels of income and expenditure on charitable activities AHT achieved net incoming resources in 2014 of £274,000.

AHT has then suffered an actuarial loss of £1.37m on its historic pension scheme. To control pension costs and the risk the scheme poses to AHT the scheme was closed to future accrual in 2011. Due to deteriorating investment returns on corporate bonds during 2014 that FRS17 requires are used to value pension scheme liabilities, the accounting value of the scheme liabilities have significantly increased leading to the actuarial loss and the scheme deficit increasing.

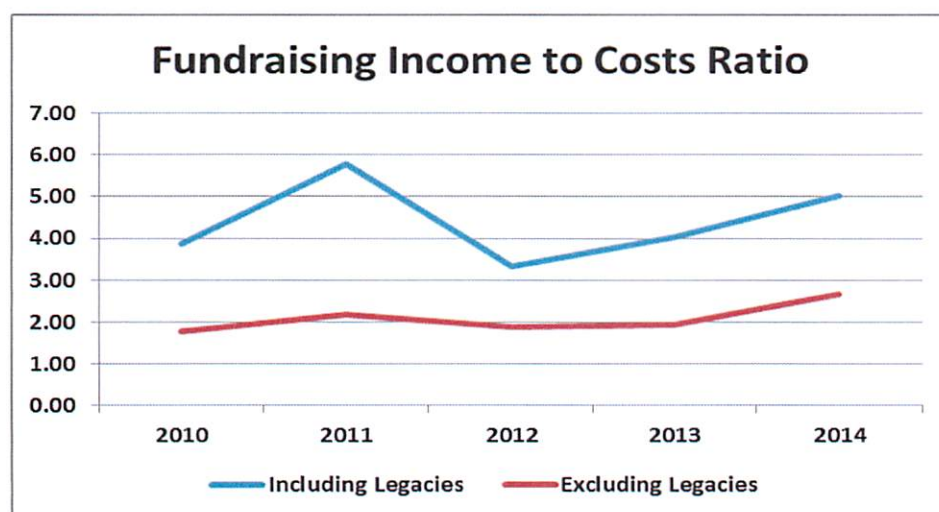
Cash flow continued to be under pressure during 2014, this was only sustainable with the support of AHT's banks and in the knowledge that significant income from the land disposal was due. In late December 2014 to bolster its cash position AHT temporarily transferred its endowment fund investment assets into cash, these assets have been returned to investments post year end.

The receipt of the land disposal income in 2015 has generated a gain on disposal in excess of £1.5m. This has enabled AHT to repay its loan from the Kennel Club Limited within the terms of the loan agreement.

Incoming Resources

AHT's total incoming resources in 2014 reached a record level of £14.17m, an increase of £848,000 from 2013.

Fundraising activities had a successful year with net fundraising income growing by 14.8% to £3.1m (2013: £2.7m) this was due to increased donation and events income and reduced costs. As a result AHT's Fundraising income to costs ratio, both inclusive and exclusive of legacy income has improved, the ratio excluding legacy income to a new five year high.



Of the total fundraising income, restricted income to fund capital projects amounted to £278,000 (2013 - £392,000).

Grants receivable for AHT's charitable activities saw a small increase of £11,000 to £1.08m.

Fee income generated from AHT's research activities fell by £333,000 to £0.65m. This income stream is quite cyclical; the decrease was expected and followed an exceptional year in 2013 where it had more than doubled to just under £1m.

Included in this, in 2014, were fees received part funding a pioneering vaccine trial against equine grass sickness, the Trustees have transferred £80,000 of this income into a designated fund to fund ongoing costs of the trial.

Fee income generated from AHT's veterinary services increased by £836,000 to just over £8.4m. AHT's Small Animal Centre saw fee income growth of £577,000 (10.8%) and the Equine Centre saw a significant recovery in fee income with growth of £213,000 (34.7%) this follows a number of challenging years for the Equine Centre in which fee income was gradually declining. Combined, AHT's Diagnostic and Genetics services saw a small increase in fee income.

Revenue Expenditure

Total resources expended increased by £421,000 to £13.89m.

The Trustees decided in 2014 to reclassify both the FRS17 finance costs arising on the AHT Pension and Life Assurance Scheme and the administration costs of the scheme from Support costs to Other Resources expended. This decision reflects the scheme being closed to future accrual meaning there is no appropriate measure for these costs to then be apportioned to activities. As a consequence 2013 activity costs have been restated.

Costs of generating funds and investment in longer term fundraising initiatives decreased to £0.8m (2013 - £0.93m).

The costs of AHT's charitable activities increased to a record £12.76m (2013 - £12.31m).

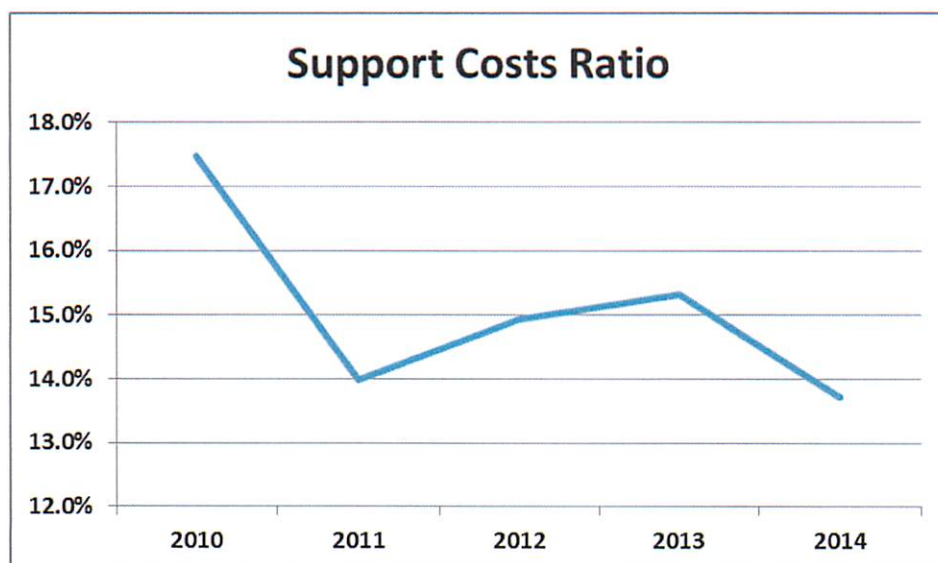
AHT invested £3.11m in delivering its core research activities, an increase of £96,000 from 2013.

AHT invested £0.88m in delivering its educational activities, a small decrease of £46,000 from 2013. The main component of this cost are the staff costs of residents and interns working in AHTs veterinary clinics who as well as being beneficiaries of AHTs charitable objective of advancing veterinary education play a vital role in ensuring AHT can deliver its clinical services.

AHT invested £8.77m in running its veterinary services, an increase of over £400,000 from 2013. With income from veterinary services increasing by more than double this AHT has managed to reduce the deficit in operating its veterinary services to £0.38m from £0.8m in 2013.

Governance costs amounted to £90,000 (2013: £77,000).

Included in the costs above are apportioned Support costs of £1.9m. AHT has successfully reduced these costs by £160,000 compared to 2013. Support costs are now less than 14% of total expenditure.



Investments

AHT's investments are managed by Vestra Wealth LLP, which has created a bespoke portfolio in accordance with the AHT's investment mandate. The performance of investment portfolios is regularly reviewed and reported to the Trustees.

AHT has adopted a balanced investment objective with a medium risk profile, and has required Vestra Wealth LLP to apply socially responsible investment principles to its portfolios.

The performance of AHT's portfolios in 2014 was as follows:

<u>Portfolio</u>	<u>Portfolio Total Return</u>	<u>Benchmark</u> <u>FTSE WMA Balanced</u>
AHT Unrestricted	2.56%	7.23%
AHT Mellon Endowment	2.03%	7.23%

The underperformance against the benchmark is due to both portfolios being underweight in UK gilts compared to the benchmark. The UK gilt index returned over 10% in the second half of 2014 due to the sharp and unexpected drop in the price of oil, this led to a rally in government bonds as expectations of interest rate rises were pushed back. Both portfolios have however outperformed the FTSE All Share, which returned 1.18% in 2014.

As a result of properties having been let for a full year and increased rents paid by Animal Health Trust Promotions Limited following an increase in the number of weddings held, rental income has increased in 2014.

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. The company recommenced trading in 2012 and the Trustees anticipate the company will be profitable in 2015.

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 2014 or 2013.

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

	Animal Health Trust Promotions Limited		Equine Genetics Research Limited	
	2014	2013	2014	2013
	£'000	£'000	£'000	£'000
Turnover	83	62	-	-
Cost of sales	(49)	(51)	-	-
Gross profit	34	11	-	-
Administration expenses	(39)	(39)	(6)	(3)
Operating and retained loss	(5)	(28)	(6)	(3)

Included within Animal Health Trust Promotions Limited costs is £14,980 (2013: £10,880) of rent charged to the company by AHT.

Investments continued

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, (previously The Assisi Animal Charities Foundation 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, on a scale that would not be economic for the charities to carry out on an individual basis.

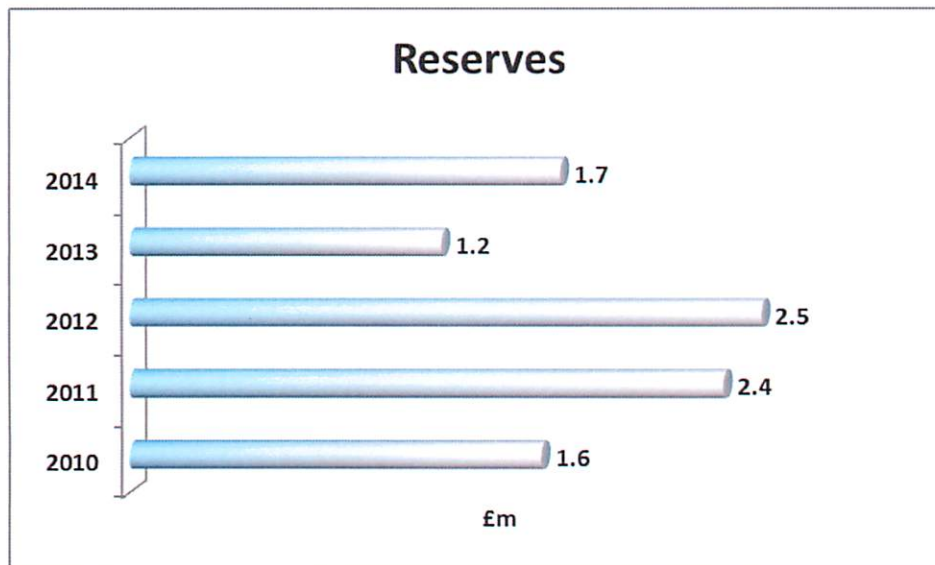
AHT is a member of Discover Newmarket Community Interest Company, a company limited by guarantee incorporated in England and Wales on 19th December 2014. AHT's liability as a member is restricted to £1. Discover Newmarket has been established as a not for profit community interest company to carry on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

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 Trustees have decided that an appropriate level of free reserves is approximately six months' normal expenditure.

The accounts value of free reserves as at 31 December 2014 amounted to £1,714,000 and represents approximately one and a half months' worth of normal expenditure.



The appropriateness of the reserves policy and the level of reserves are reassessed on a regular basis.

It should be noted that the reserves figure given above does not take account of the potential shortfall on the AHT Pension and Life Assurance Scheme. It remains the AHT's intention to continue to follow the actuarial advice it receives and adjust its contribution rates in accordance with statutory requirements. This may have an impact on the level of charitable expenditure in the future.

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.

In common with most pension funds the value, and hence adequacy of funding, of the AHT Scheme has been substantially reduced as a result of the volatility of stock markets, and at the same time the liabilities of the scheme continue to increase.

To address this, 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 2013 shows a potential funding shortfall of £5.0m.

Following the April 2013 valuation a recovery plan has been agreed with the scheme trustee to eliminate the past service deficit by 30 November 2034. This requires payments of £264,000 per annum payable monthly in arrears between October 2014 and September 2017, a lump sum payment of £180,000 in September 2017, followed by payments of £324,000 per annum payable monthly in arrears between October 2017 and 30 November 2034.

Both the legal charge over part of the Lanwades site and the deed of agreement over certain other property assets AHT agreed with the scheme as security following the 2010 valuation remain in place.

Under the recovery plan the Trust also pays the levies and administration expenses of the scheme.

The valuation of the AHT scheme as at 31 December 2014 by a Fellow of the Institute of Actuaries for the FRS17 disclosures in note 20 to the Financial Statements shows a potential shortfall in the fund's assets of £5.27 million (2013 - £3.95m). The substantial increase in the FRS17 deficit reflects a significant increase in the present value of the estimated liabilities of the scheme. FRS17 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 significantly decreased during 2014, as a result the present value of the scheme liabilities and of the deficit have both substantially increased.

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.

USS in the past has been more adequately funded. Following the most recent valuation in April 2011 employer contributions were maintained at 16% though this includes 3.4% representing deficit reduction contributions.

From October 2011 existing USS members had their final salary scheme entitlements protected though their employee contribution rate was increased to 7.5%. From October 2011 new employees joining USS have been entered into a career average scheme with an employee contribution rate of 6.5%.

USS is currently finalising its April 2014 valuation, indications are that the deficit in the scheme has significantly grown which will increase AHT's future contribution commitment. As a consequence USS and employers are carrying out a consultation exercise to reform the benefit structure of the scheme to ensure its sustainability.

Going Concern

During 2014 AHT met its day to day working capital requirements through its overdraft facility, and whilst AHT's cash position gradually deteriorated through the year, in part due to some of the legacy pipeline being reliant on the sale of properties, the precise timing of which is not always predictable, this was managed with the support of AHT's banks in the knowledge that a significant cash inflow from a land disposal was imminent.

Based on current forecasts AHT has negotiated sufficient facilities with its bank for the next twelve months.

With the receipt of the proceeds from the land disposal in February 2015 this has enabled AHT to repay the loan from The Kennel Club Limited, in doing so this has released the security The Kennel Club Limited held against AHT's unrestricted investment portfolio.

With the release of the security over its investment portfolio and sufficient overdraft facilities, AHT can now proceed with implementing its '2020 financial plan' and has the flexibility to deal with any 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 26 May 2015.

A handwritten signature in black ink, appearing to be 'K. Kirkham', written over a horizontal dotted line.

The Lord Kirkham CVO (Deputy President)

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

We have audited the financial statements of Animal Health Trust for the year ended 31 December 2014 on pages 25 to 49. 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 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 opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' responsibilities 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.

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>

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charity's affairs as at 31 December 2014 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.

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
- the charity has not kept sufficient accounting records; 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.

Baker Tilly UK Audit LLP

BAKER TILLY UK AUDIT LLP, Statutory Auditor
Chartered Accountants
Abbotsgate House
Hollow Road
Bury St Edmunds
IP32 7FA

3 JUNE 2015

Statement of financial activities for the year ended 31 December 2014

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2014 Total £'000	2013 Total Restated £'000
Incoming resources						
Incoming resources from generated funds						
Voluntary income						
• Donations		906	800	-	1,706	1,442
• Grants		-	1,079	-	1,079	1,068
• Legacies		1,785	45	-	1,830	1,856
Activities for generating funds						
• Fundraising events		323	-	-	323	273
• Fundraising trading		16	-	-	16	-
• Investment income	2	106	13	-	119	109
Incoming resources from charitable activities						
• Research		651	-	-	651	984
• Education		38	-	-	38	18
• Veterinary services		8,407	-	-	8,407	7,571
Total incoming resources		12,232	1,937	-	14,169	13,321
Resources expended						
Cost of generating funds						
• Fundraising costs		(525)	-	-	(525)	(581)
• Fundraising events		(198)	-	-	(198)	(303)
• Fundraising trading		(47)	-	-	(47)	-
• Investment management		(30)	(3)	-	(33)	(50)
		(800)	(3)	-	(803)	(934)
Charitable activities						
• Research		(2,004)	(1,106)	-	(3,110)	(3,014)
• Education		(878)	-	-	(878)	(924)
• Veterinary services		(8,179)	(595)	-	(8,774)	(8,370)
		(11,061)	(1,701)	-	(12,762)	(12,308)
Governance costs	6	(90)	-	-	(90)	(77)
Other resources expended	7	(240)	-	-	(240)	(155)
Total resources expended	3	(12,191)	(1,704)	-	(13,895)	(13,474)
Net incoming / (outgoing) resources before other recognised gains and losses						
		41	233	-	274	(153)
• Gains / (losses) on investments	11	24	-	(9)	15	235
• Actuarial losses on defined benefit pension schemes	20	(1,373)	-	-	(1,373)	(918)
Net (outgoing) / incoming resources before transfers		(1,308)	233	(9)	(1,084)	(836)
• Transfers	15, 16 & 17	323	(299)	(24)	-	-
Net movement in funds		(985)	(66)	(33)	(1,084)	(836)
Reconciliation of funds						
• Total funds brought forward		8,985	734	519	10,238	11,074
Total funds carried forward		8,000	668	486	9,154	10,238

All amounts relate to continuing activities.

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

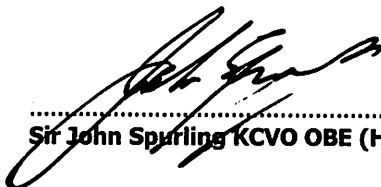
The notes on pages 28 to 49 form part of these financial statements.

Balance sheet as at 31 December 2014

	Note	Unrestricted Funds £'000	Restricted Funds £'000	Endowment Funds £'000	2014 Total £'000	2013 Total £'000
Tangible fixed assets	9	11,244	10	-	11,254	11,539
Fixed asset investments	11	763	-	-	763	3,094
		12,007	10	-	12,017	14,633
Current assets						
• Stock		136	-	-	136	208
• Debtors	12	2,738	508	-	3,246	2,495
• Investments	11	582	1,480	10	2,072	230
• Cash at bank		(612)	187	476	51	44
		2,844	2,175	486	5,505	2,977
Creditors due within one year	13	(1,534)	(1,517)	-	(3,051)	(2,120)
Net current assets		1,310	658	486	2,454	857
Total assets less current liabilities		13,317	668	486	14,471	15,490
Creditors due after more than one year	14	(50)	-	-	(50)	(1,300)
Net assets excluding pension liability		13,267	668	486	14,421	14,190
Defined benefit pension scheme liability	20	(5,267)	-	-	(5,267)	(3,952)
Net assets including pension liability		8,000	668	486	9,154	10,238
REPRESENTING:						
Fund balances	15,16,17	8,000	668	486	9,154	10,238

The financial statements on pages 25 to 49 were approved and authorised for issue by the Council of Management (Trustees) on 26 May 2015.

The notes on pages 28 to 49 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 2014

	Notes	2014		2013
		£'000	£'000	£'000
Net cash outflow from operating activities	19		(31)	(155)
Return on investment and servicing of finance				
• Dividends received		65		71
• Bank interest paid		(11)		(12)
			54	59
Capital expenditure and financial investment				
• Purchase of investments		(2,142)		(758)
• Movement in investment cash		(170)		107
• Payments to acquire tangible fixed assets		(573)		(218)
• Proceeds from sale of investments		2,816		716
• Proceeds from sale of tangible fixed assets		-		2
			(69)	(151)
Net cash outflow before financing			(46)	(247)
Financing				
Repayment of bank borrowing	19		-	(210)
Repayment of finance leases	19		-	(10)
Decrease in cash	19		(46)	(467)

The notes on pages 28 to 49 form part of these financial statements.

Notes forming part of the financial statements for the year ended 31 December 2014

1. Accounting policies

The principal accounting policies are set out below. With the exception of the changes to the policy for recognising donation income explained in (b) and the policy for other resources expended explained in (c) all other policies have been applied consistently with the preceding year.

a. Basis of accounting

The financial statements are prepared under the historical cost convention as modified by the inclusion of investments at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005 and applicable accounting standards.

The results and net assets of the subsidiaries are regarded as immaterial in the context of the AHT's overall operation and are consequently not consolidated in these financial statements.

b. Incoming resources

Professional services relate to clinical and diagnostic services, contract research and consultancy services and are accounted for on an accruals basis. Investment income is accounted for on an accruals basis.

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.

The Trustees have reviewed the accounting policy in respect of donations to ensure that it remains the most appropriate. Accordingly, the policy has been amended to that stated below.

Where sufficient evidence to entitlement, measurability and certainty 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 market value.

Previously the stated policy was to account for all donations on a receipts basis, with donated assets taken to income, when donated, at estimated market value.

The revised accounting policy is felt to be more appropriate and it brings the policy for recognising donations in to line with the policy for recognising legacies. There is no impact from the change in accounting policy on the preceding financial year. The impact on the current financial year is to recognise additional donation income of £341,465 received post year end, as a debtor.

Legacies are accounted for when received or if, before receipt, it becomes reasonably certain that the legacy will be received and the value of the incoming resources can be measured with sufficient reliability.

c. Resources expended and basis of allocation of costs

All expenditure is accounted for on an accruals basis.

Fundraising costs include the salaries, direct expenditure of fundraising events and activities and direct overheads of the AHT's fundraising department.

Research costs are the salaries, direct expenditure and direct overheads of the departments carrying out the AHT's research projects.

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

Veterinary service costs are the salaries, direct expenditure and direct overheads of running the clinical and diagnostic service departments.

Support 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 Veterinary services. All other Support Costs are allocated to Research, Education, Veterinary services, Fundraising and Governance in proportion to direct salary costs.

Governance costs are; salaries, audit, professional, legal and travel costs.

The Trustees have decided, to account for the FRS17 finance costs and the administration costs of the closed AHT Pension and Life Assurance scheme as Other resources expended. This is on the basis that due to the scheme being closed to future accrual there is no appropriate basis on which these costs can be allocated to activities. Previously these costs had been accounted for within Support costs. The allocation of 2013 Support costs has been restated, the details are disclosed in note 5.

1. Accounting policies continued

d. Depreciation

Tangible fixed assets costing more than £1,000 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 brought 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

Quoted investments are stated at market value. Unquoted investments (excluding investments in associated undertakings and subsidiaries) are initially recorded at cost, and are revalued at the financial year end based upon managements best estimate of market value. The Trustees are of the opinion that the estimate of the year end market value is a more accurate representation of the investments value than the historic cost of the investment. Investment properties are periodically valued and are stated at their most recent valuation.

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. Research and development expenditure

Research expenditure is recognised as an expense when it is incurred. Development expenditure is recognised as an expense except that expenditure incurred on development projects is capitalised as long-term assets to the extent that such expenditure is expected to generate future economic benefits.

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period. The development expenditure is amortised on a straight-line method over a period of not exceeding 5 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

g. Stocks

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

h. 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 charged to resources used.

i. 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 general 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.

1. Accounting policies continued

j. 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 31st 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 actuary advice and based on the most recent actuarial valuations of the scheme. These costs are accounted for in accordance with the requirements of FRS17.

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.

Where changes to the Scheme have resulted in past service costs, these are recognised immediately in the Statement of Financial Activities, unless the changes are conditional on employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight line basis over the vesting period.

AHT also participates in the Universities Superannuation Scheme (USS). This is a defined benefit scheme which is contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate fund administered by the trustee-administered fund. Because of the mutual nature of the scheme, the scheme's assets are not hypothecated to individual institutions and a scheme wide contribution rate is set. The 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 FRS17 "Retirement 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 the scheme in respect of the accounting period.

From 1 April 2011, AHT has operated a defined contribution pension scheme for some employees. 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.

k. 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. Investment income

	2014	2013
	£'000	£'000
(a) By type		
Quoted investments	65	71
Rental income	54	38
	119	109
(b) Geographic analysis		
UK	110	102
Non UK	9	7
	119	109

3. Resources expended

	Staff costs £'000	Other costs £'000	Support costs £'000	Total 2014 £'000	Total 2013 Restated £'000
Cost of generating voluntary income:					
Fundraising costs	212	202	111	525	581
Fundraising trading:					
Fundraising events	42	139	17	198	303
Fundraising trading	19	23	5	47	-
Investment management	-	33	-	33	50
	273	397	133	803	934
Charitable activities:					
Research	1,429	1,283	398	3,110	3,014
Education	519	185	174	878	924
Veterinary services	4,175	3,409	1,190	8,774	8,370
	6,123	4,877	1,762	12,762	12,308
Governance costs	37	43	10	90	77
Other resources expended	-	240	-	240	155
Total resources expended	6,433	5,557	1,905	13,895	13,474

The details of the 2013 restatement are shown in note 5.

4. Support costs

	Admin £'000	Finance £'000	IT £'000	HR £'000	Directorate £'000	PR £'000	Total 2014 £'000	Total 2013 Restated £'000
Cost of generating voluntary income:								
Fundraising costs	19	11	10	10	9	52	111	120
Fundraising trading:								
Fundraising events	4	2	2	2	2	5	17	31
Fundraising trading	2	1	1	1	-	-	5	-
	6	3	3	3	2	5	22	31
Charitable activities:								
Research	131	73	70	69	55	-	398	451
Education	48	27	25	25	20	29	174	194
Veterinary services	382	214	205	201	159	29	1,190	1,259
	561	314	300	295	234	58	1,762	1,904
Governance costs	3	2	2	2	1	-	10	10
Total resources expended	589	330	315	310	246	115	1,905	2,065

The details of the 2013 restatement are shown in note 5.

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

Included in support costs above is £nil (2013 £1,250) of fees from AHT's auditors for other financial advice.

5. Restatement of 2013 cost allocation

The Trustees have decided, to account for the FRS17 finance costs and the administration costs of the closed AHT Pension and Life Assurance scheme as Other resources expended. This is on the basis that due to the scheme being closed to future accrual there is no appropriate basis on which these costs can be allocated to activities. Previously these costs had been accounted for within Support costs. The allocation of 2013 Support costs has been restated as below.

	Original 2013 Support costs apportionment £'000	Apportioned Support costs transferred to Other resources expended £'000	Restated 2013 Support Costs apportionment (note 4) £'000	Original 2013 Total costs £'000	Apportioned Support costs transferred to Other resources expended £'000	Restated 2013 Total costs (note 3) £'000
Cost of generating voluntary income:						
Fundraising costs	125	(5)	120	586	(5)	581
Fundraising trading:						
Fundraising events	33	(2)	31	305	(2)	303
Investment management	-	-	-	50	-	50
	158	(7)	151	941	(7)	934
Charitable activities:						
Research	487	(36)	451	3,050	(36)	3,014
Education	207	(13)	194	937	(13)	924
Veterinary services	1,357	(98)	1,259	8,468	(98)	8,370
	2,051	(147)	1,904	12,455	(147)	12,308
Governance costs	11	(1)	10	78	(1)	77
Total Support Costs	2,220	(155)	2,065			
Other resources expended				-	155	155
Total resources expended				13,474	-	13,474

6. Governance costs

	2014 £'000	2013 Restated £'000
Staff costs	37	31
Auditor fees – audit	27	26
Other expenses	16	10
Apportioned support costs	10	10
	90	77

7. Other resources expended

	2014 £'000	2013 £'000
FRS17 finance costs	173	81
AHT Pension & Life Assurance Scheme administration costs	67	74
	240	155

8. Employment

	2014 £'000	2013 £'000
(a) Costs		
Wages and salaries	6,205	6,084
Social security costs	522	534
Pension costs	799	746
	7,526	7,364

The average number of employees analysed by function was:

	2014 Number	2013 Number
Charitable activities	194	184
Fundraising	8	10
Support and management	32	29
	234	223

(b) Higher paid employees

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

	2014 Number	2013 Number
£60,001 - £70,000	2	2
£70,001 - £80,000	1	1
£100,001 - £110,000	-	1
£130,001 - £140,000	1	-
£190,001 - £200,000*	-	1

All the above are members of one of the three AHT pension schemes.

* This banding for 2013 takes into account notice payments to AHT's former Chief Executive that in the interests of prudence had been accrued within 2013 employment costs.

(c) Council of Management

No member of the Council of Management received remuneration in the year (2013 none).

9. Tangible fixed assets

	Freehold land and buildings £'000	Equipment and fittings £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 January 2014	16,379	7,419	88	23,886
Additions	237	336	-	573
Disposals	-	(20)	(9)	(29)
At 31 December 2014	16,616	7,735	79	24,430
Depreciation				
At 1 January 2014	6,118	6,171	58	12,347
Charge for the year	464	379	15	858
Disposals	-	(20)	(9)	(29)
At 31 December 2014	6,582	6,530	64	13,176
Net book value				
At 31 December 2014	10,034	1,205	15	11,254
At 31 December 2013	10,261	1,248	30	11,539

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

	2014 £'000	2013 £'000
Equipment not yet installed	-	42

10. Intangible fixed assets

	2014 £'000	2013 £'000
Development Costs		
Cost		
At 1 January 2014	32	32
Disposals	(32)	-
At 31 December 2014	-	32
Amortisation		
At 1 January 2014	32	-
Charge for the year	-	32
Disposals	(32)	-
At 31 December 2014	-	32
Net book value at 31 December 2013 and 2014	-	-

The capitalised development expenditure that was fully amortised in 2013 as the expected future economic benefits were no longer probable of being recovered has now been written off.

11. Investments

(a) Market Value

	Quoted Investments £'000	Investment Property £'000	2014 Total £'000	2013 Total £'000
At 1 January 2014	2,552	733	3,285	3,008
Additions	2,142	-	2,142	758
Disposals	(2,816)	-	(2,816)	(716)
Net Investment gains	2	13	15	235
At 31 December 2014	1,880	746	2,626	3,285
Investments in subsidiaries			5	5
Unquoted investments			12	12
Cash			192	22
Total Investments at 31 December 2014			2,835	3,324
Fixed Asset Investments			763	3,094
Current Asset Investments			2,072	230
Total Investments			2,835	3,324

The drop in the value of investments reflects a decision shortly before year end to temporarily hold Endowment Fund assets as cash, since year end Endowment Fund assets have been returned to investments.

The classification between Fixed and Current Asset investments reflects the implementation of AHT's 2020 financial strategy that provides for the non - endowed investment portfolio to be liquidated and invested in growing AHT's charitable activities.

Investment properties are stated at market value. The Trustees have not sought to revalue the Lodge Cottages as at 31st December 2014 as they consider the market value to not be materially different from the valuation obtained in 2012. The investments in subsidiaries are stated at cost. The Trustees consider that the market value of these investments is not materially different to cost.

	2014 £'000	2013 £'000
(b) Investment gains and losses		
Realised (losses) / gains	(26)	18
Unrealised gains	41	217
	15	235
(c) Quoted investments at cost	1,864	2,202
(d) Geographical analysis of investments		
UK	1,079	1,881
Non UK	1,756	1,443
	2,835	3,324

AHT Trustees' Report and Accounts 2014

Notes forming part of the financial statements for the year ended 31 December 2014 continued.

11. Investments continued

(e) Concentration of investments

The following represent investment holdings of more than five per cent of the quoted investments of £1,880,080 (2013: £2,551,840):

	Holding	Market Value	2014	Holding	Market Value	2013
	Units	£'000	%	Units	£'000	%
Way Fund Managers						
Elite Fund Income	1,278,092	1,367	72.69%	122,742	127	4.97%

The above holding is part of a de-risking strategy adopted ahead of the intention to liquidate the investment portfolio. The Elite Income Fund is a low risk diversified 'fund of funds'.

(f) 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 1st July 2012, principally in the merchandising of goods and the letting of Lanwades Hall as a wedding venue.

The financial statements of the company disclose the following:

	Year ended 31 December 2014 £	Year ended 31 December 2013 £
Income	83,454	61,716
Expenditure	(88,883)	(90,342)
Loss for the year	(5,429)	(28,626)
Paid up share capital	2	2
Accumulated reserves	(60,092)	(54,663)
Net liabilities	(60,090)	(54,661)

Within the expenditure above is £14,980 (2013: £10,880) of rent charged to Animal Health Trust Promotions Limited by AHT, excluding this the profit for the year would have been £9,551 (2013 loss: £17,746).

11. Investments continued

(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 2014 £'000	Year ended 31 December 2013 £'000
Income	-	-
Expenditure	(6)	(3)
Loss for the year	<u>(6)</u>	<u>(3)</u>
Paid up share capital	10	10
Share premium	95	95
Accumulated reserves	(93)	(87)
Net assets	<u>12</u>	<u>18</u>

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 remained dormant since incorporation.

12. Debtors

	2014 £'000	2013 £'000
Professional services	1,542	1,693
Amounts due from subsidiary undertakings	59	37
Other debtors	172	179
Accrued legacies	838	195
Prepayments and accrued income	635	391
	<u>3,246</u>	<u>2,495</u>

13. Creditors due within one year

	2014 £'000	2013 £'000
Bank overdraft	566	-
Bank overdraft (secured)	-	513
Other loans (secured)	1,500	250
Expense creditors	444	664
Taxes and social security	376	399
Other creditors	139	272
Accruals and deferred income	26	22
	<u>3,051</u>	<u>2,120</u>

The 2013 secured bank overdraft was from National Westminster Bank Plc and was secured on a proportion of AHT's Lanwades Park site.

The other loan was from The Kennel Club Limited and was secured on a proportion of AHT's unrestricted investment portfolio. The loan was repaid on 3 February 2015, and the security subsequently released.

14. Creditors due after more than one year

	2014 £'000	2013 £'000
(a) Other Loan (secured, see note 13)		
Due between one and two years	-	1,250
(b) Deferred income		
Deferred income	50	50
	50	1,300

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.

15. Unrestricted funds

	Balance at 01/01/2014 £'000	Incoming Resources £'000	Resources Expended £'000	Investment Gains £'000	Pension Losses £'000	Transfers £'000	Balance at 31/12/2014 £'000
General fund	5,941	12,174	(11,708)	24	-	(171)	6,260
Pension Reserve	(3,952)	-	58	-	(1,373)	-	(5,267)
General funds including pension reserve	1,989	12,174	(11,650)	24	(1,373)	(171)	993
Designated funds							
Building Fund	5,933	-	(266)	-	-	152	5,819
Equipment Fund	806	-	(234)	-	-	257	829
Centre of Small Animal Studies funds	207	58	(27)	-	-	5	243
Other designated funds	50	-	(14)	-	-	80	116
	6,996	58	(541)	-	-	494	7,007
	8,985	12,232	(12,191)	24	(1,373)	323	8,000

The Pension reserve represents the FRS17 deficit of the AHT Pension fund.

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.

Centre of Small Animal Studies funds represents funds designated by AHT's management for various projects or investment in the Centre. In 2014 £91,000 was transferred from the General fund to a designated fund under a profit share arrangement with the Centre of Small Animal Studies. During 2014 £86,000 was transferred to the Building and Equipment funds from Centre of Small Animal Studies funds.

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 £80,000 was transferred from the General fund to a designated fund in order to fund, in 2016, anticipated costs of the ongoing Grass Sickness trial. The £80,000 represents unrestricted contract income for the trial received in advance.

16. Restricted funds

	Balance at 01/01/2014 £'000	Incoming Resources £'000	Resources Expended £'000	Transfers £'000	Balance at 31/12/2014 £'000
Appeals & Restricted Donations	524	839	(527)	(270)	566
Project funds	229	1,079	(1,177)	(29)	102
Linear accelerator appeal	(19)	19	-	-	-
	734	1,937	(1,704)	(299)	668

Appeals and Restricted donation 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 is then transferred to the designated Building or Equipment Fund.

Project funds represent grants received for specific projects.

The Linear accelerator appeal had been established to raise funds for the purchase of the linear accelerator that has been installed in the Cancer Centre.

17. Endowment Funds

	Balance at 01/01/2014 Restated £'000	Incoming Resources £'000	Resources Expended £'000	Investment Losses £'000	Transfers £'000	Balance at 31/12/2014 £'000
<i>Permanent Endowments</i>						
Animal Health Trust						
Research Fund	21	-	-	-	-	21
G W Leigh	5	-	-	-	-	5
	26	-	-	-	-	26
<i>Expendable Endowments</i>						
P Mellon Endowment	493	-	-	(9)	(24)	460
	519	-	-	(9)	(24)	486

The restated balances as at 1 January 2014 follow a review during 2014 of the terms of the above endowment funds it was determined that the P Mellon fund permits up to 5% of the capital of the fund to be spent annually. Therefore the fund has been reclassified from permanent to expendable endowment. In 2014 £24,000 of the fund capital was transferred to a restricted equine research expenditure fund.

Income and expendable capital from the P Mellon fund is restricted to fund equine research expenditure. The income generated from the Animal Health Trust Research Fund and G W Leigh fund can be applied towards the general charitable purposes of AHT.

18. Analysis of net assets between funds

	Tangible 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</i>	4,596	763	951	(50)	-	6,260
<i>Pension reserve</i>	-	-	-	-	(5,267)	(5,267)
Designated funds						
Building Fund	5,819	-	-	-	-	5,819
Equipment Fund	829	-	-	-	-	829
Other designated funds	-	-	359	-	-	359
Restricted funds						
Appeals & Restricted Donations	-	-	566	-	-	566
Project funds	10	-	92	-	-	102
Cancer Centre	-	-	-	-	-	-
Endowment funds						
Permanent Endowment Funds	-	-	26	-	-	26
Expendable Endowment Funds	-	-	460	-	-	460
Total funds 2014	11,254	763	2,454	(50)	(5,267)	9,154

19. Cash flow information

a. Reconciliation of changes in resources to net outflow from operating activities

	2014 £'000	2013 £'000
Net incoming / (outgoing) resources	274	(153)
Return on investment and servicing of finance	(54)	(59)
Non cash flows relating to FRS 17 provisions	(58)	(138)
Depreciation	858	859
Amortisation	-	32
Profit on disposal of fixed assets	-	(2)
Decrease / (increase) in stock	72	(70)
Increase in debtors	(751)	(703)
(Decrease) / increase in creditors	(372)	79
	<hr/> (31)	<hr/> (155)

b. Reconciliation of net cash flow to movement in net debt

	2014 £'000	2013 £'000
Decrease in cash in the year	(46)	(467)
Cash inflow from decrease in debt	-	220
	<hr/> (46)	<hr/> (247)
Movement in net debt in the year	(46)	(247)
Net debt at 1 January 2014	(1,969)	(1,722)
Net debt at 31 December 2014	<hr/> (2,015)	<hr/> (1,969)

c. Analysis of net debt

	1 January 2014 £'000	Cashflow £'000	Non Cash Changes £'000	31 December 2014 £'000
Cash at bank and in hand	44	7	-	51
Bank overdraft	(513)	(53)	-	(566)
	<hr/> (469)	<hr/> (46)	<hr/> -	<hr/> (515)
Debt due within one year	(250)	-	(1,250)	(1,500)
Debt due after one year	(1,250)	-	1,250	-
Financing	<hr/> (1,500)	<hr/> -	<hr/> -	<hr/> (1,500)
Total	<hr/> (1,969)	<hr/> (46)	<hr/> -	<hr/> (2,015)

20. 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 £1,029,428 (2013: £965,030). 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 and are administered by trustees and managed professionally.

The most recent formal actuarial valuation of the Scheme was carried out as at 6 April 2013. The results have been updated to 31 December 2014 by a qualified independent actuary. The actuary asked by AHT to make the FRS17 calculations and report has stated "This information is intended to enable AHT to meet the reporting requirements for the Animal Health Trust Pension and Life Assurance Scheme for the accounting period ending 31 December 2014 and is not intended to be used for any other purpose."

The assumptions used were as follows:

Financial assumptions

	2014	2013
Discount rate	3.60%	4.50%
Price inflation - RPI	3.20%	3.50%
Price inflation - CPI	2.40%	2.70%
Pension increases		
- Pre 88 GMP	0.00%	0.00%
- Post 88 GMP	2.40%	2.70%
- Pension in excess of GMP	2.40%	2.70%
Rate of increase for deferred pensioners	2.40%	2.70%

Demographic assumptions

	2014 S1PACmi S1PACmi (year of birth) minimum improvement of 1.25% pa	2013 S1PACmi S1PACmi (year of birth) minimum improvement of 1.25% pa
Pre retirement mortality		
Post retirement mortality		

Life expectancies

	2014		2013	
	Males	Females	Males	Females
Life expectancy for a current 65 year old	22.5 years	24.8 years	22.4 years	24.7 years
Life expectancy at age 65 for a current 45 year old	24.3 years	26.8 years	24.2 years	26.7 years

20. Pension costs continued

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

Assets

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

	2014			2013		
	Market Value	% of total scheme assets	Long term expected rate of return at 31/12/2013	Market Value	% of total scheme assets	Long term expected rate of return at 31/12/2012
	£'000			£'000		
Equities	4,545	50.4%	7.0%	4,343	51.5%	7.0%
Property	604	6.7%	6.25%	514	6.1%	6.25%
Bonds	2,028	22.5%	3.5%	2,698	32.0%	4.0%
Other	1,475	16.4%	-	-	-	-
Cash	360	4.0%	1.5%	877	10.4%	1.5%
Total	9,012			8,432		
Actual return on assets over the period	626			856		

Reconciliation to the balance sheet

	2014 £'000	2013 £'000
Market value of assets	9,012	8,432
Present value of liabilities	(14,279)	(12,384)
Pension liability recognised in the balance sheet	(5,267)	(3,952)

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

	2014 £'000	2013 £'000
Value of liabilities at start of year	12,384	10,859
Interest cost	551	481
Benefits paid	(277)	(330)
Actuarial losses	1,621	1,374
Value of liabilities at end of year	14,279	12,384

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

	2014 £'000	2013 £'000
Market value of assets at start of year	8,432	7,687
Expected return on scheme assets	378	400
Employer contributions	231	219
Benefits paid	(277)	(330)
Actuarial gains	248	456
Market value of assets at end of year	9,012	8,432

AHT Trustees' Report and Accounts 2014

Notes forming part of the financial statements for the year ended 31 December 2014 continued.

20. Pension costs continued

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

Amounts recognised in Statement of Financial Activities

	2014	2013
	£'000	£'000
Interest on liabilities	(551)	(481)
Expected return on scheme assets	378	400
Net charge to interest cost	(173)	(81)
Total charge to statement of financial activities	173	81
Actuarial losses	(1,373)	(918)

History of assets, liabilities, experience gains and losses

	2014	2013	2012	2011	2010
	£'000	£'000	£'000	£'000	£'000
Market value of scheme assets	9,012	8,432	7,687	7,225	7,569
Value of scheme liabilities	(14,279)	(12,384)	(10,859)	(10,481)	(10,286)
Deficit in the scheme	(5,267)	(3,952)	(3,172)	(3,256)	(2,717)
Gains / (losses) arising on scheme liabilities					
Due to experience	(36)	(31)	(310)	0	(42)
% of liabilities	(0.25%)	(0.25%)	(2.9%)	0.0%	(0.4%)
Due to change of basis	(1,585)	(1,343)	132	(315)	(495)
% of liabilities	(11.1%)	(10.8%)	1.2%	(3.0%)	(4.8%)
Experience gains / (losses)					
Arising on scheme assets	248	456	204	(899)	409
% of assets	2.75%	5.4%	2.7%	(12.4%)	5.4%

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 2013, AHT expects to pay £264,000 to the Scheme during the accounting year beginning 1 January 2015.

20. 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.

The appointment of directors to the board of the trustee is determined by the company's Articles of Association. Four of the directors are appointed by Universities UK; three are appointed by the University and College Union, of whom at least one must be a USS pensioner member; and a minimum of three and a maximum of five are independent directors appointed by the board. Under the scheme trust deed and rules, the employer contribution rate is determined by the trustee, acting on actuarial advice.

The latest triennial actuarial valuation of the scheme was at 31 March 2011. This was the second 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. The actuary also carries out regular reviews of the funding levels. In particular, he carries out a review of the funding level each year between triennial valuations and details of his estimate of the funding level at 31 March 2014 are also included in this note.

The triennial valuation was carried out using the projected unit method. The assumptions which have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest), the rates of increase in salary and pensions and the assumed rates of mortality. The financial assumptions were derived from market yields prevailing at the valuation date. An 'inflation risk premium' adjustment was also included by deducting 0.3% from the market-implied inflation on account of the historically high level of inflation implied by government bonds (particularly when compared to the Bank of England's target of 2% for CPI which corresponds broadly to 2.75% for RPI per annum).

To calculate the technical provisions, it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.4% per annum (with short-term general pay growth at 3.65% per annum and an additional allowance for increases in salaries due to age and promotion reflecting historic scheme experience, with a further cautionary reserve on top for past service liabilities) and pensions would increase by 3.4% per annum for 3 years following the valuation then 2.6% per annum thereafter.

Standard mortality tables were used as follows:

Male members' mortality	S1NA (light) YoB tables – No age rating
Female members' mortality	S1NA (light) YoB tables – Rated down 1 year

Use of these mortality tables reasonably reflects the actual USS experience but also provides an element of conservatism to allow for further improvements in mortality rates the CMI 2009 projections with a 1.25% pa long term rate were also adopted. The assumed life expectations on retirement at age 65 are:

Males (females) currently aged 65	23.7 (25.6) years
Males (females) currently aged 45	25.5 (27.6) years

At the valuation date, the value of the assets of the scheme was £32,433.5 million, and the value of the scheme's technical provisions was £35,343.7 million indicating a shortfall of £2,910.2 million. The assets therefore were sufficient to cover 92% of the benefits which had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. On the scheme's historic gilts basis, using a valuation rate of interest in respect of past service liabilities of 4.4% per annum (the expected return on gilts) the funding level was approximately 68%. Under the Pension Protection Fund regulations introduced by the Pensions Act 2004 the Scheme was 93% funded: on a buy-out basis (i.e. assuming the Scheme had discontinued on the valuation date) the assets would have been approximately 57% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS17 formula as if USS was a single employer scheme, using a AA bond discount rate of 5.5% per annum based on spot yields, the actuary estimated that the funding level at 31 March 2011 was 82%.

20. Pension costs continued

(ii) Universities Superannuation Scheme continued

As part of this valuation, the trustees have determined, after consultation with the employers, a recovery plan to pay off the shortfall by 31 March 2021. The next formal triennial actuarial valuation is as at 31 March 2014. If experience up to that date is in line with the assumptions made for this current actuarial valuation and contributions are paid at the determined rates or amounts, the shortfall at 31 March 2014 is estimated to be £2.2 billion, equivalent to a funding level of 95%. The contribution rate will be reviewed as part of each valuation and may be reviewed more frequently.

However, changes in market conditions between March 2011 and March 2014 have had an impact on scheme funding. The next formal triennial actuarial valuation will take place as at 31 March 2014, and work is currently underway to update the actuarial assumptions and allow for any adjustments to the overall funding approach adopted by the trustee board in consultation with stakeholders.

As work on the 2014 valuation is not yet complete the trustee cannot provide the final figure however, an estimate has been provided using the assumptions used to deliver the 2011 actuarial valuation. On that basis, the actuary has estimated that the funding level under the scheme specific funding regime will have fallen from 92% at 31 March 2011 to 85% at 31 March 2014. This estimate is based on the results from the valuation at 31 March 2011 allowing primarily for investment returns and changes to market conditions.

The funding level has decreased mainly due to a decrease in real gilt yields, reducing the implied net discount rate and therefore placing a higher value on the schemes liabilities. This increase has been partially offset by a higher than expected investment return.

On the FRS17 basis, using an AA bond discount rate of 4.5% per annum based on spot yields, the actuary estimates that the funding level at 31 March 2014 was 75%. An estimate of the funding level measured on a historic gilts basis at that date was approximately 61%.

Surpluses or deficits which arise at future valuations may impact on AHT's future contribution commitment. A deficit may require additional funding in the form of higher contribution requirements, where a surplus could, perhaps, be used to similarly reduce contribution requirements. The sensitivities regarding the principal assumptions used to measure the scheme liabilities on a technical provisions basis as at the date of the last triennial valuation are set out below:

Assumption	Change in assumption	Impact on shortfall
Investment return	Decrease by 0.25%	Increase by £1.6 billion
The gap between RPI and CPI	Decrease by 0.25%	Increase by £1 billion
Rate of salary growth	Increase by 0.25%	Increase by £0.6 billion
Members live longer than assumed	1 year longer	Increase by £0.8 billion
Equity markets in isolation	Fall by 25%	Increase by £4.6 billion

The technical provisions relate essentially to the past service liabilities and funding levels, but it is also necessary to assess the ongoing cost of newly accruing benefits. The cost of future accrual was calculated using the same assumptions as those used to calculate the technical provisions but the allowance for promotional salary increases was not as high. Analysis has shown very variable levels of growth over and above general pay increases in recent years, and the salary growth assumption built into the cost of future accrual is based on more stable, historic, salary experience. However, when calculating the past service liabilities of the scheme a cautionary reserve has been included, in addition, on account of the variability mentioned above.

As at the 2011 valuation the Scheme was still a fully Final Salary Scheme for future accruals and the prevailing employer contribution rate was 16% of salaries.

20. Pension costs continued

(ii) Universities Superannuation Scheme continued

Following UK government legislation, from 2011 statutory pension increases or revaluations are based on the Consumer Prices Index measure of price inflation. Historically these increases had been based on the Retail Prices Index measure of price inflation.

Since the valuation effective date as at 31 March 2011 there have a number of changes to the benefits provided by the scheme although these became effective from October 2011. These include:

New Entrants: Other than in specific, limited circumstances, new entrants are now provided on a Career Revalued Benefits (CRB) basis rather than a Final Salary (FS) basis.

Normal pension age: The normal pension age was increased for future service and new entrants, to age 65.

Flexible retirement: Flexible retirement options were introduced.

Member contributions increased: Contributions were uplifted to 7.5% p.a. and 6.5% p.a. for FS section members and CRB section members respectively.

Cost sharing: If the total contribution level exceeds 23.5% of salaries per annum, the employers will pay 65% of the excess over 23.5% and members would pay the remaining 35% to fund as additional contributions.

Pension increase cap: For service derived after 30 September 2011, USS will match increases in official pensions for the first 5%. If official pensions increase by more than 5% then USS will pay half of the difference up to a maximum increase of 10%.

USS is a "last man standing" scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The trustee's role is to set risk and return parameters which reflect the strength of the sponsoring employers and the nature of the scheme's liabilities. These parameters, taken together with the anticipated returns form the basis of the trustee's funding strategy. These parameters are informed by advice from its internal investment team, its investment consultant and the scheme actuary, as well as an independent assessment of the support available from the sponsoring employers. The trustee remains confident that it can continue to take a long-term view of scheme funding, backed as it is by a robust Higher Education (HE) sector.

The fund is invested in a wide range of asset classes, both publicly traded (including equities and fixed income) and private (including private equity, infrastructure, property and timberland). A diversified portfolio helps to spread investment risk across different asset classes and to boost the level of confidence in maintaining sufficient investment returns from the fund as a whole. This investment approach is innovative and responsible, and targeted at achieving returns required to meet the scheme's liabilities. Recently, the trustee has invested directly in infrastructure assets. These investments are typically illiquid, but can achieve attractive inflation-linked returns in ways often not available in the publicly traded markets and which can match the scheme's liabilities to a high degree.

At 31 March 2014, USS had over 162,000 active members and at 31st December 2014 AHT had 68 active members participating in the scheme.

USS contributions payable by the AHT amounted to £444,975 (2013: £452,123) and there were contributions of £52,434 (2013: £68,960) within other creditors at the year end. The contribution rate payable by the AHT was 16% of pensionable salaries.

AHT Trustees' Report and Accounts 2014

Notes forming part of the financial statements for the year ended 31 December 2014 continued.

20. 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 149 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 £353,745 (2013: £293,850) and there were contributions of £31,523 (2013: £27,210) within other creditors at the year end.

21. Related party transactions

In February 2012 AHT agreed a three year interest free loan facility of £1.5m with the Kennel Club to fund the construction of the Cancer Centre, to be named the Kennel Club Cancer Centre. The loan was subsequently transferred to The Kennel Club Limited. R Smart has been an AHT trustee during this period and whilst not a director of The Kennel Club Limited is Chief Executive of the Kennel Club, and a number of AHT trustees are members of the Kennel Club.

AHT is a member and a director of Discover Newmarket Community Interest Company, in 2014 AHT paid a 'stakeholder' fee of £2,000 to the company in respect to 2015.

Animal Health Trust Promotions Limited, a wholly owned subsidiary of AHT owed £58,599 (2013: £37,576) to AHT at year end. During the year AHT provided services, on a shared costs basis, to Animal Health Trust Promotions Limited to the value of £34,844 (2013 £33,679).

During the year AHT let properties, on commercial terms, to Animal Health Trust Promotions Limited to the value of £14,980 (2013 £10,880).

The reimbursement of expenses, which have been made or are due to be made to one (2013: one) member of the Council of Management in respect of the year were £382 (2013: £542).

During 2014 one (2013: none) Executive Committee member received discounts, inclusive of VAT, of £686 (2013: £nil) on veterinary services under the AHT staff discount scheme.

22. Contingent Liabilities

National Westminster Bank Plc issued on 11 January 2013 a High Activity Sealed Radioactive Sources financial guarantee amounting up to £12,000. This is addressed to The Environment Agency to provide for disposal of the Sr-90 Source in the event of AHT failing to meet its obligations under the Registration and/or Regulations.

23. Capital commitments

At the end of the year AHT had capital commitments contracted but not provided for of £15,900 (2013: £56,400).

24. Material Legacies

Legacy income is only included in incoming resources where receipt is reasonably certain and the amount is known with certainty, or the legacy has been received. As at 31 December 2014, within the legacies that AHT had been notified of were five material legacies with an estimated value of £1,005,000 which had not been accrued as the conditions for recognition had not been met. As at 31 December 2014 AHT had also been notified of a number of legacies that are the subject of life tenancies. These legacies have not been accrued for in the financial statements as the conditions for recognition had not been met. These legacies cannot be measured reliably however the best estimate of the value of these legacies is approximately £300,000.

AHT Trustees' Report and Accounts 2014

Notes forming part of the financial statements for the year ended 31 December 2014 continued.

25. Commitments under operating leases

As at 31 December 2014, AHT had annual commitments under non-cancellable operating leases in respect of items of equipment and vehicles as set out below:

	2014	2013
	£'000	£'000
Operating leases which expire:		
Within 1 year	-	13
Within 1 -2 years	103	-
Within 2 - 5 years	13	104
	116	117