**GLOBAL ALLIANCE FOR LIVESTOCK VETERINARY MEDICINES**

**(a company limited by guarantee)**
**Registered in England No. 05393391**
**England and Wales Charity No. 1115606**
**Scottish Charity No. SC039197**

**Directors' Report and Financial Statements**
**For the year ended 31 March 2018**

**GLOBAL ALLIANCE FOR LIVESTOCK VETERINARY MEDICINES**
**(a company limited by guarantee)**

**Directors' Report and Financial Statements**
**For the year ended 31 March 2018**

**Contents** **Pages**



**Reference and Administrative Details**

**Board Directors**

| | |
|---|---|
| Dr P van Aarle | Co-Chair from 21 September 2017<br>Chair of Commercial Development Committee (formerly Market Development & Access Committee) |
| Prof O Smith | Co-Chair from 8 March 2018<br>Chair of Policy & External Affairs Committee (disbanded in December 2017) |
| Dr P Wells | Co-Chair to 20 September 2017<br>Chair of Technical Scientific Committee to March 2017 |
| Prof M Rweyemamu | - |
| Mr M J Ince FCA MBA | Chair of Finance & Audit Committee |
| Dr W Amanfu | - |
| Dr C Schumacher | - |
| Prof P Wood | Chair of Technical Scientific Committee from March 2017 |
| Prof M Gill | Appointed 21 September 2017<br>Chair of HR Committee (from 21 September 2017) |
| Prof K Pathak | Appointed 21 September 2017 |
| Prof F Sonaiya | Co-chair to 7 March 2017<br>Resigned 21 September 2017 |
| Dr N Hegde | Resigned 21 September 2017 |

**Chief Executive Officer** Dr P Jeffries

**Company Secretary** H Stevenson CA

**Independent Auditors**

Henderson Loggie
Chartered Accountants
Ground Floor, 11-15 Thistle Street,
Edinburgh EH2 1DF

**Legal Advisors**

Dentons LLP
Quartermile One
15 Lauriston Place
Edinburgh EH3 9EP

**Bankers**

Lloyds Bank plc
City Office, PO Box 72
Bailey Drive, Gillingham Business Park
Kent, ME8 0LS

**Registered Office**

One Fleet Place
London EC4M 7WS

**Principal Office**

Doherty Building
Pentlands Science Park
Bush Loan, Edinburgh EH26 0PZ

**Company No.** 05393391
**England and Wales Charity No.** 1115606
**Scotland Charity No.** SC039197

**GLOBAL ALLIANCE FOR LIVESTOCK VETERINARY MEDICINES**
**(a company limited by guarantee)**

**Directors' Report**
**For the year ended 31 March 2018**

The Board Directors have pleasure in presenting their report for the year ended 31 March 2018. This report is prepared in accordance with the recommendations of *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 in accordance with applicable law.

Global Alliance for Livestock Veterinary Medicines (GALVmed) is a company limited by guarantee and is registered as a charity with the Charity Commission and the Office of the Scottish Charity Regulator (OSCR). GALVmed is incorporated in the UK with its principal office as stated on the Contents page.

GALVmed (the company) has complied with the duty in Section 4 of the Charities Act 2011 to have due regard to public benefit guidance published by the Charity Commission.

## Objects, Objectives and Activities

*Objects*

The company's objects, as set out in the Memorandum of Association, are for the benefit of the public:

1) to relieve financial hardship and promote good health (including improving food security) amongst small-holder livestock keepers in developing countries through the promotion of affordable vaccines, pharmaceutical and diagnostic products and services aimed at improving the health of their livestock; and
2) to promote the effective use of resources to achieve the above charitable purposes through the identification, management, funding and co-ordination of:

    a. development of livestock vaccines, pharmaceuticals and diagnostics products and services; and
    b. delivery of these products and services at affordable prices,

    by working in partnership with others (whether charities, government or private bodies or institutions).

Around 900 million people rely on livestock for their livelihoods. GALVmed's purpose is "Protecting Livestock, Improving Human Lives" with a mission "to make a real difference to the livelihoods of resource-poor farmers by providing animal health tools within a sustainable economic framework".

*Objectives*

During the year there were four key programmes whose specific objectives deliver the above objects:

1) **Protecting Livestock Saving Human Lives 2 (PLSHL 2) programme** - to build on the work carried out under PLSHL 1 with greater focus on developing market and access initiatives to impact a greater number of poor livestock keepers. The disease focus is Newcastle Disease (ND), East Coast Fever (ECF), Rift Valley Fever (RVF), Contagious Bovine Pleuropneumonia (CBPP), Peste des Petits Ruminants (PPR) and Contagious Caprine Pleuropneumonia (CCPP). Further work on Porcine Cysticercosis (PC) is funded exclusively by the UK Government Department for International Development (DFID). The key strategic objective of PLSHL 2 is to develop, register and facilitate production and availability of 5 to 7 vaccines, pharmaceutical or diagnostic products by March 2018.
2) **African Animal Trypanomosis 2 (AAT 2) programme** - to build on progress made during the first 2 phases (AAT 1 and AAT Mini). The key objectives are to produce new and improved AAT control tools (i.e. pen-side field diagnostic tests, new drugs and new candidate vaccines) that are affordable and meet demand from farmers and stimulate markets for such products. Supplementary funding was awarded in April 2017 to enable continuation of the programme to June 2018.
3) **AgResults Brucellosis programme** – to manage a competition to develop and register a safe and efficacious vaccine against *Brucella melitensis*, a major cause of human Brucellosis infections with Brucella and a significant economic burden in developing countries.

4) **Veterinary Innovations Transforming Animal Health and Livelihoods (VITAL)** – to build on progress made during PLSHL 1 and 2 by developing six new high impact livestock vaccines, ready for commercial production and suitable for widespread use by smallholders in Africa and South Asia with greater focus on multi-valent vaccine development. Collectively, the products will cover: Brucellosis; CBPP; CCPP; Fowlpox; Enzootic Abortion; Gumboro Disease (IBDV); Lumpy Skin Disease (LSD); ND; PPR; Q Fever; RVF; and Sheep and Goat Pox (SGP). In addition the programme will partner the animal health industry to establish five large scale portfolio distribution networks in Africa and Asia with each initiative to be capable of generating positive cash flows by year 4 and achieving subsequent growth and expansion through these profits.

*Activities*

The key activities of the company during 2017/18 were:

- completion of the PLSHL 2 programme, a jointly funded programme by the Bill & Melinda Gates Foundation (BMGF) (80%) and DFID (20%) worth £32.2 million ($51.5 million);
- commencement of the VITAL programme in October 2017. BMGF has awarded GALVmed funding of $40m for 5 years: approval of funding of $10m from DFID was received in May 2018;
- continued delivery of the AAT 2 programme, a jointly-funded programme by BMGF (53%) and DFID (47%). An extension of this project was approved to 30 June 2018, increasing funding from $14.4m to $18.7m;
- continued delivery of the AgResults-funded Brucellosis programme, a 27- month programme worth $1.7m;
- committed funding of $3m for the Boehringer Ingelheim (BI) programme from BMGF for three years;
- completion of the CBPP BEN-1 programme in June 2017, a BMGF funded programme of $1.5m working with the lead partner, Harbin Veterinary Research Institute, China;
- completion of the AgriTech Catalyst Fund programme (ECF Vaccine Diluent Improvement) in January 2018, a Biotechnology and Biological Sciences Research Council (BBSRC) DFID funded programme worth £195k of which the company received £22k; and
- extension of the Aga Khan (Project Mesha) programme in January 2018 for $33k for 1 further year after successful completion of the initial programme of $48k in December 2017.

Other funded programmes included the ECF Research Consortium, Health For Animals and AAT Ethiopia programmes on which there was minimal activity in the year.

## Structure, Governance and Management

The management of the company is the responsibility of the Board Directors who are elected by the Members under the terms of the Memorandum and Articles of Association.

*Structure*

At 31 March 2018, there were 13 Members (6 Founder and 7 Ordinary Members) and 10 Board Directors. In addition, observers from 5 organisations including BMGF, DFID and the African-Union Interafrican Bureau for Animal Resources (AU-IBAR) are invited to attend the company's face-to-face Board meetings.

*Directors' Recruitment and Appointment*

Board Directors are recruited for their individual skills and experience. When vacancies arise the Board is notified of the skills and experience gaps that the company is seeking to fill. Candidates are recruited and assessed in accordance with the Board Directors' Recruitment Policy. If found suitable they are nominated by the Board for endorsement by the Members at the Annual General Meeting (AGM). The company's governance operates within a robust policy framework which includes: the Role of the Board; Board Code of Conduct; Confidentiality and Conflicts of Interest; and Board Directors' skills matrix.

*Directors' Induction and Training*

Board Directors are selected because of their field of expertise. Board Directors receive information on the company and their responsibilities under company and charity legislation and are also made aware of the operational framework of the company, its current performance and the company's future plans and objectives.

New Board Directors are invited to visit the company's head office in Edinburgh to learn more about the organisation, how it operates and meet some of its staff. Board Directors receive training on their legal duties and responsibilities on an annual basis prior to the AGM.

*Directors' Meetings*

Board Directors formally meet four times a year, of which two are face-to-face meetings and two are conference calls. Only Board Directors attend the conference call meetings. The business of the meetings is minuted.

The Board is supported by four committees to whom aspects of day to day accountability and governance are delegated: Technical Scientific; Commercial Development (formerly Market Development & Access); Finance & Audit; and HR. Each committee has its own terms of reference and membership. Governance of fundraising is the responsibility of the Finance & Audit Committee. The Policy & External Affairs committee was disbanded in December 2017. In September 2017 the Co-Chairs were assigned to the Committees to ensure that each had Co-chair involvement or oversight.

*Decision Making*

The company's strategy for achievement of its charitable objectives is proposed to and approved by the Board Directors and endorsed by the Members at the AGM. In 2014/15 the 2015-2021 Strategy, and the related Business Plan, were proposed to and approved by the Board Directors. The Executive Directors are responsible for presenting and delivering the associated Business and Annual plans which direct implementation of the strategy.

Organisational objectives, from which all staff derive their own departmental and individual objectives, are developed annually and agreed by the Board. Achievement of organisational objectives is assessed by the Board through reporting by the Chief Executive and the Executive Directors and discussions at the Board meetings. Strategic and operational issues are brought to the Board for assessment and direction as required.

*Key Management Remuneration*

Key management includes the Chief Executive (CEO), Senior Executive Directors and Executive Directors of the company and operate as the GALVmed Leadership Team (GLT).

The HR Committee has responsibility delegated to it for setting key management remuneration. The HR Committee meets as required with a minimum of two meetings a year and comprises the Chair of the Committee (Dr N Hegde to, and Prof M Gill from, September 2017), the Finance & Audit Committee chair (Mr M J Ince); one external member (Mr R Parkes) with Co-Chair oversight provided by Dr P van Aarle. The CEO and HR Manager are in attendance at the meetings, leaving when discussions relate to their own performance and remuneration. The main responsibilities of the Committee in relation to key management remuneration are:

- to determine and agree with the Board the broad policy for key management's remuneration;
- to approve the design of, and determine targets for, any performance related pay schemes operated by the company and approve the total annual payments made under such schemes; and
- to determine the total individual remuneration package of each member of the GLT including any incentive payments and pension arrangements.

The performance related pay scheme is applicable to all employees of the company and is dictated by the organisational and departmental objectives. Objectives are established at the start of the financial year. Performance against these objectives is reviewed throughout the year and formally at the year end. Each objective has a weighting, performance against which is assessed at the end of the year to calculate the total performance score. The related pay award is defined by cost of living, exchange movements (for non-local currency salaried international staff) and affordability.

It is the Co-chairs' responsibility to evaluate the CEO to measure his effectiveness at managing the company in the light of strategic objectives and business plans.

*Board Performance Evaluation*

The company undertakes an annual performance evaluation of the Board and specifically including the Committees, Co-Chairs, meetings and overall performance. This process reflects the principles of the UK Corporate Governance Code. An evaluation took place in February 2018. The findings were presented to the Board in March 2018 and showed significant progress in addressing previously identified weaknesses.

In addition, Deloitte were appointed in November 2017 to undertake an institutional (governance) review of the company with focus on the company's legal structure, office location, governance and operational management. This requirement and implementation of the findings is detailed in the BMGF VITAL funding agreement. The review findings were presented to the Board in March 2018 and complemented the Board Performance Evaluation findings. The Board will ensure that appropriate actions are identified and implemented, progress of which will be monitored by the Board and communicated to BMGF.

*Partnerships and Related Parties*

The partnership concept is the company's core principle and is instrumental in allowing it to pursue its charitable objectives. The company initiates, facilitates, brokers and contributes to such partnerships from two perspectives: 1) specific partnerships to deliver and support programme performance and achievement; and 2) higher level strategic partnerships to initiate and advance the livestock agenda. All such relationships are formalised through Memoranda of Understanding, Confidentiality Agreements and Contractual Agreements. This framework provides a robust overarching mechanism for the company's activities. All contractual arrangements and related party transactions (detailed in note 16 to the Financial Statements) are conducted at arm's length.

## Strategic Report

### *Performance and Achievements*

*Key Performance Indicators*

The Board Directors and GLT assess the financial and operational performance of each programme using the following key performance indicators:

- Detailed milestones within specific activities as defined in the funder agreement for each programme. These are detailed in logical frameworks (log-frames) which present annual targets and the anticipated outcome at the programme end for each key milestone (of which there are over 100 for the VITAL programme). These targets are Specific, Measurable, Achievable, Realistic, Timely (SMART); and
- Quarterly actual expenditure against the Board approved budget.

Performance is also assessed in relation to achievement of the annual corporate objectives.

**GLOBAL ALLIANCE FOR LIVESTOCK VETERINARY MEDICINES**
**(a company limited by guarantee)**

**Directors' Report**
**For the year ended 31 March 2018**

*Key Achievements*

The company operates from established offices in Edinburgh, UK; New Delhi, India (South Asia office); and Nairobi, Kenya (Africa office). The number of staff at 31 March 2018 was 29 (average in year of 37). Nine members of staff were made redundant in December 2017 following a programmatic shift on the conclusion of PLSHL 2 and the commencement of VITAL.

The company's individual programmatic and organisational objectives for the year to 31 March 2018 are set out below, along with the key achievements against these objectives:

1) Programmes:

   a. Complete and finalise delivery of PLSHL2 in line with defined objectives and on budget and ensure timely and effective reporting.
      - A no cost extension (NCE) was granted to extend programme delivery to 31 March 2018 with continued focus on delivery and programme end reporting at that date.
      - Process improvement work at CTTBD, Malawi on the ECF ITM stabilate and diluent completed with improvements incorporated into the Production Outline and Regulatory documentation. Facility and documentation upgrades undertaken in preparation for Good Manufacturing Practice accreditation.
      - The project to develop an attenuated, live strain of CCPP from recent Kenyan field strains was concluded with two attenuated strains derived under chemical pressure shown to be safe in goats.
      - Four pilot PC projects completed with the Nepalese, Ugandan and Tanzanian pilot projects demonstrating elimination of cysts in pigs using three or more rounds of intervention with TSOL 18 vaccine and oxfendazole co-administered.
      - Continued surpassing of the programme vaccination target for ND (over 170 million doses distributed) but slower than targeted doses of ECF (1.3m) due to drought and disease outbreaks mainly in Eastern Africa.
      - Testing on five different distribution models including initiatives with private sector, government and NGO agents was completed resulting in an increased understanding of supply chain constraints, especially in the "last mile".
      - A significant milestone was achieved with the first Mutual Recognition Procedure (MRP) application by a multi-national partner submitted (enables simultaneous granting of marketing authorisations by collaborating countries).

   b. Secure supplementary funding for Tryps programme, advance the partnership with the private sector partner and deliver the objectives of the supplementary funding period.
      - Supplementary funding was secured, with a 15 month extension to the programme to June 2018. This was to permit further characterisation of the new compound evaluations (NCEs) and to allow for selection of a lead compound that could be progressed into full commercial development (subject to funding approval) - with an identified private partner.
      - The original promising candidate was de-selected because of unsatisfactory efficacy and efforts focused on the optimisation of two back-ups. Formulations have been developed and optimised. This enabled the initiation of advanced pharmacokinetics, efficacy and safety evaluation of the two NCEs.

   c. Complete the CBPP BEN-1 project in accordance with defined objectives.
      - The Ben-1 project was concluded successfully with the completion of the key efficacy study at C.V.R.I., Zambia and the submission of the final project report by H.V.R.I., China. The project did not demonstrate that the Chinese Ben-1 strain conferred any specific advantage over the commercially available CBPP vaccine strain T1/44.

   d. Manage the AgResults Brucellosis Prize Initiative (secure prize submissions and award phase 1 funding).
      - Thirty-nine applications received of which ten solvers (six universities and four companies) were each awarded US$100,000. The competition has now entered the 2nd phase which will require applicants to satisfy specific criteria with regard to proof of principles of efficacy and safety and demonstrate progress on the development of a scaled-up production process for commercial manufacture of a new Brucella melitensis vaccine.

e. Complete the AgriTech Catalyst Fund programmes in line with defined objectives (modified cheaper diluent for ECF-ITM).
   - AgriTech Catalyst funded project in collaboration with CTTBD and Arecor has delivered results that allow for a widely available simple diluent to be used for reconstitution of the ECF ITM MC and its storage at ambient temperature.

f. Identify and progress plans for revised ownership and management structures at CTTBD and improved marketing and manufacturing capabilities, all in partnership with the private sector.
   - Discussions were held, and in principle agreement reached, with the owners, the African Union Commission (AUC) to consider change in ownership of the facility back to the Government of Malawi. Attempts to engage in discussions with the Government of Malawi have not yet succeeded.
   - A private sector partner, Hester Biosciences, is assisting CTTBD in strengthening manufacturing capabilities.
   - No further donor funding is being recommended pending changes in ownership and, potentially, management of CTTBD. While GALVmed will continue to be involved with CTTBD, inputs will be limited to technical support pending clarification of restructuring opportunities.

2) Organisation:

a. Secure future VITAL funding in line with its overall objectives and donor funding offer.
   - BMGF funding ($40m) was secured in October 2017, which provides security of operations until September 2022. As they are on a separate budgetary cycle, DFID's funding of $10m was approved in May 2018. DFID will provide a further £1.4m funding of which £1m relates to an impact assessment.

b. Identify additional funding sources to broaden the funding base and support unfunded core costs.
   - In addition to the VITAL programme, which is expected to be GALVmed's primary funding, additional funding is under consideration for other projects aligned with GALVmed's objectives. In particular, these include future funding in development of a novel trypanocide (BMGF/ DFID), expected to be taken into full development in early 2019 and future funding of project management of a multi-donor prize competition to develop a novel brucellosis vaccine, which is expected to move into phase 2 with funding from July 2018 to June 2022. Other funding opportunities continue to be explored.

c. Continue to strengthen the alignment of GALVmed with donor needs.
   - GALVmed is well aligned with its donors and we continue to invest, through the board and through management, in strengthening these links. GALVmed's donors' confidence in GALVmed is demonstrated by the recent award of significant funding. To ensure proper alignment with beneficiary and donor needs, GALVmed has recently completed an institutional assessment which has led to some recommended organisational changes.

d. Continue to ensure GALVmed staff focus on VITAL (to March 2018); deliver an organisational structure in line with future organisational needs, primarily for VITAL (new structure in place by December 2017).
   - Preparation of the VITAL proposal led to a recognition of the need for departmental restructuring and associated redundancies in all three of GALVmed's offices. This was completed in December 2017 and the new organisation put in place from 1 January 2018.

e. Continue to develop, strengthen and demonstrate cost effectiveness and robustness of GALVmed's delivery model, both internally and to external partners (to March 2018).
   - GALVmed management and board continue to monitor delivery against targets, cost effectiveness, and the business model is reviewed and refined to optimise delivery. While this will continue, we believe that GALVmed's business model offers an effective way of delivering against our objectives. This was validated by the external institutional assessment completed in March 2018.

### *Financial Review*

Income in the year was £19.2m (2017: £6.2m) and total resources expended were £13.2m (2017: £12.6m).

*Income*

Restricted income in 2017/18 of £18.9m includes funding in respect of VITAL (£9.2m from BMGF), BI (£1.2m from BMGF), Tryps 2 (£1.7m from BMGF and £1.5m from DFID), PLSHL 2 (£3.2m from BMGF and £1.6m from DFID, AgResults Brucellosis (£0.4m from AgResults) and £0.1m for the ECF Vaccine Diluent Improvement, Health For Animals and Project Mesha programme. Unrestricted income of £0.3m was received in 2017/18.

*Expenditure*

The company's expenditure increased by 4.9% to £13.2m. This can be mainly explained by a significant increase (£1.1m) in PLSHL 2 activity as the programme end approached. PLSHL 2 costs continue to make up a large proportion of expenditure £8.8m (67%, 2017: 62%). AAT 2 expenditure of £2.9m reduced as a percentage of total expenditure, now making up 22% of total expenditure (2017: 33%). The CBPP BEN-1 programme ended during the year of activity and expenditure has reduced in line with this, making up just over 1% of total expenditure. Expenditure on all other programmes contributed 3% to overall programme spend.

*Unrealised exchange gains/losses*

An unrealised exchange loss of £1.1m has arisen in 2017/18 (2017: gain of £1.1m). This is mainly caused by the strengthening of sterling against the US dollar in which 80% of PLHSL 2 and VITAL, and 100% of AAT 2, BI and Brucellosis funding is received. Exchange gains/losses do not have an impact on programme delivery as the effects of currency fluctuations are minimised by ensuring that spend is committed in the currency available at the time of commitment. The company undertakes a number of foreign exchange mechanisms (including cash flow forecasting, timing of funds conversion, payment, etc.) to minimise the risk of exchange losses on programme activity.

*Balance Sheet*

The level of cash held has increased from £8.6m to £13.7m in the year because of the advanced funding of the VITAL and BI programmes.

*Investment Policy*

The company's investment objectives, responsibilities, risk, and strategy are clearly set out in an Investment Policy which is subject to review annually, and related investment activity by the Finance & Audit Committee at their thrice-yearly meetings. A policy was introduced in 2016-17 whereby no more than £5m of cash balances are to be held in any one financial institution

*Reserves*

Reserves at 31 March 2018 total £13.6m (2017: £8.5m). In respect of restricted funds of £11.9m (2017: £6.9m) this predominantly relates to advance funding for VITAL and BI in support of specifically defined programme deliverables, all of which are budgeted as expenditure over the next 3-5 years of the programmes. Unrestricted reserves are £1.6m (2017: £1.6m) as noted below.

*Unrestricted Reserves Policy*

General reserves at 31 March 2018, which have been shown as unrestricted reserves on the Balance Sheet, amount to £1.6m (2017: £1.6m).

The objective of the company's Unrestricted Reserves Strategy is to build sufficient funds for future use at the Board Directors' discretion in order to protect the company by providing the ability to react to any changes in its financial circumstances and to pursue unfunded operational opportunities as they arise.

By considering five scenarios: 1) closure; 2) all financial risks and opportunities; 3) working capital requirements; 4) & 5) organisational running costs for three and six months and identifying, through a comprehensive exercise, the reserve requirements for each, the Board Directors have concluded that a maximum of £1.6m would be sufficient to cover the worst of these scenarios.

Effective January 2018 organisational (indirect) costs are no longer fully supported from programme funding from BMGF as BMGF now classify the company as a mature organisation. Indirect costs need to be covered by contributions from all programmes. The flow of funds is through the Unrestricted Reserves the movements of which are assessed monthly.

The Unrestricted Reserves Policy is reviewed on a 6 monthly basis and considers events that may have a significant impact on the reserve requirements, including changes in staffing levels, major exchange rate fluctuations, new contractual commitments, and the timing of funding availability.

### *Future Plans*

The vision of the 2015-21 Strategy and Business Plan builds upon the evolution of the company since inception as a product development partnership working on a strong portfolio of new products, technologies and processes while continuing to facilitate scale-orientated market development initiatives. The foundation of the strategy is the current programmes and it is these which have formed the basis of the 2018/19 objectives.

*Objectives*

GALVmed has identified the following key objectives for 2018/19:

1) Programmes:
   a. Instigate and implement VITAL partnerships with all R&D and Commercial Development partnerships agreed, contracted and in progress.
   b. Secure funding VITAL from DFID.
   c. Complete assessment of Tryps targets, identify target molecule and secure funding for full development programme with commercial partner (subject to suitable candidate selection) without significant project delay.
   d. Progress Last Mile partnership with Boehringer Ingelheim in line with project plan.
   e. Assure position as Project Manager, negotiate new contract and secure funding for phase 2 of AgResults Brucellosis Prize Initiative; oversee phase 1 prize winners in line with Prize rules.

2) Organisation:
   a. Working with the Board and donors, assess and address the agreed recommendations of the Institutional Assessment.
   b. Ensure continued effective leadership in support of recent and future organisational, structural and cultural changes.
   c. Complete Commercial Development strategy.
   d. Develop organisational strategy, encompassing elements beyond VITAL.
   e. Establish new direction for CTTBD with associated additional ECF project support.
   f. Identify additional funding sources to broaden funding base and support unfunded core and project costs.
   g. Through ongoing reporting and communication, continue to strengthen alignment of GALVmed with donor needs and expectations.

*Financial*

The 2018/19 expenditure budget is £10.3m, a 21% decrease on 2017/18 actual expenditure. This is mainly because the PLSHL 2 programme came to an end in March 2018 and while the VITAL programme has now commenced, contracting is still evolving. In addition, while the BI project will also continue in 2018/19 this year will see the conclusion of the AAT 2 and Brucellosis programmes.

***Principal Risks and Uncertainties***

*Risk Management*

The company's governance structure is designed to oversee and ensure the proper management of risks inherent in conducting its business.

The Risk Management Strategy details the company's risk management objectives, processes, reporting and responsibilities. The Corporate Risk Register highlights the major risks to which the company is exposed and the actions necessary to mitigate these risks, the lead risk owner and target date for mitigation. It is maintained to support strategic, financial and operational planning and therefore to assist in achieving the company's objectives and targets.

VITAL programme launch and increasing strategic focus in 2017/18 will result in continued focus in mitigating corporate risks including: 1) failure to deliver by partners (including quality aspect of work); and 2) loss of highly experienced staff. Mitigations against these risks include: for 1) engaging partners with appropriate contracts and subsequent continuous monitoring; and for 2) succession planning for key staff.

The key risks that could impact financial performance include dependency on limited funding sources and foreign exchange rate movement impact on funds available for programme & organisational costs. These are managed in the same manner as all key risks: identify mitigation plans, lead owner and target dates and implement and monitor such plans. In addition, other important aspects of potential financial risk are currency risk, interest rate risk and liquidity risk. Currency and liquidity risk are managed by following the Investment Policy. Interest rate risk does not impact the company as it is free of borrowings and financing.

## Going Concern

The Board of Directors has considered the financial position of GALVmed for the next twelve months and concluded that the use of the going concern basis of accounting is appropriate. Detailed funding proposals were submitted to BMGF and DFID in 2017: BMGF has awarded $40m of funding to GALVmed for the 5 years to September 2022 and approval of funding from DFID of $10m was received in May 2018. The Board Directors are confident that the additional DFID funding will be secured. Should this funding not be confirmed, activities will be scaled back to ensure the programme operates within the funding available. An assessment of unrestricted funds has also been carried out. These funds are sufficient to maintain GALVmed as a going concern for at least twelve months from the date of signing the financial statements.

## Responsibilities of the Board Directors

The Board Directors (who are also the trustees for the purposes of charitable law) are responsible for the preparation of the Directors' Report, including the Strategic Report, and financial statements in accordance with applicable law and regulations.

Law applicable to incorporated charities in Scotland requires the Board Directors to prepare an annual report and financial statements for each financial year in accordance with applicable law and regulations. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Board Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charity at the end of the year and of its financial activities including its income and expenditure during the year then ended. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- 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 financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

**GLOBAL ALLIANCE FOR LIVESTOCK VETERINARY MEDICINES**
**(a company limited by guarantee)**

**Directors' Report**
**For the year ended 31 March 2018**

The Board Directors are responsible for keeping proper and adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charity and which enable them to ensure that the financial statements comply with the Companies Act 2006, with the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charity and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Board Directors are also responsible for the maintenance and integrity of the charity.

**Disclosure of information to auditors**

To the knowledge and belief of each of the persons who is a Board Director at the time this report is approved:

a) So far as the Board Director is aware, there is no relevant information of which the organisation's auditors are unaware; and
b) He/or she has taken all steps that he/she ought to have taken as a Board Director to make himself/herself aware of any relevant audit information and to establish that the auditors are aware of that information.

**Auditors**

Henderson Loggie, Chartered Accountants, were reappointed as auditors to the company at the Annual General Meeting in 2017. Their re-appointment was approved up to a maximum 10 years subject to annual consideration, by both parties.

The Directors' Report including the Strategic Report was approved by the Board of Directors and signed on their behalf by:

Prof O Smith

20 June 2018

**GLOBAL ALLIANCE FOR LIVESTOCK VETERINARY MEDICINES**
**(a company limited by guarantee)**

**Independent Auditor's Report to the Members and Trustees**
**For the year ended 31 March 2018**

**Opinion**
We have audited the financial statements of Global Alliance for Livestock Veterinary Medicines (the 'charitable company') for the year ended 31 March 2018 which comprise the Income and Expenditure Account and Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flow and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 2018 and of its income and expenditure 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, the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

**Basis of 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 company 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 directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company'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 other information comprises the information included in the Trustees' report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, 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.

**GLOBAL ALLIANCE FOR LIVESTOCK VETERINARY MEDICINES**
**(a company limited by guarantee)**

**Independent Auditor's Report to the Members and Trustees**
**For the year ended 31 March 2018**

**Opinions on other matters prescribed by the Companies Act 2006**
In our opinion, based on the work undertaken in the course of our audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

**Matters on which we are required to report by exception**
In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and the Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006, the Charities and Trustees Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**
As explained more fully in the Directors' Responsibilities Statement, the directors (who are also the trustees of the charitable company for the purposes of charitable 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 directors 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 directors are responsible for assessing the charitable company'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 directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**
We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder

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 https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Independent Auditor's Report to the Members and Trustees**
**For the year ended 31 March 2018**

This report is made solely to the members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's directors, as a body, in accordance with Section 44 (1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and regulation 10 of the Charities Accounts (Scotland) Regulations 2006 (as amended). Our audit work has been undertaken so that we might state to the members and the charitable company's directors 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 charitable company, its members as a body and its directors as a body, for our audit work, for this report, or for the opinions we have formed.

**James Davidson (Senior Statutory Auditor)**
**For and on behalf of Henderson Loggie**
**Chartered Accountants & Statutory Auditors**
**Eligible to act as an auditor in terms of section 1212 of the Companies Act 2006**

Ground Floor, 11-15 Thistle Street
Edinburgh
EH2 1DF

20 June 2018

**GLOBAL ALLIANCE FOR LIVESTOCK VETERINARY MEDICINES**
**(a company limited by guarantee)**

**Income and Expenditure Account and**
**Statement of Financial Activities**
**For the year ended 31 March 2018**

| | Notes | Unrestricted | Restricted | Total 2018 | Total 2017 |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Income and endowments from:** | | | | | |
| Charitable activities | 2 | 276,814 | 18,833,622 | 19,110,436 | 6,116,077 |
| Investments | | 8,021 | 100,159 | 108,180 | 45,693 |
| Other | | - | - | - | 782 |
| **Total income** | | 284,835 | 18,933,781 | 19,218,616 | 6,162,552 |
| **Expenditure on:** | | | | | |
| Charitable activities | 3 | 261,726 | 12,899,896 | 13,161,622 | 12,516,073 |
| **Total expenditure** | | 261,726 | 12,899,896 | 13,161,622 | 12,516,073 |
| **Net income / (expenditure)** | 5 | 23,109 | 6,033,885 | 6,056,994 | (6,353,521) |
| **Other recognised gains:** | | | | | |
| Unrealised (losses)/gains on foreign exchange | 6 | (17,808) | (1,040,047) | (1,057,855) | 1,075,529 |
| Net movement in funds | | 5,301 | 4,993,838 | 4,999,139 | (5,277,992) |
| **Reconciliation of Funds** | | | | | |
| Total funds brought forward at 1 April 2017 | 12 | 1,633,411 | 6,899,621 | 8,533,032 | 13,811,024 |
| Total funds carried forward at 31 March 2018 | 12 | 1,638,712 | 11,893,459 | 13,532,171 | 8,533,032 |

All the results of the company relate to continuing activities.

The company has no recognised gains or losses other than those set out above.

The notes on pages 18 to 28 form part of these financial statements

**GLOBAL ALLIANCE FOR LIVESTOCK VETERINARY MEDICINES**
**(a company limited by guarantee)**

**Balance Sheet**
**As at 31 March 2018**

| | Notes | 2018 | | 2017 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed Assets** | | | | | |
| Tangible assets | 8 | | 65,487 | | 77,354 |
| **Current assets** | | | | | |
| Debtors | 9 | 248,540 | | 414,551 | |
| Bank and cash balances | 10 | 13,726,124 | | 8,593,144 | |
| | | 13,974,664 | | 9,007,695 | |
| **Liabilities:** | | | | | |
| Creditors: Amounts falling due within one year | 11 | (507,980) | | (552,017) | |
| **Net current assets** | | | 13,466,684 | | 8,455,678 |
| **Total net assets** | | | 13,532,171 | | 8,533,032 |
| Unrestricted funds | 12 | | 1,638,712 | | 1,633,411 |
| Restricted income funds | 12 | | 11,893,459 | | 6,899,621 |
| **Total funds** | | | 13,532,171 | | 8,533,032 |

The financial statements were authorised for issue and approved by the Board Directors on 20 June 2018

Prof. O Smith

**Company No: 05393391**

The notes on pages 18 to 28 form part of these financial statements

GLOBAL ALLIANCE FOR LIVESTOCK VETERINARY MEDICINES
(a company limited by guarantee)

## Statement of Cash Flows
## For the year ended 31 March 2018

| | Notes | 2018 £ | 2017 £ |
|---|---|---|---|
| **Cash flows from operating activities:** | | | |
| **Net cash provided by operating activities** | 17 | 6,106,165 | (6,695,224) |
| *Cash flows from investing activities:* | | | |
| Interest from investments | | 113,365 | 40,798 |
| Purchase of property, plant and equipment | | (29,895) | (27,792) |
| Proceeds from sale of fixed asset | | 1,200 | - |
| Net cash received from investing activities | | 84,670 | 13,006 |
| **Change in cash and cash equivalents in the reporting period** | | 6,190,835 | (6,682,218) |
| Cash and cash equivalents at the beginning of the reporting period | | 8,593,144 | 14,199,833 |
| Change in cash and cash equivalents due to exchange rate movements | | (1,057,855) | 1,075,529 |
| **Cash and cash equivalents at the end of the reporting period** | | 13,726,124 | 8,593,144 |

**Analysis of cash and cash equivalents**

| | 2018 £ | 2017 £ |
|---|---|---|
| Bank and cash balances | 13,726,124 | 8,593,144 |

The notes on pages 18 to 28 form part of these financial statements

## 1. Accounting policies

*Basis of accounting*

GALVmed is a public benefit entity. The financial statements have therefore been prepared in accordance with the Companies Act 2006, applicable accounting standards, Charities SORP (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 as amended in 2010, and the Charities Act 2011. They have also been prepared under historical cost accounting rules. The financial statements are prepared in Sterling, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the neared pound.

*Going Concern*

The Board of Directors has considered the financial position of GALVmed for the next twelve months and concluded that the use of the going concern basis of accounting is appropriate. Detailed funding proposals were submitted to the Bill & Melinda Gates Foundation (BMGF) and the UK Government Department for International Development (DFID) in 2017: BMGF has awarded $40m of funding to GALVmed for the 5 years to September 2022 and approval of funding from DFID of $10m was received in May 2018. The Board are confident that the DFID funding will be received but should this not be the case, activities will be scaled back to ensure the programme that it helps to fund operates within the funding then available.

An assessment of unrestricted funds has also been carried out. These funds are sufficient to maintain GALVmed as a going concern for at least twelve months from the date of signing the financial statements.

*Fund accounting*

Funds received on which no restrictions are placed as to their use are accounted for as Unrestricted Funds.

Funds received for use in a particular area or for specific purposes, the use of which is restricted to that area or purpose, are accounted for as Restricted Funds.

*Income*

Funds received are recognised as income from charitable activities once there is entitlement, reasonable probability of receipt and the amount can be measured with sufficient reliability. Income is deferred where donor-imposed conditions that specify the time period in which the funds can be spent have not yet been met. All funds received in 2017/18 have been recognised as income as there is sufficient evidence that the related funding conditions are within the company's control and therefore will be met.

Investment income is recognised as earned.

*Value Added Tax (VAT)*

Expenditure is accounted for inclusive of VAT where appropriate as the company is not registered for VAT.

*Pension scheme*

The company provides a defined contribution pension scheme for its staff and the pension charge in the Statement of Financial Activities (SOFA) represents the amounts payable by the company to the Company Personal Pension Scheme in respect of the year.

*Operating leases*

Rentals payable under operating leases are charged to the SOFA on the straight line basis over the lease term.

*Expenditure*

Expenditure is recognised on the accruals basis when a legal and constructive obligation exists. Expenditure through contractual agreements is recognised as goods and services are supplied. Grant payments are recognised as expenditure when payments are due in accordance with the terms of the contract.

Costs incurred by the company in the delivery of its activities and services are accounted for as charitable expenditure and categorised in the SOFA by the main activities of the company. Each category includes direct costs and support costs and, where support costs cannot be directly attributed to a category, they are apportioned on the basis of headcount.

Costs that, whilst necessary to deliver an activity do not themselves contribute directly to GALVmed's activity, are accounted for as Support Costs. Support Costs include central office functions such as management, finance, information systems and administration activities.

Redundancy costs are charged in the year in which employees leave the company.

*Foreign Currency*

Foreign currency transactions are recorded in Sterling at the previous month's month-end rate of exchange. Monetary assets and liabilities denominated in foreign currencies are translated into Sterling at the exchange rate at the balance sheet date.

All exchange differences are recognised through the SOFA.

*Tangible fixed assets*

Tangible fixed assets costing more than £1,000 are capitalised and stated at cost and depreciated over their useful economic lives as follows:

| | |
|---|---|
| Office furniture and equipment | 4 years |
| Computer equipment & software | 3 years |
| Leasehold improvements | over the life of the lease |

Assets are only depreciated when they are brought into use and depreciated up to, but not including, the month of disposal.

*Debtors and Prepayments*

Debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

*Cash at bank and in hand*

Cash at bank and in hand includes cash and short term highly liquid investments with a maturity of six months or less from the date of acquisition or opening of the deposit or similar account.

*Creditors*

Creditors are recognised where the company has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party in the future and the amount due to settle obligations can be measured or estimated reliably. Creditors are recognised at their settlement amount.

*Financial Instruments*

The company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

## 2. Incoming resources from charitable activities

| | UK Grant Funding £ | Overseas Grant Funding £ | 2018 £ | 2017 £ |
|---|---|---|---|---|
| **Restricted Income** | | | | |
| PLSHL 2 | 1,622,396 | 3,202,472 | 4,824,868 | 5,216,950 |
| AAT 2 | 1,476,082 | 1,677,302 | 3,153,384 | (171,462) |
| AgResults Brucellosis | - | 377,750 | 377,750 | 740,639 |
| ECF Vaccine Diluent Improvement | 103,793 | - | 103,793 | 83,431 |
| Project Mesha Technical Support | - | 14,392 | 14,392 | 21,696 |
| VITAL | - | 9,169,674 | 9,169,674 | - |
| Boehringer Ingelheim | - | 1,161,069 | 1,161,069 | - |
| Health For Animals | - | 28,692 | 28,692 | - |
| Total Restricted Income | 3,202,271 | 15,631,351 | 18,833,622 | 5,891,254 |
| **Unrestricted Income** | 67,398 | 209,416 | 276,814 | 224,823 |
| Total Income | 3,269,669 | 15,840,767 | 19,110,436 | 6,116,077 |

## 3. Analysis of Expenditure

| | Support £ | Governance £ | Staff £ | Direct Costs £ | Total 2018 £ | Total 2017 £ |
|---|---|---|---|---|---|---|
| PLSHL 2 | 383,054 | 33,784 | 1,711,307 | 6,690,631 | 8,818,776 | 7,694,051 |
| AAT 2 | 10,518 | - | - | 2,868,523 | 2,879,041 | 4,101,732 |
| CBPP BEN-1 | - | - | - | 183,133 | 183,133 | 288,792 |
| AgResults Brucellosis | 1,417 | - | 80,670 | 226,361 | 308,448 | 338,516 |
| ECF Vaccine Diluent | - | - | 5,057 | 98,736 | 103,793 | 83,431 |
| Project Mesha | - | - | 2,944 | 22,209 | 25,153 | 8,932 |
| VITAL | 38,776 | - | 239,042 | 297,722 | 575,540 | - |
| Boehringer Ingelheim | - | - | - | 274 | 274 | - |
| Health For Animals | - | - | - | 5,738 | 5,738 | - |
| Unrestricted | 18,169 | 38,287 | 153,448 | 51,822 | 261,726 | 619 |
| **Total 2018** | 451,934 | 72,071 | 2,192,468 | 10,445,149 | 13,161,622 | 12,516,073 |
| **Total 2017** | 312,003 | 81,307 | 2,118,853 | 10,003,910 | 12,516,073 | |

## 3. Analysis of Expenditure (continued)

### Analysis of Support Costs

| | Professional Fees £ | Office Costs £ | Information Technology £ | Audit Fees £ | Total 2018 £ | Total 2017 £ |
|---|---|---|---|---|---|---|
| PLSHL 2 | 134,777 | 176,360 | 62,174 | 9,743 | 383,054 | 305,843 |
| AAT 2 | 6,924 | 3,291 | 303 | - | 10,518 | 4,797 |
| AgResults Brucellosis | - | 215 | 1,202 | - | 1,417 | 1,363 |
| VITAL | 3,299 | 26,994 | 8,483 | - | 38,776 | - |
| Unrestricted | 6,415 | 6,212 | 2,263 | 3,278 | 18,169 | - |
| **Total 2018** | 151,415 | 213,072 | 74,425 | 13,021 | 451,934 | 312,003 |
| **Total 2017** | 32,591 | 202,985 | 63,294 | 13,133 | 312,003 | |

## 4. Salaries

The total salary costs were as follows:

| | 2018 £ | 2017 £ |
|---|---|---|
| Salaries and wages | 1,927,070 | 1,845,628 |
| Social security costs | 127,139 | 137,099 |
| Pension contributions | 106,853 | 108,746 |
| Other employee benefits | 31,406 | 27,380 |
| | 2,192,468 | 2,118,853 |

| The average number of employees during the year was: | Number | Number |
|---|---|---|
| Management | 6 | 7 |
| Project staff | 18 | 20 |
| Support staff | 13 | 13 |
| | 37 | 40 |

No Board Directors received remuneration in the year (2017: none). During the year the company incurred expenses on behalf of, and reimbursed expenses to, 10 directors in connection with their governance responsibilities totalling £24,357 (2017: £37,658, 10 directors) . The reduction was because meetings in 2018 were held in less expensive locations.

GALVmed provides to its UK-based staff a defined contribution pension scheme, the GALVmed Personal Pension Scheme, which is operated by Aegon, a life assurance company. Total employer contributions in the year were £65,790 (2017: £65,618). The total number of members in the scheme at 31 March 2018 was 20 (2017: 23). To compensate for the fact that there is currently no pension scheme for international staff an employer contribution of 6% of salary is paid to such staff on the understanding that this contribution should be paid into a pension scheme of their choice. Total such contributions in respect of the year were £41,062 (2017: £43,128).

## 4. Salaries (continued)

The following number of employees received total employee benefits (excluding employer pension) in excess of £60,000 in the period:

| | 2018 | 2017 |
|---|---|---|
| £60,000 - £69,999 | 4 | 1 |
| £70,000 - £79,999 | 2 | 3 |
| £80,000 - £89,999 | 2 | 1 |
| £90,000 - £99,999 | 2 | 1 |
| £110,000 - £119,999 | 1 | - |
| £130,000 - £139,999 | - | 1 |
| £140,000 - £149,999 | 1 | - |

GALVmed considers the key management of the company to be the GALVmed Leadership Team (GLT), comprising the Chief Executive Office, Senior Executive Directors and Executive Directors. The total cost of the employment of key management in the year was £703,023 (2017: £625,019); of which £86,500 was consultant costs. Employer pension contributions for key management totalled £27,719 (2017: £28,881), with additional salary in respect of pension contributions paid to international employees of £3,505 (2017: £6,409).

Nine positions were made redundant following the end of the PLSHL 2 programme. Redundancy costs of £188,877 (2017: £nil) were incurred in relation to these staff members in the year. There were no redundancy payments outstanding at the year-end (2017: £nil).

Two members of staff chose to accept different roles in GALVmed rather than take redundancy. The terms of their contract are such that should this different role not prove suitable they may, within six months, take the redundancy package originally offered to them. One of those staff members has since decided to take the redundancy terms originally offered, and his redundancy costs of £30,421 have been accrued in these financial statements. The costs associated with the 2nd employee's redundancy, totalling £19,649, have not been accrued in the financial statements as they are believed only to be possible rather than probable.

## 5. Net incoming resources for the year

| | 2018 £ | 2017 £ |
|---|---|---|
| This is stated after charging: | | |
| - Auditor's remuneration – audit fees | 13,021 | 13,133 |
| - Auditor's remuneration – non-audit fees | 504 | - |
| - Depreciation | 40,130 | 41,102 |
| - Operating Leases | | |
| Land and Buildings | 113,480 | 108,396 |
| Equipment | 2,255 | 1,011 |

Auditors remuneration includes £1,957 (2017: £2,393) for audit fees payable in India and £11,064 for audit fees in the UK.

## 6. Unrealised exchange gains and losses

Unrealised losses on foreign exchange relate to the revaluation of GALVmed's net current assets at 31 March 2018. Included in the £1,057,855 loss (2017: £1,075,529 gain) is a loss of £351,218 (2017: £576,897 gain) in respect of the PLSHL 2 programme, a loss of £162,590 (2017: £417,803 gain) in respect of the AAT 2, a loss of £33,945 (2017: £Nil) in respect of the Boehringer Ingelheim programme and a loss of £484,999 (2017: £Nil) in respect of the VITAL programme. The losses predominantly relate to advance funding in US dollars (USD) from the Bill and Melinda Gates Foundation (BMGF).

In addition a realised loss of £70,463 (2017: £105,887 gain) is included in the expended charitable resources, which is a result of the difference between the currency rate invoiced and the currency rate paid to suppliers. GALVmed undertakes a variety of exchange mechanisms throughout the year to ensure there are adequate resources to deliver the programme outputs.



## 7. Taxation

The company has charitable status and is not liable to tax.

## 8. Tangible assets

| | Leasehold improvements £ | Office equipment £ | Computer equipment & software £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 April 2017 | 33,780 | 7,267 | 227,259 | 268,306 |
| Additions | - | - | 29,895 | 29,895 |
| Disposals | - | - | (29,974) | (29,974) |
| At 31 March 2018 | 33,780 | 7,267 | 227,180 | 268,227 |
| **Depreciation** | | | | |
| At 1 April 2017 | 13,601 | 7,267 | 170,084 | 190,952 |
| Charge for year | 5,630 | - | 34,500 | 40,130 |
| Eliminated on disposal | - | - | (28,342) | (28,342) |
| At 31 March 2018 | 19,231 | 7,267 | 176,242 | 202,740 |
| **Net book value** | | | | |
| At 31 March 2018 | 14,549 | - | 50,938 | 65,487 |
| At 31 March 2017 | 20,179 | - | 57,175 | 77,354 |

## 9. Debtors

| | 2018 £ | 2017 £ |
|---|---|---|
| Prepayments and accrued income | 181,909 | 275,477 |
| Other debtors | 66,631 | 139,074 |
| | 248,540 | 414,551 |

Prepayments and accrued income includes £84,909 (2017: £126,911) of accrued income in relation to the AgResults Brucellosis programme; £5,954 (2017: Nil) to the Project Mesha programme; £31,594 (2017: Nil) to the ECF Vaccine Diluent programme; and accrued investment income of £2,833 (2017: £8,039).

## 10. Bank and cash balances

| 2018 | GBP | USD | Other currencies | Total |
|---|---|---|---|---|
| Lloyds Bank | 809,951 | 8,757,867 | - | 9,567,818 |
| Bank of Scotland | 1,265,556 | 2,866,778 | - | 4,132,334 |
| Standard Chartered | - | - | 16,627 | 16,627 |
| Cash | 56 | 7,356 | 1,933 | 9,345 |
| | 2,075,563 | 11,632,001 | 18,560 | 13,726,124 |

| 2017 | GBP | USD | Other currencies | Total |
|---|---|---|---|---|
| Lloyds Bank | 1,479,939 | 2,382,428 | - | 3,862,367 |
| Bank of Scotland | 1,255,610 | 3,452,290 | - | 4,707,900 |
| Standard Chartered | - | - | 16,680 | 16,680 |
| Cash | 89 | 4,828 | 1,284 | 6,200 |
| | 2,735,637 | 5,839,546 | 17,963 | 8,593,146 |

## 11. **Creditors:** amounts falling due within one year

| | 2018 £ | 2017 £ |
|---|---|---|
| Accruals | 431,358 | 199,146 |
| Trade creditors | 61,622 | 329,348 |
| Other creditors | 15,000 | 23,523 |
| | 507,980 | 552,017 |

Accruals include £159,736 (2017: £21,327) relating to initial contractual commitments on recently signed contracts.

## 12. Funds movement

| 2018 | 31 March 2017 £ | Incoming resources £ | Resources expended £ | Exchange gains £ | 31 March 2018 £ |
|---|---|---|---|---|---|
| **Restricted Funds:** | | | | | |
| PLSHL 2 | 5,396,083 | 4,863,719 | (8,818,776) | (351,218) | 1,089,808 |
| AAT 2 | 748,357 | 3,168,003 | (2,879,041) | (162,599) | 874,720 |
| CBPP BEN-1 | 294,569 | - | (183,133) | 33,415 | 144,851 |
| AAT – Ethiopia | 40,000 | - | - | - | 40,000 |
| AgResults Brucellosis | 407,848 | 379,363 | (308,448) | (40,665) | 438,098 |
| ECF Vaccine Diluent | - | 103,793 | (103,793) | - | - |
| Project Mesha | 12,764 | 14,392 | (25,153) | (36) | 1,967 |
| VITAL | - | 9,211,971 | (575,540) | (484,999) | 8,151,432 |
| Boehringer Ingelheim | - | 1,163,848 | (274) | (33,945) | 1,129,629 |
| Health for Animals | - | 28,692 | (5,738) | - | 22,954 |
| Total Restricted Funds | 6,899,621 | 18,933,781 | (12,899,896) | (1,040,047) | 11,893,459 |
| **Unrestricted Funds** | 1,633,411 | 284,835 | (261,726) | (17,808) | 1,638,712 |
| **Total Funds** | 8,533,032 | 19,218,616 | (13,161,622) | (1,057,855) | 13,532,171 |

| 2017 | 31 March 2016 £ | Incoming resources £ | Resources expended £ | Exchange gains £ | 31 March 2017 £ |
|---|---|---|---|---|---|
| **Restricted Funds:** | | | | | |
| PLSHL 2 | 7,267,518 | 5,245,719 | (7,694,051) | 576,897 | 5,396,083 |
| AAT 2 | 4,594,320 | (162,034) | (4,101,732) | 417,803 | 748,357 |
| CBPP BEN-1 | 508,257 | - | (288,792) | 75,104 | 294,569 |
| AAT – Ethiopia | 40,000 | - | - | - | 40,000 |
| AgResults Brucellosis | - | 740,639 | (338,516) | 5,725 | 407,848 |
| ECF Vaccine Diluent | - | 83,431 | (83,431) | - | - |
| Project Mesha | - | 21,696 | (8,932) | - | 12,764 |
| Total Restricted Funds | 12,410,095 | 5,929,451 | (12,515,454) | 1,075,529 | 6,899,621 |
| **Unrestricted Funds** | 1,400,929 | 233,101 | (619) | - | 1,633,411 |
| **Total Funds** | 13,811,024 | 6,162,552 | (12,516,073) | 1,075,529 | 8,533,032 |

*Programme objectives and funding*

The purpose of the PLSHL 2 programme was to build on the work carried out under PLSHL 1, but with more focus given to increasing market development and access initiatives to benefit a greater number of poor livestock keepers. Work was also extended into the following diseases: PPR, CBPP and CCPP, which were previously feasibility studies under PLSHL 1. The programme was jointly funded by BMGF (80%) and DFID (20%).

The purpose of the AAT 2 programme is to build on the work started under previous AAT programmes resulting in the production of new and improved AAT control tools (i.e. pen-side field diagnostic tests, new drugs and new candidate vaccines) in animals that are affordable and meet demand from farmers and stimulate markets for such products. The programme is jointly funded by BMGF (53%) and DFID (47%).

## 12. Funds movement (continued)

The CBPP BEN-1 programme evaluated the ability of the BEN-1 vaccine to act as a highly effective and safe CBPP vaccine that meets the target product profile as it is a pivotal enabler for the control and then possible elimination of the disease in Africa. The programme was jointly funded by BMGF (84%) and DFID (16%).

The AAT Ethiopia programme is a collaboration project on AAT research at Addis Ababa University in Ethiopia between the University of Glasgow, the University of Edinburgh, Addis Ababa University and GALVmed.

The Brucellosis programme is a competition, managed by GALVmed, to develop and register a safe and efficacious vaccine against *Brucella melitensis*, the main cause of human infections with Brucella and a significant economic burden in developing countries. It is fully funded by the AgResults consortium.

The ECF Vaccine Diluent Improvement programme, funded by BBSC, was a collaboration between GALVmed, CTTBD and Arecor to transfer British technology and expertise from the human health sector into livestock disease control in the developing world context. The aim was to trial the use of novel formulations to replace the currently used ECF-ITM vaccine diluent.

Under the Project Mesha Technical Support programme, GALVmed is providing technical support to the Aga Khan Foundation in a BMGF supported project designed to improve the productivity of small ruminant rearing in Bihar, India.

The VITAL programme has two strands: product development and commercial development. The broad objectives are: 1) to develop six new high impact livestock vaccines ready for commercial production and suitable for widespread use by smallholders in Africa and South Asia; and 2) to partner the animal health industry to establish five large scale portfolio distribution networks in Africa and South Asia with each initiative being capable of generating positive cash flows by year 4 and achieving subsequent growth and expansion through these profits. The programme is jointly funded by BMGF (80%) and DFID (20%).

The Boehringer Ingelheim (BI) programme is fully funded by BMGF with a sub-award to BI through GALVmed. Its objective is to deliver a viable business model for providing quality veterinary healthcare to smallholder farmers in Africa. The key activities for this programme are 1) a registration initiative of BI products in three key markets; and 2) a distribution and awareness initiative which accelerates the accessibility of a portfolio of products to areas which are normally very difficult to access through usual distribution networks.

Funding under the Health for Animals programme is to engage a consultant who will provide expertise in support of creating a mutual recognition procedure for a registration process for animal health products in the East African Community.

## 13. Total assets – analysed between funds

| 2018 | Fixed assets £ | Net current assets £ | Total £ |
|---|---|---|---|
| **Restricted Funds** | | | |
| PLSHL 2 | 23,757 | 1,066,051 | 1,089,808 |
| AAT 2 | - | 874,720 | 874,720 |
| CBPP BEN-1 | - | 144,851 | 144,851 |
| AAT - Ethiopia | - | 40,000 | 40,000 |
| AgResults Brucellosis | 907 | 437,191 | 438,098 |
| Project Mesha | - | 1,967 | 1,967 |
| VITAL | - | 8,151,432 | 8,151,432 |
| Boehringer Ingelheim | - | 1,129,629 | 1,129,629 |
| Health for Animals | - | 22,954 | 22,954 |
| **Unrestricted Funds** | 40,823 | 1,597,889 | 1,638,712 |
| **Total** | 65,487 | 13,466,684 | 13,532,171 |

| 2017 | Fixed assets £ | Net current assets £ | Total £ |
|---|---|---|---|
| **Restricted Funds** | | | |
| PLSHL 2 | 75,612 | 5,320,471 | 5,396,083 |
| AAT 2 | - | 748,357 | 748,357 |
| CBPP BEN-1 | - | 294,569 | 294,569 |
| AAT - Ethiopia | - | 40,000 | 40,000 |
| AgResults Brucellosis | 1,742 | 406,106 | 407,848 |
| Project Mesha | - | 12,764 | 12,764 |
| **Unrestricted Funds** | - | 1,633,411 | 1,633,411 |
| **Total** | 77,354 | 8,455,678 | 8,533,032 |

## 14. Financial Instruments

| | 2018 £ | 2017 £ |
|---|---|---|
| The company has the following financial instruments: | | |
| Financial assets that are debt instruments measured at amortised cost | 66,631 | 139,074 |
| Financial liabilities measured at amortised cost | 507,980 | 552,017 |

Debt instruments measured at amortised cost comprises other debtors.
Liabilities measured at amortised cost comprises trade creditors, accruals and other creditors.

## 15. Operating lease commitments

At 31 March 2018 GALVmed was committed to a total of future minimum lease payments under non-cancellable operating leases for land, buildings and equipment for each of the following periods:

| | 2018 £ | 2017 £ |
|---|---|---|
| Not later than one year | 71,550 | 103,729 |
| Later than one year and not later than five years | 40,876 | 70,424 |

## 16. Share capital

The company is limited by guarantee and does not have share capital.

## 17. Reconciliation of Net Income/Expenditure to Net Cash Flow from Operating Activities

| | 2018 £ | 2017 £ |
|---|---|---|
| **Net Income/(expenditure) for the reporting period (as per the statement of financial activities)** | 6,056,994 | (6,353,521) |
| **Adjustments for:** | | |
| Depreciation charges | 40,130 | 41,102 |
| Loss on sale of assets | 432 | - |
| Interest from investments | (108,180) | (45,693) |
| Decrease/(Increase) in debtors | 160,826 | (282,033) |
| (Decrease) in creditors | (44,037) | (55,079) |
| **Net cash provided by operating activities** | 6,106,165 | (6,695,224) |

## 18. Related parties

During the period to 31st July 2017, £86,290 (2018 full year £405,021) (2017: £116,698) was paid to The Pirbright Institute, a registered charity incorporated in England and Wales, in which Prof M Rweyemamu was a member of its Scientific Advisory Board up to 31st July 2017. The payments were for contracted work on African Swine Fever (ASF) vaccine and Peste de Petits Ruminant (PPR) vaccine. £84,879 was accrued at year end for work completed in relation to the PPR project.

£128,250 (2017: £177,569) was paid to The Centre for Ticks and Tick Borne Diseases (CTTBD), an organisation registered in Malawi in which Peter Jeffries, Chief Executive, is an interim Board Member. The amount paid included: £Nil (2017: £92,715) of advance funding and £35,696 (2017: £44,421) relating to onward dissemination of funding for the ECF Vaccine Diluent programme for which there is a further amount due at 31 March 2018 of £14,968. Also at 31 March 2018, £38,068 was outstanding from CTTBD in relation to costs incurred by GALVmed on CTTBD's behalf. Other payments related to project expenditure for salaries of staff seconded to GALVmed, training costs, supplies and expenses.

£66,020 (2017: £63,749) was paid to Bdellium Consulting Limited, a company registered in Nigeria in which Prof F Sonaiya is a director. Prof F Sonaiya retired as a Board Director in September 2017. The payments were for contracted work to implement vaccination against Newcastle disease and deworming in village chickens in Nigeria. No balance was owing at the year end.

In the year to 31 March 2017 related party transactions took place as follows: £19,302 was paid to The Moredun Foundation, a charitable company in which Dr P Wells, Board Co-Chair, was a trustee until he resigned in September 2016, in respect of rental charges for the Edinburgh office; £900 of consultancy fees were paid to Borders Technology Management, a company in which Gwynneth Clay, a senior manager, was a director until she resigned in 2016; £150 was paid to Heather Gammon, a consultant who is married to Neil Gammon, Director, Business Development, for editorial services. There were no such related party transactions during the year to 31 March 2018.

The Board Directors consider all the transactions during the year to have been undertaken on an arm's length basis

## 19. Ultimate controlling party

GALVmed is constituted under its Memorandum and Articles of Association and is managed by its appointed Board Directors.