

Charity Registration No. 1146896

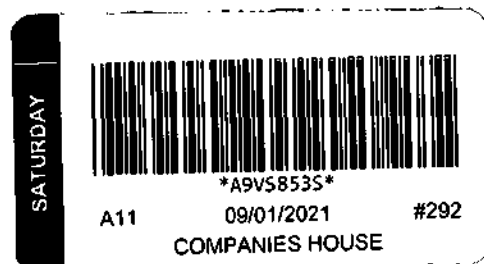
Company Registration No. 08015625 (England and Wales)

ANIMAL FREE RESEARCH UK

**(FORMERLY KNOWN AS DR HADWEN TRUST, A COMPANY LIMITED BY GUARANTEE AND
NOT HAVING SHARE CAPITAL)**

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020



**ANIMAL FREE RESEARCH UK
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LEGAL AND ADMINISTRATIVE INFORMATION**

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A Ellison
L Sheridan
D Cameron
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Secretary S Luther

Charity number 1146896

Company number 08015625

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**ANIMAL FREE RESEARCH UK
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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT)
FOR THE YEAR ENDED 31 MARCH 2020**

The trustees present their report and accounts for the year ended 31 March 2020.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the charity's governing document, the Companies Act 2006 "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015)" and Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended).

Objectives and activities

The charity's objects and powers were updated on 22 July 2019 and are the prevention of the suffering of animals and the advancement of human health, in particular but not exclusively, by the promotion of and funding of human-relevant replacements to the use of animals in scientific and medical experimentation.

The charity has two enduring goals:

- to play a leading role in funding non-animal replacement research; and
- to advance and develop widespread support for this endeavour

To do this, Animal Free Research UK supports scientists to develop and implement human-relevant research techniques which replace animal experiments and accelerate the delivery of treatments for human diseases.

Our main activity is to award grants to scientists in universities, hospitals and research organisations following a rigorous external (peer-reviewed) selection process. Our funding policy is that only those projects with the highest scientific calibre and the best potential for the replacement of animals are awarded grants. Where possible we work in partnership with other charities to achieve our goals.

Since 1971, Animal Free Research UK has been funded solely by charitable donations from individuals, schools, Trusts and Foundations and corporations. Grants have been awarded to over 260 research projects in diverse areas of medical research including cancer, Alzheimer's, asthma, kidney, heart and liver disease and diabetes. Animal Free Research UK continues to be the largest UK funder of grants solely dedicated to completely replacing the use of animals in biomedical research, and our work has saved the lives of countless animals whilst advancing human medical research.

The Trustees have paid due regard to guidance issued by the Charity Commission in deciding what activities the charity should undertake.

About Animal Free Research UK

Vision

Our vision is a world where human diseases are cured faster without animals.

Mission

By pioneering excellence, inspiring and supporting scientists and influencing change, we will end the use of animals and improve medical research.

Values

- Rigorous and evidential – we present factual, reliable information. Our work is evidenced-based, thoughtful and respected by our peers.
- Pioneering – we place ethics at the heart of science through innovative, solutions-focused research. Our determination drives scientific discovery forward.
- Compassionate – we care deeply about people and animals. Our ambition to end suffering is heartfelt and unswerving.

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FOR THE YEAR ENDED 31 MARCH 2020

Our Strategic Aims

The charity's key strategic goal is to transform medical research and regulation so that the development of treatments for human diseases can be entirely animal free and breakthroughs achieved faster. The impact of achieving this goal will be fewer animals used in medical research and accelerated discovery and delivery of effective treatments for human diseases.

The strategy employed to achieve the charity's objectives is focused on the delivery of two outcomes:

1. Human-relevant medical research is considered the gold standard by the scientific community
2. Policy and regulation enable animal free research from bench to bedside

To achieve this, we are working to:

- Fund excellent high impact animal free research
- Create an animal free research career path
- Build a respected network of animal free researchers
- Overcome the barriers to animal free research in academia and industry
- Influence robust legislation
- Inspire public support of animal free research

The charity undertakes three main areas of activity to enable us to put the strategy into action:

- Awarding a diverse range of grants to research scientists
- Education and advocacy
- Raising income to fund the above activities

Fundraising

Animal Free Research UK is grateful to the thousands of people who have generously supported the charity's work this year. It is only because of the kindness of our supporters that the charity is able to continue its vital work.

We employ a range of fundraising approaches to raise money, for example, by working with professional fundraisers, philanthropists, trusts and foundations and the many generous individuals who donate through our appeals and take part in fundraising events. During the year we recruited to build a new Fundraising, Marketing & Communications team to lead on this work who have embraced digital technology to develop our proposition and ensure that every individual supporter can have a meaningful relationship with Animal Free Research UK.

Our 2019 winter appeal, which raised funds for our new Animal Replacement Centre for Excellence at University of Exeter, was one of the most successful winter appeals in recent memory and we are exploring ways to further build on this success for the future.

Following a pilot project last year, we have continued our investment in a multi-channel fundraising campaign utilising digital and telemarketing to encourage new supporters to make a long-term commitment through a regular gift.

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FOR THE YEAR ENDED 31 MARCH 2020

Grant-making

Our aim is to replace the use of animals in medical research by funding innovative world-class research that advances scientific and medical knowledge. Through our grants, we encourage understanding and advancement of non-animal research techniques amongst scientists. Scientific excellence, human relevance and animal replacement are the key principles which guide the charity's research.

Awards are provided for research carried out in universities, medical schools, teaching hospitals and research institutes within the UK. Grants include the cost of salaries, minor equipment and consumables costs; the charity does not directly employ staff on grants awarded for research projects.

Research that involves any use of animals, even though the ultimate aim may be to replace their use, is not supported. We do not fund the purchase or maintenance of animals for any reason. Animal Free Research UK only undertakes the funding of research that has been rigorously reviewed by a panel of scientific advisors.

Grants awarded in 2019-20

As an incubator for pioneering human-relevant research, the charity funds fundamental biomedical research to improve our understanding of human disease without the use of animals. This year we provided financial support for eight research projects, continued to fund our summer students programme for early career researchers and in total spent £471,357 on replacing animals in medical research. In addition, we made commitments to fund 13 new projects in the coming years at a value of £567,070. Our current and former grant holders published two papers disseminating their ongoing research.

Animal Replacement Centre of Excellence at Queen Mary University of London

Now in its fourth year, the Animal Replacement Centre of Excellence (The ARC) at the Blizard Institute, Queen Mary University of London, is funded by the charity via a five-year strategic grant of £1,000,000. Using cutting-edge scientific research, Professor Mike Philpott and Dr Adrian Biddle, together with two post-doctoral scientists, have created a unique centre of excellence dedicated to the fight against skin and oral cancer.

The ARC is working to accelerate the development of human models for human disease and reduce the number of animals used in cancer research. By developing robust research methods that are directly applicable to humans and which address the limitations of the use of animals, we believe we can accelerate the development of treatments for human cancers.

Animal Replacement Centre of Excellence at University of Exeter

This year Animal Free Research UK launched its second Animal Replacement Centre of Excellence at the University of Exeter, led by Professor Lorna Harries.

The odds of a new drug tested by conventional channels ending up in clinical use is less than 1 in 5,000. Professor Harries' lab is testing new uses for drugs that are already on the market, for a different purpose and this repurposing approach means the drugs have already been found to be safe for human use, accelerating the potential to roll them out.

The Exeter ARC will offer a career pathway which will see postgraduates offered a post-doctoral training opportunity, followed by an independent Fellowship and is designed to enable scientists to start their own laboratory, with a commitment to replacing animals with human cell research.

Animal Free Research UK plans to award more than £500,000 over the next nine years and expects to invest beyond that. The ARC's first PhD student has now started investigating how repurposing drugs can help people have a healthier body for longer during their life and the future findings could have a potential impact on age-related diseases such as dementia and diabetes.

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Breast cancer research at University of Aberdeen

Breast cancer is the most common cancer in the UK, affecting both genders, and despite billions being spent on research worldwide, it remains a major public health issue and incidence is rising. A chief gap in current research is identifying preventative strategies. This £90,000 three-year PhD project – which started last year – is jointly funded by Animal Free Research UK and Breast Cancer UK and aims to explore the effects of the environment on human breast fibroblast cells and their impact on cancer development, and ultimately identify an effective strategy for breast cancer prevention.

Thiel embalmed cadavers for medical device testing at University of Dundee

This pioneering work, now in its fourth year and funded by a five-year £311,409 strategic grant, is helping to teach doctors potentially life-saving surgical interventions such as advanced abdominal aortic stent graft repair without attempting to practice these methods on animals such as pigs. Heart, stroke, kidney and liver patients are among those who will benefit directly from the training that clinicians are undergoing.

Diabetes research at University of Exeter

Following the completion of a PhD project, investigating the molecular mechanisms behind the development of type 2 diabetes, Animal Free Research UK has invested a further £174,860 for a three-year post-doctoral position at the University of Exeter to continue this ground-breaking research. So far, our researchers have found that the pancreas cells which produce insulin aren't dying as originally thought, but are rather transforming into a different type of cell that doesn't produce insulin, hence the need for diabetics to supplement their insulin levels. Furthermore, it is possible this process can be reversed. Our continued funding will give the researchers the chance to design specific tools that will reverse the cell transformation, paving the way to a new treatment and cure.

Brain tumour research at University of Portsmouth

Brain tumours and other neurological diseases are particularly difficult to treat as the presence of the blood-brain barrier within the brain renders many drugs inaccessible to the brain. Now in its third year, our ground-breaking post-doctoral research project into the blood-brain barrier at the University of Portsmouth is using a pioneering human-relevant blood-brain barrier model to evaluate how small 'nano' systems can be used to deliver effective drugs into the brain to treat neurological diseases.

Systematic review of brain tumour research at University of Portsmouth

Also in its third year, Animal Free Research UK has funded post-doctoral research at the University of Portsmouth into whether current human in vitro methods can be used to replace animal experiments in brain tumour research. The results of this work will provide the basis to evidence whether these methods can be used to replace animal research in other disease areas.

Chronic pain at Queens University Belfast

In its final year, this £77,700 PhD project enabled the study of chronic pain development using discarded wisdom teeth. Every year, 8% of the population will be diagnosed with chronic pain and one-third will not recover. Conventional pain research inflicts considerable pain and suffering on animals. By collecting human nerve stem cells from discarded human teeth, this project increased our understanding of how inflammation affects the nerve cells in the face and how this can lead to chronic pain, whilst replacing the use of animals.

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Summer student programme

Our unique summer student programme has continued to provide undergraduate science students with practical animal replacement research experience. This year we funded the following projects:

- £1,748 to University of Aberdeen - investigation of whether a newly developed 3D fully humanised culture model can be used to examine how breast cancer spreads in the early stages of metastasis, replacing the use of mice.
- £1,710 to Coventry University - validation of a new human cell model of Parkinson's disease - a disease that to date is only known to appear in humans - that would allow further research into the mechanisms that cause the disease and potentially leading to treatment of its causes rather than effects.
- £1,873 to University of Exeter - use of CRISPR-Cas9 gene editing to disrupt genes associated with autism, increasing our knowledge of the underlying causes.
- £1,440 to University of Hertfordshire - development of synthetic antibodies to provide a new blueprint for the identification of pathogens, such as HIV, leading to cheaper and faster testing, without the use of animal-derived materials.
- £1,849 to University of Hertfordshire - creation of an animal-free model of the human eye to test the response of inflammatory cells to treatments for eye conditions, research which until now is solely performed on animals.
- £1,440 to University of Hertfordshire - building of computational models that can indicate whether chemicals affect the central nervous system and cause psychoactivity, research which is typically performed on animals.
- £1,579 to University of Hertfordshire - testing of nanoparticle use to diagnose and treat cancer, offering a non-invasive tool without killing animals.
- £1,940 to University of Hull - development of a fully humanised ex vivo human skin wound and infection model, with the potential to replace a significant volume of animal use.
- £1,982 to Leeds Beckett University - generation of synthetic compounds suitable for use in the investigation of drug resistance, research which is typically performed using animal-derived materials.
- £1,998 to University of Manchester - investigation of the effects of hydrogen peroxide on human skin wounds and its impact on healing times.
- £2,000 to Newcastle University - investigation of the effects of electrical stimulation on nerve cells, to inform the development of prosthetics which provide amputees with sensory perception and reduce the use of animals in future research.
- £2,000 to Queen Mary University of London - identification of oral cancer stem cell biomarkers, distinguishing aggressive from non-aggressive tumours, using a machine learning approach rather than animals.
- £1,996 to Sheffield Hallam University - development of a 3D cell model of human muscle contraction, allowing the identification and investigation of proteins that may affect obesity and related diseases.

Impact of this year's summer student programme:

"The Summer Student Programme has broadened my knowledge of animals used in research and reinforced my ethos to not use them in my research career." – 2019 Summer Student

"I was not aware of the animal free research possibilities before attending the Summer School. After attending the Summer School, an animal free research career is now important to me because I believe that animals are not appropriate models for humans." – 2019 Summer Student

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Education and advocacy

The charity supports and encourages the development, communication and adoption of animal replacement techniques via engagement with the scientific community, policy makers and the public.

During the year, we again supplemented our summer student programme with a summer school for the specially selected 13 early career researchers at University of Hertfordshire. The three-day event included training on animal free careers and science communications with networking opportunities to kick-start the students' animal free research careers.

May 2020 will be the 50th anniversary of the charity's formation and is an opportune moment to assess the impact of the research Animal Free Research UK has funded. Work has begun on a project to collate and analyse those impacts and the results will play an important part in how we can more effectively communicate the need for animal free research.

As part of our ongoing collaboration with the Alliance of Human Relevant Science, we supported the publication of a new White Paper 'Accelerating the Growth of Human Relevant Life Sciences in the United Kingdom'. We continue to engage with inspectors at the Home Office's Animals in Science Regulation Unit, positioning the charity as a stakeholder partner for replacement related information, updates and training.

We regularly communicate with supporters and the general public throughout the year via digital and offline channels about the need to accelerate human-focussed medical research so that disease can be treated faster and without animal suffering.

Strategic report

The description under the headings "Achievements and performance" and "Financial review" meet the company law requirements for the Trustees to present a strategic report.

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FOR THE YEAR ENDED 31 MARCH 2020

Chair of Trustees Statement

On 27 May 1970, our charity was founded as the Dr Hadwen Trust for Humane Research, dedicated to Dr Walter Hadwen, a leading champion in the campaign against animal experiments in the early 1900s. In 1971, we awarded our first grant towards the replacement of animals in medical research, marking the beginning of our ever-increasing and pioneering contribution to the development of human relevant research over the past 50 years.

Since then we have awarded more than £10m to over 260 pioneering research projects into conditions including cancer, dementia, Parkinson's and diabetes, preventing an estimated 1.6 animals from suffering in experiments. Our researchers have driven forward our understanding of these debilitating diseases, bringing us closer to better, more effective treatments and all without harming animals.

None of this would be possible were it not for our generous supporters and I would like to take this opportunity to say a huge thank you to everyone who has contributed. We never take them for granted and work hard to ensure we are always deserving of the trust people place in us when they choose to donate.

However, millions of animals are still used in medical research each year and we will not rest until this practice is stopped. Our ambitious new strategy, which will be officially launched next year during our 50th anniversary, provides us with a road map to achieving our vision of a world where human diseases are cured faster without animal suffering. Our first milestone will be to transform regulation in the UK by 2040 so that the development of treatments for human diseases can be entirely animal free, from bench to bedside.

We won't be celebrating our anniversary in style, though. As the year closes, it has become clear that the Covid-19 crisis will have a profound impact across the world, threatening our health, economy and traditions for years to come. It will test the strength and resilience of our charity, disrupting our research projects and the ability of our kind supporters to raise money.

Whilst sadly countless animals are suffering in Covid-19 tests, we believe there is reason for hope and that something good can come from the Covid-19 emergency. Given the urgency of the crisis, for the first time trials of potential vaccines have been fast-tracked straight to humans in order to save lives. The emergency has forced an appraisal of what is truly necessary to deliver safe and effective health solutions as quickly as possible, and traditional animal tests have been deemed too slow and unreliable to meet the ambitious goal of a vaccine within a year. We applaud this new human-focussed course of action and we call for a wholesale change of mindset and regulations to enable accelerated treatments for all conditions which are more effective, cheaper, and delivered through a kinder science.

There has never been a more pertinent moment to embrace new approach methodologies and to step up investment in human relevant technologies. We are well prepared to create a groundswell for change and finally end the use of animals in medical research. Forever.

With grateful thanks

Laura-Jane Sheridan

Chair of Trustees

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Financial review

Total incoming resources for the year amounted to £675,807 (2019: £1,173,843), of which £663,366 (2019: £1,153,672) was generated from donations and legacies and £679 (2019: £9,075) from trading activities. Donations represented 59% of income while legacies accounted for 39% of income.

Total resources expended for the year amounted to £1,095,365 (2019: £1,319,381), a decrease of £224k on the previous year in large part due to the closure of the charity's retail shops and efficiencies made in the support function.

The charity incurred an overall decrease in funds in the year of £416,028 (2019: decrease of £145,538) and total funds carried forward at 31 March 2020 were £2,173,307 (2019: £2,589,335).

The Trustees had anticipated a large decline in the value of notified legacies, an expectation which was borne out with legacy income being £400k less than in the previous year. As part of the new strategy, the Trustees have resolved to draw down on free reserves in both 2019-20 and 2020-21 to fund an increase in charitable activities by awarding a new round of grant funding to research projects, and to invest in developing sustainable and enduring income streams. Consequently, the Trustees expect to again deliver an affordable deficit.

Investment Policy

The charity seeks to avoid investing its funds with institutions which are either directly involved or affiliated with practices that are in conflict with its deeply held views about the ethical treatment of animals. The respective positions of these institutions is kept under regular review. The Trustees have absolute discretion to invest and confirm that Animal Free Research UK's assets are available and adequate to fulfil all the obligations of the charity. All decisions are taken by the Board of Trustees at its quarterly meetings.

Reserves policy and going concern

The Trustees consider that the reserves policy should be that the free reserves be sufficient to cover non-grant expenditure (and to settle any contractual commitments) for a period of no less than six months. A significant portion of the charity's income is derived from legacy gifts, which by its nature is unpredictable, and the Trustees consider that reserves at this level (£385,000) will ensure that, in the event of a significant drop in funding, they will be able to continue the charity's current activities while consideration is given to ways in which additional funds may be raised or cost-saving measures may be implemented.

The charity held funds of £2,173,307 (2019: £2,589,335) at year end of which £151,794 (2019: £185,214) were restricted and £1,225,503 (2019: £1,221,717) were designated for committed grant research payments leaving a general fund of £796,010: £1,182,404). Free reserves, excluding the value of tangible fixed assets, stood at £787,529 (2019: £1,178,677).

The Trustees take a prudent view of legacies due and commit general reserves to grants as soon as appropriate. The Trustees are confident that the charity remains a going concern.

Public Benefit

The Trustees confirm that they have paid due regard to the public benefit guidance published by the Charity Commission and Office of the Scottish Charity Regulator. The charity refers to the public benefit guidance when reviewing and setting its aims and objectives and in future planning.

Our Fundraising Practices

Animal Free Research UK aims to carry out only the best fundraising practice and ensures that our supporters and the wider public are treated fairly and with respect. Our supporters are at the heart of our charity and enjoying relationships of trust and respect with them is of the highest importance to us.

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Fundraising Standards

Animal Free Research UK uses a range of fundraising activities to raise vital funds towards our vision of a world where human diseases are cured faster without animal suffering.

Our Board of Trustees and Senior Management Team are deeply committed to building trust with our supporters. We are members of the Fundraising Regulator and follow the Code of Fundraising Practice and the Fundraising Promise.

Working with Third Party Fundraisers

We acknowledge that the use of third parties in fundraising can enhance our ability to raise funds and support our activities; however it is imperative that we have the right safeguards in place to protect our supporters, our reputation and our financial position.

Animal Free Research UK requires that any agency or third party with whom we work complies with relevant standards and regulations such as the Code of Fundraising Practice and data protection legislation. We follow a robust procurement process and review their work against performance targets to ensure we are delivering the best value for money for the charity and our supporters. Quality assurance includes briefing the team on the charity's vision, mission, values and work, regular reviews of complaints and other feedback, and audits of telephone calls made by agency fundraisers. Our fundraising, marketing and communications sub-committee has responsibility for all aspects of quality assurance and compliance relating to fundraising and associated activities.

Protecting vulnerable people

We are aware that any charity which operates in the public domain may come into contact with people who may be in vulnerable circumstances. Our vulnerable persons policy sets out the high standards we commit to meet and we work regularly with third party agencies and fundraisers to review their policies, procedures and performance.

Over the course of 2019-20 we received zero complaints related to our fundraising activities. While this figure is clearly below sector average, we are committed to studying any expression of dissatisfaction and identifying ways to improve. Our team is committed to looking into each and every case that may arise and doing all we can to resolve complaints and ensure supporters are happy with our work. Our complaints procedure is publicly available on our website.

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Achievements and performance

Between April 2019 and March 2020, we continued to focus on our three core strategic areas of activity – investing in research and education, growth and our future. We welcomed a new Director of Finance & Operations and Director of Fundraising, Marketing & Communications to the charity, prepared to launch a new organisational strategy with a bold vision, and consolidated on the progress made in the previous year.

Investing in research and education

- **Launch a major new call for grants and work with our Scientific Advisory Panel to select high impact research projects for funding which further develop human models for human diseases**
Achieved: We launched a call for grant applications, for which we received 23 PhD and 12 post-doctoral applications, which were peer reviewed by the Scientific Advisory Panel. The Board of Trustees awarded grants totalling £447,611 to three PhD and two post-doctoral projects which will begin work in 2020-21:

University of Hertfordshire – Dr Michael Cook

Development of an animal free alternative to antibodies which are currently used in the testing of opioid drug overdoses.

University College London – Dr Claire Smith

Developing of a novel 3D human model which mimics an infant lung with RSV bronchiolitis, to identify new ways to prevent or treat this life-threatening childhood lung infection.

Plymouth University – Dr Sylwia Ammoun

Testing of potential drugs for neurofibromatosis Type 2 patients suffering multiple brain tumours – for which there are currently no drug treatments – using an animal free human cell culture model.

University of Nottingham – Professor Chris Denning

Development of a human-only system for the study of cardiac fibrosis, using human stem cells to create 'mini hearts', similar in size to the end of a matchstick.

University of Bristol – Dr Asme Boussahel (a Daphne Jackson Fellowship)

Creation of a laboratory tool that acts as a model of the human subcutaneous tissue, to be used to replace animal testing in measuring drug absorption.

- **Develop and launch a new pilot study funding stream to enable scientists to test new animal free methods and obtain proof of concept to access larger grants**
Achieved: Alongside the main grant call we launched a call for short proof-of-concept studies. We received 14 applications which were peer reviewed by the Scientific Advisory Panel. Grants totalling £34,485 were awarded by the Board of Trustees to seven projects which will take place during 2020-21.
- **Work in partnership with a leading university to develop an innovative new programme supporting the development of a new generation of animal free researchers**
Achieved: We launched our second Animal Replacement Centre of Excellence at the University of Exeter, led by Professor Lorna Harries. The Exeter ARC will offer a career pathway which will see postgraduates offered a post-doctoral training opportunity, followed by an independent Fellowship and is designed to enable scientists to start their own laboratory, with a commitment to replacing animals with human cell research.

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The ARC's first PhD student has now started investigating how repurposing drugs can help people have a healthier body for longer during their life and the future findings could have a potential impact on age-related diseases such as dementia and diabetes.

- **Build on the success of our inaugural summer school to deliver even more value to early careers scientists as part of our existing summer student programme**
Achieved: Our second summer school for 13 early career scientists was held at University of Hertfordshire, a three-day residential event jam-packed with career-boosting and inspirational workshops to provide students with the additional skills to help them develop their future animal free research careers.
- **Carry out a landmark project to review the impact of the charity's funding over the last 50 years**
In progress: Work has begun on a project to collate and analyse the impact of the research Animal Free Research UK has funded and the results will play an important part in how we can more effectively communicate the need for animal free research during the year of our 50th anniversary.

Investing in growth

- **Create a new team to deliver fundraising, marketing and communications in order to grow support for the charity.**
Achieved: Our new Fundraising Director joined the team in November 2019 and immediately got to work building a new team who were all in post by the year end.
- **Develop a fundraising, marketing and communications strategy to underpin and achieve the growth required to deliver the organisational strategy.**
Achieved: A new fundraising, marketing and communications strategy has been drafted and forms the backbone of our plans to scale up our activities in the coming years
- **Build on our initial investment in growing our supporter base by utilising a multi-channel approach to fundraising and marketing .**
Achieved: Last year's successful pilot digital and telemarketing campaign was repeated this year, to a much wider audience, leading to an increase in both prospects and regular gifts
- **Build awareness of Animal Free Research UK via a targeted PR campaign.**
Postponed pending recruitment of a new Media and PR Manager

**ANIMAL FREE RESEARCH UK
(FORMERLY KNOWN AS DR HADWEN TRUST, A COMPANY LIMITED BY
GUARANTEE AND NOT HAVING SHARE CAPITAL)
TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT AND
STRATEGIC REPORT)**

FOR THE YEAR ENDED 31 MARCH 2020

Investing in our future

- **Seek to amend our charitable objects and articles to enable us to deliver an ambitious new strategy**
Achieved: The charity's objects and articles were updated on 22 July 2019 and are the prevention of the suffering of animals and the advancement of human health, in particular but not exclusively, by the promotion of and funding of human-relevant replacements to the use of animals in scientific and medical experimentation. This change will permit the charity to carry out new public affairs focussed activities, working to influence legislation that will enable animal free research from bench to bedside.
- **Launch a bold new organisational strategy to achieve an ambitious vision during the next 50 years**
In Progress: May 2020 will be the 50th anniversary of the charity's formation when we will announce our new strategic goal to our supporters:

'By 2040 we will transform medical research and regulation in the UK so that the development of treatments for human disease can be entirely animal free and breakthroughs are achieved faster.'
- **Create an implementation plan with SMART goals and KPIs which becomes a working document at the heart of the charity**
Achieved: Organisational, team and staff workplans are prepared on an annual basis and are supported by KPIs to ensure that our people are motivated to achieve results.
- **Embed a culture of success in the staff team through coaching, training, stretch targets and a new Reward strategy**
In progress: A training and development policy was published during the year and plans are being made to support people managers in their ability to develop, train and coach their team members.
- **Finalise a new staff handbook which sets out the conditions to reward success with increased flexible working**
Achieved: A new staff handbook was launched during the year.
- **Relocate our head office to better position the charity in the medical research space and widen the talent pool to attract potential new recruits.**
Achieved: In December 2019, we relocated to the Kings Cross area of London

**ANIMAL FREE RESEARCH UK
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TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT AND
STRATEGIC REPORT)**

FOR THE YEAR ENDED 31 MARCH 2020

Future of the charity

With our 50th anniversary falling in 2020-21, it is the ideal opportunity to publicly launch our bold new strategy and kick-start its delivery. However, the end of 2019-20 saw our country enter lockdown in an effort to constrain the spread of Covid-19 and the impacts of the pandemic will not be fully understood for some time.

We have adjusted activity plans to take account of the anticipated impact on the fundraising climate and the ability of people to collaborate in a face-to-face environment. We have also looked at our cost base, recognising the possibility that income could be lower in the coming years compared to our original plans, although our ambition remains undimmed.

Over the coming year we will need to modify our thinking and priorities in response to changing circumstances. We will be responsive so that we can navigate this uncertainty. We are a small team of creative, determined, flexible individuals and we will lean on these attributes to adapt quickly to a fast-changing world.

With the above in mind, our initial plans for the year ahead are to:

- Fund excellent high impact animal free research by:
 - Publishing an impact review of research funded to date
 - Developing relationships with key influencers and stakeholders
 - Identifying new and joint funding opportunities
 - Funding research into a Covid-19 animal free antigen test
- Build a respected network of animal free researchers by:
 - Developing and launching a community of practice
 - Starting delivery of a programme of scientific communications
 - Holding virtual science events
- Overcome the barriers to animal free research in academia and industry by:
 - Gathering evidence and experience on the pitfalls of animal-derived biomaterials and the benefits of non-animal replacements
- Influence robust legislation by:
 - Supporting the formation of an All Party Parliamentary Group on Human Relevant Science
- Inspire public support of animal free research by:
 - Holding virtual events which connect our scientists with our supporters
 - Creating myth-busting key message and content for our target audiences
- Operate a robust business model by:
 - Drafting donor retention, proposition and engagement plans
 - Optimising current income sources
 - Designing and delivering processes which minimise administrative burden and control risk
 - Monitoring key metrics to track performance

**ANIMAL FREE RESEARCH UK
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TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT AND
STRATEGIC REPORT)**

FOR THE YEAR ENDED 31 MARCH 2020

- Ensure effective governance, systems and processes by:
 - Undertaking a substantial revision of the organisational risk register
 - Reviewing the Trustee succession plan
 - Establishing a plan to increase Board diversity

Structure, governance and management

The charity is a company limited by guarantee.

The trustees, who are also the directors for the purpose of company law, and who served during the year were:

C Byatt	
C Cunniffe	(Resigned 18 April 2020)
N Barbosa	
A Ellison	
L Sheridan	
B Banks	(Resigned 31 December 2019)
D Cameron	
J Jones	

Chief Executive: Carla Owen

Finance Director: Janet Wheatley (Resigned July 2019)

Finance Director: Nicola Reeves (Appointed September 2019)

Fundraising Director: Mimmo Di Giacomo (Appointed November 2019)

Science Director: Dr Hazel Jackson (Resigned August 2019)

**ANIMAL FREE RESEARCH UK
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TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT AND
STRATEGIC REPORT)**

FOR THE YEAR ENDED 31 MARCH 2020

Governing document

Animal Free Research UK is a company limited by guarantee and the governing document is its Articles of Association. On 12 April 2019, the charity changed its name from the Dr Hadwen Trust to Animal Free Research UK. The charity is registered in England and Wales (1146896) and Scotland (SC045327). The charity has two linked charities, The Alan and Kathie Stross Research fellowships charity (1146896-1) and the Dr Hadwen Trust for Humane Research (1146896-2). The Dr Hadwen Trust was dormant until 30 September 2013, at which time a transfer agreement was signed by the Trustees of Dr Hadwen Trust for Humane Research and the Dr Hadwen Trust, the intended effect of which was to transfer all assets, liabilities and activities, to the Dr Hadwen Trust (now renamed as Animal Free Research UK).

Appointment of Trustees

All Trustees are appointed by the Board following a process of open competition. After a probationary period of three meetings, Trustees-elect are agreed as full Trustees if the Board decrees. The Trustee Board must consist of not less than five and not more than twelve Trustees. They are recruited from amongst those who apply and demonstrate a firm commitment to the ethos of the Animal Free Research UK, are sympathetic to the aims of the charity and have a range of appropriate skills.

Trustee induction and training

An induction pack is provided to all new Trustees. They are invited to attend an intensive induction day, during which they are provided with information on the key activities of the Animal Free Research UK and the main challenges facing the charity. Where collective training needs are established, these are delivered to the Board as a whole. Currently trustee training takes the form of mentoring from existing Trustees, external networks and professional courses, conferences or seminars detailing the latest Charity Commission and office of the Scottish Regulators requirements for Trustees and effective governance practice.

The charity is run by the board of directors, who are the charity's Trustees. All directors give of their time freely and no director received remuneration in the year. Details of directors' expenses are disclosed in note 9 to the accounts. The board, which can have up to twelve members, administers the charity. The Trustee board meets a minimum of four times a year and takes all important strategic, policy and financial decisions which are formally tabled for approval at the Trustees' quarterly meetings. To aid governance, the Board has created sub-committees which meet quarterly:

HR & Governance Sub Committee – human resources, governance development and compliance
Finance Sub Committee – external audit, financial policies and procedures, financial performance
Fundraising Sub Committee – fundraising, marketing, communications
Science & Public Affairs Sub Committee – grant-making, education and public affairs

**ANIMAL FREE RESEARCH UK
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TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT AND
STRATEGIC REPORT)**

FOR THE YEAR ENDED 31 MARCH 2020

Organisation

Animal Free Research UK operates on a day-to-day basis with a team of 8 full and part-time personnel who work under the direction of the Chief Executive who reports directly to the Trustees and has delegated responsibility from the Trustees for the day-to-day management of the charity.

The Trustees gratefully acknowledge the generous support of volunteers and fundraisers who freely gave their time to assist Animal Free Research UK, and of supporters whose kind donations enable the continued work of the charity.

Related parties and co-operation with other organisations

None of the Trustees receive remuneration or other benefit from their work with the charity. None of them has any beneficial interest in the company. All of the Trustees are members of the company and guarantee to contribute £1 in the event of a winding up.

Pay policy for senior staff

The pay of senior staff is reviewed annually by the HR & Governance sub-committee which takes into account retention of staff against affordability and benchmarking against pay levels in other charities of a similar size.

Risk Management

The Trustees have a risk management strategy which comprises:

- an ongoing review of the principal risks and uncertainties that the charity face
- the establishment of policies, systems and procedures to mitigate those risks; and
- the implementation of procedures designed to minimise or manage any potential impact on the charity should those risks materialise.

The Trustees have assessed the major risks to which the charity is exposed and have delegated responsibility to the Chief Executive to put in place robust processes to mitigate exposure to these. We have a comprehensive risk register which is reviewed monthly by the senior management team with noteworthy changes and risks shared with the Trustees on a quarterly basis.

In response to the Covid-19 pandemic, these risks have been reviewed again in detail; there has been a particular focus on income and mitigating actions to address a potential decline in donations. The Trustees remain of the view that the charity's current level of free reserves will permit it to continue to operate until the impacts of the pandemic become clearer.

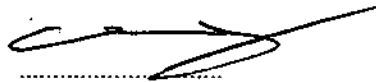
Auditor

The auditor, UHY Hacker Young (East) Limited, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

The trustees' report, including the strategic report, was approved by the Board of Trustees.


L Sheridan
Trustee

Dated: 9/12/2020



D Cameron
Trustee

Dated: 15/12/2020

**ANIMAL FREE RESEARCH UK
(FORMERLY KNOWN AS DR HADWEN TRUST, A COMPANY LIMITED BY
GUARANTEE AND NOT HAVING SHARE CAPITAL)
STATEMENT OF TRUSTEES' RESPONSIBILITIES**

FOR THE YEAR ENDED 31 MARCH 2020

The Trustees, who are also the directors of Animal Free Research UK for the purpose of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these accounts, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

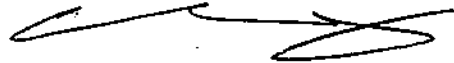
The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the accounts comply with all current companies and charity legislation and best practice. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees' report, including the strategic report, was approved by the Board of Trustees.


L Sheridan (Chair)

Trustee

Dated: 9/12/2020


D Cameron (Treasurer)

Trustee

15/12/2020

**ANIMAL FREE RESEARCH UK
(FORMERLY KNOWN AS DR HADWEN TRUST, A COMPANY LIMITED BY
GUARANTEE AND NOT HAVING SHARE CAPITAL)
INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF ANIMAL FREE RESEARCH UK**

Opinion

We have audited the financial statements of Animal Free Research UK (the 'charity') for the year ended 31 March 2020 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2020 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 Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**ANIMAL FREE RESEARCH UK
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INDEPENDENT AUDITOR'S REPORT (CONTINUED)
TO THE TRUSTEES OF ANIMAL FREE RESEARCH UK**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- the information given in the financial statements is inconsistent in any material respect with the trustees' report; or
- sufficient accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



**Shona Munday FCA (Senior Statutory Auditor)
for and on behalf of UHY Hacker Young (East) Limited**

07 January 2021

**Chartered Accountants
Statutory Auditor**

PO Box 501
The Nexus Building
Broadway
Letchworth Garden City
Herts
SG6 9BL

ANIMAL FREE RESEARCH UK
(FORMERLY KNOWN AS DR HADWEN TRUST, A COMPANY LIMITED BY
GUARANTEE AND NOT HAVING SHARE CAPITAL)
STATEMENT OF FINANCIAL ACTIVITIES
INCLUDING INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2020

	Notes	Unrestricted funds general 2020 £	Unrestricted funds designated 2020 £	Restricted funds 2020 £	Total 2020 £	Total 2019 £
Income from:						
Donations	3	303,059	-	94,969	398,028	487,977
Legacies		265,338	-	-	265,338	665,695
Trading income	4	679	-	-	679	9,075
Investments	5	11,762	-	-	11,762	11,096
Total income		580,838	-	94,969	675,807	1,173,843
Expenditure on:						
Charitable activities	6	615,353	471,357	-	1,086,710	1,215,248
Trading activities	12	8,655	-	-	8,655	104,133
Total resources expended		624,008	471,357	-	1,095,365	1,319,381
Net (outgoing)/incoming resources before transfers		(43,170)	(471,357)	94,969	(419,558)	(145,538)
Gross transfers between funds		(343,224)	475,143	(128,389)	3,530	-
Net movement in funds		(386,394)	3,786	(33,420)	(416,028)	(145,538)
Fund balances at 1 April 2019		1,182,404	1,221,717	185,214	2,589,335	2,734,873
Fund balances at 31 March 2020		796,010	1,225,503	151,794	2,173,307	2,589,335

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

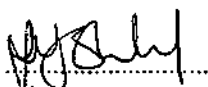
**ANIMAL FREE RESEARCH UK
(FORMERLY KNOWN AS DR HADWEN TRUST, A COMPANY LIMITED BY
GUARANTEE AND NOT HAVING SHARE CAPITAL)
BALANCE SHEET**

AS AT 31 MARCH 2020

	Notes	2020		2019	
		£	£	£	£
Fixed assets					
Tangible assets	14		8,481		3,728
Investment properties	15		30,000		30,000
Investments	16		1		1
			<u>38,482</u>		<u>33,729</u>
Current assets					
Debtors	17	296,078		561,319	
Cash at bank and in hand		2,151,329		2,273,736	
		<u>2,447,407</u>		<u>2,835,055</u>	
Creditors: amounts falling due within one year	18	<u>(312,582)</u>		<u>(279,449)</u>	
Net current assets			<u>2,134,825</u>		<u>2,555,606</u>
Total assets less current liabilities			<u><u>2,173,307</u></u>		<u><u>2,589,335</u></u>
Income funds					
Restricted funds			151,794		185,214
Unrestricted funds - designated			1,225,503		1,221,717
Unrestricted funds - general			796,010		1,182,404
			<u>2,173,307</u>		<u>2,589,335</u>

The trustees acknowledge their responsibilities for ensuring that the charity keeps accounting records which comply with section 386 of the Act and for preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its incoming resources and application of resources, including its income and expenditure, for the financial year in accordance with the requirements of sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements, so far as applicable to the company.

The financial statements were approved by the Trustees on 17/10/2020



L. Sheridan
Trustee

Company Registration No. 08015625

**ANIMAL FREE RESEARCH UK
(FORMERLY KNOWN AS DR HADWEN TRUST, A COMPANY LIMITED BY
GUARANTEE AND NOT HAVING SHARE CAPITAL)
STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £	£	2019 £	£
Cash flows from operating activities					
Cash absorbed by operations	24		(126,411)		(78,260)
Investing activities					
Purchase of tangible fixed assets		(7,758)		(5,177)	
Interest received		11,762		11,096	
Net cash generated from investing activities			4,004		5,919
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(122,407)		(72,341)
Cash and cash equivalents at beginning of year			2,273,736		2,346,077
Cash and cash equivalents at end of year			<u>2,151,329</u>		<u>2,273,736</u>

**ANIMAL FREE RESEARCH UK
(FORMERLY KNOWN AS DR HADWEN TRUST, A COMPANY LIMITED BY
GUARANTEE AND NOT HAVING SHARE CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**

1 Accounting policies

Company information

Animal Free Research UK is a private company limited by guarantee incorporated in England and Wales. The registered office is 27 Old Gloucester Street, London, WC1N 3AX.

1.1 Accounting convention

These accounts have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), "Accounting and Reporting by Charities" the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

The financial statements have been prepared on a going concern basis. Since the period end, trading conditions have been adversely affected by the coronavirus outbreak and the subsequent lockdown in the UK. The Trustees have considered the position of the charity in light of its ability to continue to operate through the lockdown period and the financial resources available to it and these factors, together with, if necessary, the available support for charities provided by the government in the form of delayed payments, grants and loan support, lead the Trustees to believe that the charity can continue to carry on its operating activities successfully for the foreseeable future.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of their charitable objectives.

Restricted funds are those funds where a restriction on their use has been imposed by their donors.

Designated funds are amounts that have been approved to be granted to institutions and universities. The grants are approved by the trustees' and all grants approved further the charity's objectives.

1.4 Incoming resources

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation, if the relevant paperwork has been obtained.

Legacies receivable are credited to the statement of financial activities only to the extent that the three principles of entitlement, certainty and measurability can be applied.

**ANIMAL FREE RESEARCH UK
(FORMERLY KNOWN AS DR HADWEN TRUST, A COMPANY LIMITED BY
GUARANTEE AND NOT HAVING SHARE CAPITAL)
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2020**

1 Accounting policies (Continued)

1.5 Grant expenditure

Expenditure on research is written off as it is incurred. Where there are conditions within grants to be met before expenditure is approved, this is not recognised until such conditions are met.

Although Animal Free Research UK retains the title to any fixed assets purchased under research grants, the net realisable value of such equipment is practically Enil.

1.6 Tangible fixed assets

Tangible fixed assets are capitalised if they exceed the charity's capitalisation limit of £500. Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Plant and machinery	33% straight line
Fixtures, fittings & equipment	13% - 15% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

1.7 Investment properties

Investment property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. The surplus or deficit on revaluation is recognised in net income/(expenditure) for the year.

1.8 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

A subsidiary is an entity controlled by the charity. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1.9 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

**ANIMAL FREE RESEARCH UK
(FORMERLY KNOWN AS DR HADWEN TRUST, A COMPANY LIMITED BY
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NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**

FOR THE YEAR ENDED 31 MARCH 2020

1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in the income and expenditure account for the year, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less.

1.11 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

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1 Accounting policies

(Continued)

Impairment of financial assets

Financial assets, other than those held at fair value through income and expenditure, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in net income/(expenditure) for the year.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in net income/(expenditure) for the year.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the charity transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

1.12 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

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1 Accounting policies (Continued)

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Intangible income

Only intangible income which would otherwise need to be met out of available resources is valued in the statement of financial activities. In line with the Statement of Recommended Practice no valuation is made of voluntary person hours.

1.15 Grants

The charity can make grants to other charitable bodies and organisations whose object or objects are similar to the objects of the charity. However, predominately the Trustees award grants for a three year period to individuals developing new techniques for non animal research. Only that tranche of the grant attributable to the accounting period is charged to the statement of financial activity.

1.16 Support and governance costs

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support the charity and its activities. These costs have been allocated to expenditure on charitable activities after removing specific costs relating to raising funds, including associated wages, wages are also further allocated on a time spent basis between grant making and support costs.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

Legacy valuations

Determining the value of legacy debtors requires an estimation of the future cash flows expected to be received from the legacy. The uncertainty exists because the value of a legacy is usually dependant on the the amount of cash realised from the estate in which the legacy relates, and recognition of a debtor as per the SORP usually precedes the cash receipt. The charity uses the expertise of a professional to estimate future amounts based on supported evidence. The carrying value of the legacy debtor is set out in note 17 to these accounts.

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3 Donations and legacies

	Unrestricted funds general £	Restricted funds £	Total 2020 £	Total 2019 £
Donations and gifts	303,059	94,969	398,028	487,977
Legacies receivable	265,338	-	265,338	665,695
For the year ended 31 March 2020	<u>568,397</u>	<u>94,969</u>	<u>663,366</u>	
For the year ended 31 March 2019	<u>1,128,871</u>	<u>24,801</u>		<u>1,153,672</u>

4 Trading income

	2020 £	2019 £
Shop and website income	<u>679</u>	<u>9,075</u>

5 Investments

	Unrestricted funds general 2020 £	Unrestricted funds general 2019 £
Investment income	256	173
Interest receivable	11,506	10,923
	<u>11,762</u>	<u>11,096</u>

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6 Charitable activities

	2020	2019
	£	£
Staff costs	114,584	107,326
Fundraising costs	66,388	-
Other charitable expenditure (non grant funding)	83,046	-
	<u>264,018</u>	<u>107,326</u>
Grant funding of activities (see note 7)	471,357	583,117
Share of support costs (see note 8)	283,482	392,904
Share of governance costs (see note 8)	67,853	131,901
	<u>1,086,710</u>	<u>1,215,248</u>
Analysis by fund		
Unrestricted funds - general	615,353	
Unrestricted funds - designated	471,357	
	<u>1,086,710</u>	
For the year ended 31 March 2019		
Unrestricted funds - general		632,131
Unrestricted funds - designated		583,117
		<u>1,215,248</u>

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7 Grants payable - allocated to designated funds

	Balance as at 1 April 2019	Awarded	Expenditure	Transfers between funds	Balance as at 31 March 2020
	£	£	£	£	£
University of Birmingham					
Development of a 3D model for skin and gum penetration in soft tissue	4,045	-	-	(4,045)	-
Univeristy of Glasgow					
Validation of iPSCs as a pre-clinical drug screen for leukaemia	4,133	-	-	(4,133)	-
University of Leeds					
Multivalent non-antibody quantum dot probes	15,485	-	-	(15,485)	-
The University of Nottingham					
Imaging of intrarenal haemodynamics in chronic kidney disease	3,703	-	-	(3,703)	-
The University of Nottingham					
Epithelial cell models for drug transport and toxicology studies	14,620	-	-	(14,620)	-
Queen Mary University of London					
Analysis of synthetic wound healing microenvironments	3,999	-	-	(3,999)	-

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7 Grants payable - allocated to designated funds (Continued)

	Balance as at 1 April 2019	Awarded	Expenditure	Transfers between funds	Balance as at 31 March 2020
University of Exeter					
Determinants of beta cell differentiation status in type 2 diabetes	6,008	-	-	(6,008)	-
Queen's University Belfast					
Mas related gene receptors as novel molecules for pain relief	11,646	-	(14,966)	3,320	-
University of Exeter					
Dysregulated alternative splicing in type 2 diabetes	152,019	-	(64,328)	(140)	87,551
University of Exeter ARC 2.0	-	84,973	(18,381)	-	66,592
Daphne Jackson Fellowship	-	91,283	-	-	91,283
FCS - Free Database	-	-	-	-	-
University of Dundee - Strategic					
Theil cadavers in image guided treatment testing and training	173,584	-	(56,423)	(22,404)	94,757

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7 Grants payable - allocated to designated funds (Continued)

	Balance as at 1 April 2019	Awarded	Expenditure	Transfers between funds	Balance as at 31 March 2020
Queen Mary University of London Animal Replacement Science - Centre of Excellence	571,989	-	(222,944)	12,328	361,373
Summer studentships 2019/20	24,695	-	(23,553)	(1,142)	-
Karen Pilkington - Bioinformatics	23,250	-	(10,725)	(1,895)	10,630
Geoff Pilkington - University of Portsmouth	127,671	-	(31,308)	(30,000)	66,363
Prof Speirs - Aberdeen (Leeds)	84,869	-	(28,729)	-	56,140
University of Hertfordshire	-	40,000	-	-	40,000
University College London	-	85,219	-	-	85,219
Plymouth University	-	84,370	-	-	84,370
University of Nottingham	-	146,740	-	-	146,740
Pilot - University of Bedfordshire	-	4,600	-	-	4,600
Pilot - Kingston University	-	5,000	-	-	5,000
Pilot - Kingston University	-	4,966	-	-	4,966

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7 Grants payable - allocated to designated funds (Continued)

	Balance as at 1 April 2019	Awarded	Expenditure	Transfers between funds	Balance as at 31 March 2020
Pilot - University of Oxford	-	4,919	-	-	4,919
Pilot - University of Southampton	-	5,000	-	-	5,000
Pilot - University of Manchester	-	5,000	-	-	5,000
Pilot - Univerisity of Leeds	-	5,000	-	-	5,000
	<u>1,221,716</u>	<u>567,070</u>	<u>(471,357)</u>	<u>(91,926)</u>	<u>1,225,503</u>

In addition to the above, there are additional grants in the process of being approved amounting to £26,100.

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8 Analysis of governance and support costs

	Support costs	Governance costs	2020	2019
	£	£	£	£
Staff costs	152,398	16,905	169,303	257,859
Temporary staff costs	31,682	-	31,682	-
Depreciation	3,005	-	3,005	2,342
Print, postage and stationery	5,605	-	5,605	16,812
Light and heat	4,132	-	4,132	3,927
Rent and rates	32,219	-	32,219	18,985
Repairs, maintenance and shop expenses	364	-	364	38,825
Sundry expenses	4,190	-	4,190	10,059
Bad debt	1,209	-	1,209	-
Telephone	6,162	-	6,162	1,677
Travel expenses	4,093	-	4,093	14,089
Insurance	3,272	-	3,272	3,502
Bank and other charges	431	-	431	4,861
Computer costs	28,770	-	28,770	50,015
Irrecoverable VAT	-	-	-	15,607
Advertising and marketing	5,950	-	5,950	18,704
Audit fees	-	11,500	11,500	8,750
Accountancy	-	1,320	1,320	276
Legal and professional	-	38,128	38,128	58,515
	<u>283,482</u>	<u>67,853</u>	<u>351,335</u>	<u>524,805</u>
Analysed between Charitable activities	<u>283,482</u>	<u>67,853</u>	<u>351,335</u>	<u>524,805</u>

9 Trustees

None of the trustees (nor any persons connected with them) received any remuneration during the year. Trustees were reimbursed expenses totalling £2,544 (2019: £2,624) during the year for travel and subsistence in connection with their duties as trustees.

10 Auditors' remuneration

The analysis of auditor's remuneration is as follows:

	2020	2019
Audit-related assurance services	11,500	8,750
All other non-audit services	1,320	276
	<u>12,820</u>	<u>9,026</u>

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11 Employees

Number of employees

The average monthly number of employees during the year was:

	2020 Number	2019 Number
Science and education	2	3
Fundraising	2	3
Management and finance	2	3
CEO	1	1
	<u>7</u>	<u>10</u>

Employment costs	2020 £	2019 £
Wages and salaries	267,655	312,884
Social security costs	25,743	26,242
Other pension costs	5,423	9,871
Redundancy costs	12,564	-
Recruitment, training and HR costs	15,049	36,965
	<u>326,434</u>	<u>385,962</u>

Staff are able to claim reimbursement of expenditure incurred by them in the course of undertaking duties on behalf of Animal Free Research UK. Expenses are claimed against a set policy and guidelines, are independently authorised and are not regarded as part of an employee's emoluments.

There were no employees whose annual remuneration was £60,000 or more.

12 Trading activities

	2020 £	2019 £
Shop expenses		
Shop staff costs	-	20,777
Shop running expenses	8,655	83,356
	<u>8,655</u>	<u>104,133</u>

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13 Taxation

The charity is exempt from tax on income and gains falling within section 505 of the Taxes Act 1988 or section 252 of the Taxation of Chargeable Gains Act 1992 to the extent that these are applied to its charitable objects.

The charity's trading activities are subject to corporation tax. The trading activities of the charity generated a loss this year of £7,976 (2019: £95,058), as such the charity has taxable losses arising of £340,407 (2019: £332,431) available or carry forward against future trading profits.

14 Tangible fixed assets

	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£
Cost			
At 1 April 2019	21,842	53,804	75,646
Additions	7,758	-	7,758
Disposals	-	(53,804)	(53,804)
At 31 March 2020	<u>29,600</u>	<u>-</u>	<u>29,600</u>
Depreciation and impairment			
At 1 April 2019	18,114	53,804	71,918
Depreciation charged in the year	3,005	-	3,005
Eliminated in respect of disposals	-	(53,804)	(53,804)
At 31 March 2020	<u>21,119</u>	<u>-</u>	<u>21,119</u>
Carrying amount			
At 31 March 2020	<u>8,481</u>	<u>-</u>	<u>8,481</u>
At 31 March 2019	<u>3,728</u>	<u>-</u>	<u>3,728</u>

15 Investment property

	2020
	£
Fair value	
At 1 April 2019 and 31 March 2020	<u>30,000</u>

The investment property represents an interest (9.75%) in a property which is currently occupied by life tenants and therefore cannot be realised. The fair value of the investment property has been arrived at on the basis of its market value when acquired in 2014 and subsequently revalued at the reporting date by Brian James, the company's legacy advisor.

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16 Fixed asset investments

	Other investments
Cost or valuation	
At 1 April 2018 & 31 March 2019	1
Carrying amount	
At 31 March 2020	1
At 31 March 2019	1

	Notes	2020 £	2019 £
Other investments comprise:			
Investments in subsidiaries	23	1	1

The fixed asset investment is a wholly owned subsidiary, Dr Hadwen Retail Limited. The subsidiary was incorporated on 12 May 2015 and has been dormant since incorporation. On 13 September 2020, Dr Hadwen Retail Limited was struck off.

17 Debtors

	2020 £	2019 £
Amounts falling due within one year:		
Gift aid debtor	4,471	10,800
Other debtors	279,961	536,723
Prepayments and accrued income	11,646	13,796
	<u>296,078</u>	<u>561,319</u>

18 Creditors: amounts falling due within one year

	Notes	2020 £	2019 £
Other taxation and social security		-	8,383
Grant accruals	19	170,101	198,330
Trade creditors		133,247	15,591
Other creditors		458	1,032
Accruals		8,776	56,113
		<u>312,582</u>	<u>279,449</u>

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19 Accrued grant commitments

	2020 £	2019 £
Accrued grant commitments	<u>170,101</u>	<u>198,330</u>

The above represents accrued costs for grants provided to institutions and individuals whereby the conditions of the grant have been met but the institution and/or individual were yet to invoice the charity for relevant eligible costs as at the year end.

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20 Analysis of net assets between funds

	Unrestricted funds £	Designated funds £	Restricted funds £	Total £
Fund balances at 31 March 2020 are represented by:				
Tangible assets	8,481	-	-	8,481
Investment properties	30,000	-	-	30,000
Investments	1	-	-	1
Current assets/(liabilities)	757,528	1,225,503	151,794	2,134,825
	<u>796,010</u>	<u>1,225,503</u>	<u>151,794</u>	<u>2,173,307</u>

Unrestricted funds

These funds are to be used to further the charity's objectives at the discretion of the trustees.

Designated funds

These funds comprise amounts that have been approved to be granted to institutions. The grants are approved by the trustees' and all grants approved further the charity's objectives.

Restricted funds

These funds arise where donations and legacies are granted to the charity with conditions imposed that restrict the use of the funding.

The restricted funds can be analysed as follows:

	Restricted funds £
Restricted donations	
Grand challenge - brain research	75,088
Other restricted donations	10,900
Restricted legacies	
Stross legacy	33,547
Barratt legacy	32,259
	<u>151,794</u>

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21 Operating lease commitments

At the reporting end date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2020 £	2019 £
Within one year	-	25,658

22 Related party transactions

Remuneration of key management personnel

The remuneration of key management personnel is as follows.

	2020 £	2019 £
Aggregate compensation	158,860	153,557

Other than the reimbursed expenses detailed in note 9, none of the trustees were paid any remuneration or received any other benefits from an employment with the charity.

Carla Owen, CEO, had reimbursed expenses of £61.

23 Subsidiaries

These financial statements are separate charity financial statements for Animal Free Research UK.

Separate financial statements are prepared for the subsidiary company, Dr Hadwen Retail Limited. The company has been dormant since its incorporation and consolidated financial statements are not prepared on the basis that the subsidiary company is not material to the group.

Details of the subsidiary at 31 March 2020 is as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held	
				Direct	Indirect
Dr Hadwen Retail Limited	England and Wales	Dormant	Ordinary	100.00	

The investment in the subsidiary is stated at cost.

Dr Hadwen Retail Limited was dissolved on 22 September 2020

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24 Cash generated from operations	2020	2019
	£	£
Deficit for the year	(416,028)	(145,538)
Adjustments for:		
Investment income recognised in statement of financial activities	(11,762)	(11,096)
Depreciation and impairment of tangible fixed assets	3,005	2,342
Movements in working capital:		
Decrease in debtors	265,241	68,894
Increase/(decrease) in creditors	61,362	(87,321)
(Decrease)/increase in deferred income	(28,229)	94,459
Cash absorbed by operations	<u>(126,411)</u>	<u>(78,260)</u>

25 Analysis of changes in net funds

The charity had no debt during the year.

26 Control

In the trustees' opinion the charity is controlled by all of the trustees acting in concert.

27 Legal status of the charity

The charity, being Limited by Guarantee, has no share capital. In the event of the company being wound up, the maximum liability of any trustee towards the debts or liabilities of the charity is £1 as laid down in the Memorandum and Articles of Association.