

# LifeArc

Annual Report  
& Accounts 2022

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## Foreword - A new approach for even greater impact

The past year has been one of exciting evolution at LifeArc, strengthening our position to drive real advances to address the urgent needs of people living with complex conditions.



## Translational Challenges

LifeArc is focused on translational science, bridging the gap between academic research and clinical development, bringing experts together to create the ecosystem needed to unlock science and accelerate medical progress. LifeArc's unrivalled, collective know-how and ability to foster innovation has made the organisation a trusted partner to life science and patient communities, bringing together research, advice and investment, and acting as a catalyst to drive more scientific opportunities towards solutions for patients.

The formal launch of our first Translational Challenges – in motor neuron disease (MND) and chronic respiratory infection – signalled a major transition in our approach. Traditionally, LifeArc has been a response-mode funder, very strong scientifically and a catalyst to push great science from the lab towards real world health solutions. However, this has all been done at a distance from the day-to-day realities of patients. Now, through the Translational Challenges, we are working hand-in-hand with experts by experience – those living with diseases and those caring for them.

We have further opened our doors to patient groups and they have opened our minds to the fact that real impact will come from a range of solutions that may be as unique as the patients who need them. Each device, technology or therapy could have a truly life-changing impact on the people who need them.

What better organisation than LifeArc for challenges like this? Our financial model affords us the opportunity and flexibility to shoot for ambitious projects of real unmet need – projects with higher costs and smaller patient populations, where the risk is too great for industry. We believe we can make a major impact in these 'orphan' areas, by creating ecosystems that link global scientific excellence, patients, clinicians and industry. We invite organisations and individuals with expertise in these disease areas – from discovery science to healthcare delivery – to join us.

We would like to thank Karen Skinner, Chief Project and Portfolio Officer, and Dave Powell, Chief Scientific Officer, for bringing the organisation together to drive the Translational Challenges, and we look forward to seeing their momentum build during 2023.

## Early Ventures

The results we saw in 2022 from our strategy to invest in promising early stage life science ventures has really proven the model. Our Early Ventures team guided two multi-million-dollar exits by young companies in our portfolio. These not only provided income to LifeArc to fuel our charitable funding programmes, but also enabled the novel products being developed to progress towards patient benefit in the hands of larger pharmaceutical and biotech companies.

We are particularly proud of the success of RQ Bio, a company co-founded and sole funded by LifeArc in 2021. In May 2022, AstraZeneca entered into a licence agreement for RQ Bio's portfolio of early stage monoclonal antibodies targeted against SARS-CoV-2, bringing more treatments for immunocompromised patients with COVID-19 another step closer.

## Looking Ahead

Since the launch of our new strategy in 2021 – and under the expert guidance of new Chief Financial Officer, Stéphane Maikovsky – we've worked to refine our strategic approach further. From 2023, we'll foster increasing overlap between our philanthropic spend, Early Ventures and Translational Challenges – investing in our priority healthcare areas – while ensuring we continue to support the best scientific ideas from across the spectrum of human health.

We will be building on the success of our Early Ventures investment programme, our continued scientific outputs and our commercial platform to proactively drive financial sustainability in the future. This will allow us to drive more promising scientific ideas through the translation pipeline for generations to come.

We will also put new emphasis on tracking and reporting on the difference we make. The nature of the scientific research pathway means it's not always easy to join the dots between the steps on the long road from the laboratory to the patient.

In 2022, we began developing the LifeArc Impact Programme. In this vital piece of work we traced the journeys of some of our past projects to identify their impact for the first time. We also created a planning framework that will ensure the science we support now has the best possible chance of making a difference to patients, and that we can clearly articulate the role we play. In 2023 we will develop the LifeArc Theory of Change to facilitate and embed this new way of working, and publish some of the great impact stories we identified from the past 15 years.

## Our People

We would like to acknowledge the hard work and committed service of the Board of Trustees in 2022, and the valuable contribution of our Strategic Advisory Council. Enormous thanks to Dr Les Hughes, who stood down as a Trustee in 2022, and to Ian's predecessor as Chair of the Board, Dr John Stageman. John deftly led LifeArc through the monetisation of Keytruda® and set the organisation up for this next phase of growth and impact.



We also wish to acknowledge the sad loss of Aisling Burnand - a valued LifeArc Trustee since 2017, and a friend. Aisling believed in the power of medical research to improve people's lives and dedicated her life and career to advancing medical research, always putting the patient voice central to decision-making. In her memory, from 2023, LifeArc will sponsor five, three-year Aisling Burnand Daphne Jackson Research Fellowships for talented scientists returning to research after a career break, in our priority healthcare areas.

Finally, we thank all of our staff for their resilience and dedication during a year of change. Their engagement with the cause is fantastic, and we know that our ever deeper, closer and clearer connection to LifeArc's purpose over the coming years will fuel even more excellent work across the organisation.



Dr Melanie Lee  
Chief Executive Officer

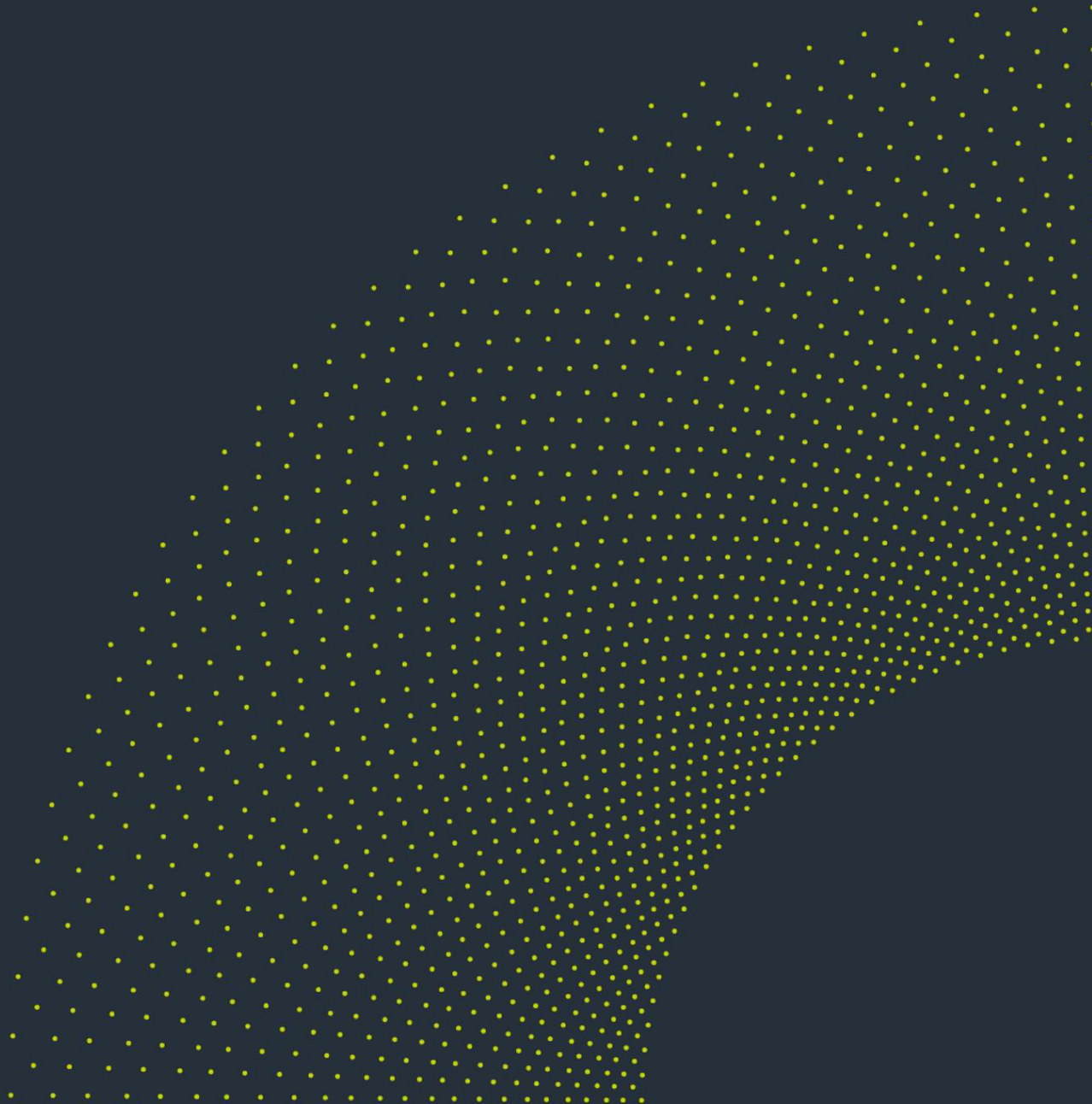


Dr Ian Gilham  
Chair

# LifeArc

Trustees'  
Report

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## Objectives & Activities

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### Who We Are & What We Do

At LifeArc our ambition is to make life science life changing. We turn promising life science ideas into medical advances that can change patients' lives by:

- Providing translational advice to researchers and research institutions
- Carrying out applied research in drug discovery and diagnostics
- Funding innovative research and science start-ups

We are a not-for-profit research organisation, self-funded primarily through the returns from our investment portfolio established as a result of a one-off payment received from monetising a portion of our rights to royalties from the immuno-oncology drug Keytruda® in 2019.

Our independent charitable status gives us greater freedom to invest in promising but high-risk science. This means we can respond to areas of high and unmet patient need, when others are reluctant to provide support.

We employ over 200 people across four sites in the UK.

### Strategy & Achievements

LifeArc's strategy, launched in 2021, is built on three pillars. Here we outline some of the achievements made in 2022 under each strategic pillar.

### Translational Challenges

Translational Challenges are multi-partner, multi-project programmes, each responding to an urgent unmet need expressed by patients, for which LifeArc believes we can mobilise the life science sector to achieve solutions.

### Achievements

We worked with patients, scientific and medical experts to define the unmet needs and goals of our Translational Challenges. We conducted groundwork into two potential Challenges centred on rare diseases and paediatric oncology, and introduced our first three Challenges.



## 01 In the Chronic Respiratory Infection Translational Challenge

we will invest up to **£100m** to catalyse the development of new diagnostics, treatments and technologies for people living with bronchiectasis and cystic fibrosis. This included investing **£10m** to fund collaborative projects seeking to repurpose existing compounds as potential treatments.

## 02 Our Motor Neuron Disease Translational Challenge

will see investment of up to **£100m**. Through this Challenge we aim to disrupt the status quo and develop new diagnostic tests, drug treatments, medical devices and other digital solutions to transform people's quality of life and save lives.

## 03 Work commenced in our Global Health Translational Challenges

through which we plan to channel more than **£100m** to reduce the global burden of communicable diseases, especially in low and middle income countries. In 2022 we refined the strategy and explored opportunities for partnership with global stakeholders. We will launch the Challenges publicly in 2023.

## Impact With Partners

We work in partnership with other medical research organisations to more rapidly advance and translate the innovative science and ideas being explored by academia, charities and patient groups. This important activity of LifeArc builds on our years of close association with the strong research base of the UK in particular. It is proven as an important gateway to LifeArc's networks for our Translational Challenges.

## Achievements

- The world's largest study of the genetics of COVID-19 – funded by LifeArc in partnership with others – published results in March. GenOMICC discovered 16 gene changes linked with the risk of developing severe COVID-19 and the results pave the way for new tests and treatments to protect people.
- Our scientists, with collaborators in Germany, succeeded in generating an antibody that has potential to become an immunotherapy for osteoporosis and multiple sclerosis.
- In partnership with patient-led organisation PSC Support, we funded the FARGO Trial to assess whether transplantation of gut microbes could be an effective treatment for the rare liver disease, primary sclerosing cholangitis.
- Together with the Scottish Government, we funded three research projects into new treatments for rare and complex conditions: Motor Neuron Disease, Duchenne Muscular Dystrophy and Mesothelioma.
- We committed **£30m** to the UK Dementia Research Institute for research into new ways to identify and treat neurodegenerative diseases.
- We joined forces with Great Ormond Street Hospital Children's Charity to award **more than £1.3m** to progress tests and treatments for rare childhood diseases.

- With the MRC we launched an online toolkit of guidance for charities and others about repurposing medicines. This approach can bring new life-changing treatments to patients more rapidly, and our toolkit will help organisations to navigate the journey.
- As part of our work in rare diseases, we launched our **£5m** Gene Therapy Innovation Fund for researchers working to advance gene therapy technologies for people living with a genetic condition.

## Early Ventures

Investing and building early stage companies with the potential to transform patients' lives.

### Achievements

- LifeArc's portfolio company RQ Bio signed a licensing agreement with AstraZeneca, worth up to **\$157m**, to in-license a suite of RQ Bio's pre-clinical stage monoclonal antibodies against COVID-19.
- Ducentis BioTherapeutics – a young company we invested in– was acquired by Arcutis Biotherapeutics in a transaction valued at up to **\$400m** to progress treatment for atopic dermatitis.
- AbbVie acquired our portfolio company DJS Antibodies for **\$255m** in cash. DJS developed an antibody with potential for the treatment of idiopathic pulmonary fibrosis.

## Other Achievements

- Antibody treatment lecanemab hit the headlines when it was found to have promising results in slowing early stage Alzheimer's disease. LifeArc provided antibody expertise to assist the development of this immunotherapy.
- LifeArc scientists were instrumental in developing the world's first monoclonal antibodies for asthma, now poised to enter a first-in-human clinical trial.

## Plans for the Future

LifeArc will continue to focus on bringing innovative science into healthcare, to have real impact for patients. As an independent charity with significant available funds and strong partnerships with organisations and individuals across the life sciences ecosystem, we are positioned to build and drive a global community in translational science – and to develop platforms and convene expertise.

We are refining our strategy into two main strands – Translational Challenges and Financial Sustainability.

### 01. Translational Challenges

We will build Challenges to address underserved areas that are ripe for translation within five healthcare themes: neurodegeneration, respiratory health, global health, rare disease, and paediatric oncology. Here, we will continue to work with scientists, industry, charities, patients and healthcare professionals to accelerate healthcare innovation, including by investing in young companies aiming to play a part in addressing unmet needs in these areas.

## 02. Financial Sustainability

We must maintain and build our resources and continue to build on our unique capabilities through growing our talent, so that we can keep funding and developing programmes that will save lives. Although we plan to invest **£1.3bn** by 2030, we are also committed to financial sustainability. We aim to achieve this sustainability through returns from our investment portfolio and Early Ventures investments over this period to generate financial returns, whilst further leveraging our investment in research, and developing deeper and broader commercial relationships.

These two pillars are underpinned by enablers of communications, people and infrastructure, with the entire strategy centred on our working with others to deliver real impact for patients and their families. This will require putting in place a monitoring and evaluation system to capture data to effectively track and demonstrate how our activities contribute to delivering patient benefit in the long term, known as the LifeArc Impact Programme.

Across our strategic pillars, we will continue to collaborate with partners to maximise the impact we can have for patients. This activity includes supporting academic partners in translational science, connecting patients with our Translational Challenges, and assessing the opportunities that could be realised from charity research portfolios. As our scientific data strategy continues to emerge, we will be able to realise even more benefit for patients from these critical partnerships.

## People Report

Over 80 individuals chose to join LifeArc to contribute to our mission to make life science life changing, bringing our workforce to 242 at the end of December 2022.

### Translate Your Potential

Providing opportunities for our people to build their capabilities at LifeArc is a key to our ability to transform to deliver our strategy and longer-term ambition. In 2022, we provided growth development experiences for our people, awarded more than 80 promotions, and worked on our talent pipelines. By creating new science career paths, we provided more clarity about how individuals can grow within their role and through progression. In 2023, we will develop career paths for other teams, providing inclusive opportunities for all our people to translate their potential.

### Creating A Culture Of Belonging

We seek diversity in people and believe it benefits LifeArc, creating a more inclusive environment where innovation flourishes. Building on the foundations of our 2021 Equity, Diversity and Inclusion (EDI) commitment, in consultation with representatives from across LifeArc, we developed our EDI Strategy. This sets out our vision and aspirations to embed EDI into every aspect of our organisation, focusing on creating inclusion across our culture, advice and funding, science and research and engagement with our partners. We incorporated contextualised recruitment – taking into account achievements according to each applicant's unique circumstances – into a refreshed early career hiring programme, to help us hire from a more diverse talent pool. We continued to support and encourage our people to bring their whole selves to work, and to evolve our hybrid working approach to meet the needs of our people and LifeArc. We have signed up to the UK government's Disability Confident scheme and voluntarily published our first Gender Pay Gap Report and action plan. Find more information on our website.

## Engaging Our People

During the year we increased our efforts in employee engagement, exemplified by the 'One LifeArc' event in the summer of 2022. This brought together all employees from the four sites (Edinburgh, Stevenage, London and The Francis Crick Institute) for a day of interactive sessions, team building and strategy immersion.

We are developing a new reward strategy to ensure we can continue to attract and retain talent at all levels. Our employee survey in early 2023 will provide us with rich feedback about areas where we are succeeding and where we can focus further to ensure LifeArc is providing what our people need to fully perform and contribute to our strategy.

## Carbon Report

We are committed to reducing our energy use and greenhouse gas emissions. Here we summarise LifeArc's consumption and emissions for 2022, and how we are approaching our responsibility to reduce our environmental impact.

### Greenhouse Gas Emissions & Energy Use From LifeArc's Activities During 2022 & Previous Year

	2021	2022
Energy consumption used to calculate emissions (kWh)	2,486,291	2,266,941
Energy consumption break down (kWh):		
· Gas (Scope 1)	0	0
· Electricity (Scope 2)	2,471,565	2,242,612
· Transport Fuel* (Scope 3)	14,726	24,329
<b>Scope 1: Direct emissions from owned or controlled sources (such as fuel combustion or company vehicles) in metric tonnes CO<sub>2</sub>e</b>		
Total	0	0
<b>Scope 2: Indirect emissions from the generation of purchased electricity, in metric tonnes CO<sub>2</sub>e**</b>		
Total	525	434
<b>Scope 3: Business travel in employee-owned vehicles, in metric tonnes CO<sub>2</sub>e**</b>		
Total	4	6
<b>Total gross emissions in metric tonnes CO<sub>2</sub>e</b>	<b>528</b>	<b>440</b>
Intensity Ratio: Tonnes CO <sub>2</sub> e per FTE	2	2
Intensity Ratio: Purchased electricity tonnes CO <sub>2</sub> e per 1000 sq m floor area	0.1	0.1

\*Relates to LifeArc employee mileage claims for personal vehicle travel. \*\* Using HMRC UK Government GHG Conversion Factors for Company Reporting.

## Increasing Our Energy Efficiency

In 2022,

**9% lower electricity usage**

than the previous year, contributing to a

**17% emissions reduction**

We have identified that our main source of emissions comes from heating and cooling our working environments. This year we reduced our emissions by working with our building managers to identify and power off non-essential systems and equipment whenever buildings are empty, saving energy while maintaining comfortable working conditions.

The second major contributor to our reduction in electricity use was the installation of more efficient air source heat pumps and re-commissioning of existing solar panels at our Stevenage site. We are encouraging all LifeArc's landlords to investigate their energy efficiency and consider renewable energy generation.

LifeArc labs in Edinburgh have begun a Green Labs certification scheme to reduce plastics use and waste generation, with encouraging initial progress.

## Future Priorities For Sustainability

In 2023 we plan to develop a corporate sustainability strategy and integrate it into daily objectives and practice at LifeArc.

We will develop a more granular understanding of electricity consumption across our buildings. This will inform work with our building managers to make further reductions and energy efficiencies. Employee travel surveys will help us to consider ways to reduce emissions from commuting and business travel.

Beyond our owned and controlled sources, we have commissioned analysts to assess the environmental impact of LifeArc's investments and of our key suppliers. Finally, we will continue to support and make progress on existing sustainability initiatives such as Green Lab certification and reduced waste generation.



## Strategic Report

### Charitable Objectives

LifeArc's Articles of Association set out its charitable objectives:

- To promote the public benefit by improving human health and medical research, in particular by assisting the progress of the scientific discoveries and new technologies arising from research into therapeutic treatments, drugs, diagnostics, other technologies or information resources.
- To work with industry, charities, universities, the health service and other relevant bodies, as well as conducting our own research and development as needed, to accelerate the progress of these discoveries and technologies to the stage at which they:
  - Are capable of being made generally available to the medical profession and the public for practical application for the improvement of health and/or
  - Are transferred or licensed to a third party to progress development of such discoveries or technologies towards such goals.

### Public Benefit

The Trustees confirm that they have paid due regard to the public benefit guidance published by the Charity Commission and have referred to the guidance in the Charity Commission's general guidance on public benefit when reviewing their aims and objectives and in planning future activities. In particular, the Trustees have considered how planned activities will contribute to the organisation's aims and objectives.

### Promoting LifeArc's Success

The Trustees have a duty to promote LifeArc's success by advancing its charitable objectives to promote medical research for the benefit of the public. In doing so they are required by section 172(1) of the Companies Act 2006 to take into account a number of factors. These include:

#### The likely consequences of any decision in the long term

The Board is responsible for setting and keeping under review LifeArc's strategic direction. All major decisions likely to affect the long-term future of the organisation are discussed at Board meetings or meetings of the relevant committee.

#### The interests of the company's employees

The Board recognises that having a talented and diverse workforce, in whom we invest, is key to LifeArc being able to deliver on its strategic ambitions. Further details on what we are doing in this area can be found in the People report on page 11.

#### The need to foster the organisation's business relationships with suppliers, customers and others

Our relationships with our suppliers and collaborators are critical to our success. Our business practices promote fairness, openness and integrity, and this is reflected in the way we do business with others. We work closely with our suppliers to ensure that we receive high standards of supplies and services. During the year we introduced a Supplier Code of Conduct. We work closely with a range of academic, charitable and commercial organisations, as well as patient groups, in pursuit of our strategic goals.

### The impact of the company's operations on the community and the environment

The Carbon Report on page 12 outlines LifeArc's greenhouse gas emissions and activities designed to reduce our environmental impact.

### The desirability of the company maintaining a reputation for high standards of business conduct

LifeArc is proud to maintain a high standard of business conduct and our Trustees are alerted to any matters that might cause a reputational risk to the organisation.

### The need to act fairly as between members of the company

As a company limited by guarantee, LifeArc does not have any shareholders. Serving Trustees are LifeArc's only members.

## Risk Report

The Board of Trustees is responsible for setting LifeArc's strategic objectives, risk appetite and the approach to risk management. Throughout 2022, the Board has considered risk in terms of the wider environment in which LifeArc operates, ensuring significant risks and threats are identified and monitored. In addition, significant strategic risks are considered within the strategic planning process to ensure LifeArc's aims can be successfully achieved.

The Board delegates the arrangements for identifying and monitoring risk and the effectiveness of internal control systems to the Audit and Risk Management Committee (ARMC) with the day-to-day management of risk delegated to the Chief Executive and discharged across the Executive. A Head of Risk and Assurance facilitates and maintains a consistent risk management process across the organisation, ensuring major identified risks are reviewed and assessed.

The following table summarises the principal risks being proactively managed and mitigated across LifeArc.

Nature of Risk	Risk	Management and Mitigation of Risk
Strategic Delivery Risk	<b>Delivering Impact:</b> There is a risk that LifeArc is unable to achieve patient impact through a failure to establish/execute our Translational Challenges (TCs), Early Ventures and associated Impact with Partner programmes.	The Board and Executive have made available the required resources and expertise to execute the strategy and the appropriate governance to control and monitor execution.
Strategic Delivery Risk	<b>Third Party and External Partnerships:</b> As we increase our engagement with, and reliance on third party suppliers, innovators, licensees, and collaborations, there is a risk that we may not optimally, select, deliver, and manage these partnerships.	Management have established systems and processes to undertake financial, legal, reputational and scientific diligence prior to and during supplier and partner delivery. Additionally, we have established business development and procurement teams to support the organisation in establishing and managing relationships and decisions are made based on a risk-based scheme of delegation to ensure decisions are taken at the right level.

Nature of Risk	Risk	Management and Mitigation of Risk
<b>Financial Risk</b>	<p><b>Financial Sustainability:</b> Investment portfolio and Early Ventures portfolio: There is a risk that LifeArc may not achieve the required investment performance over the longer term. This would impact funds available to deliver the strategy.</p>	<p>The Board has approved an investment strategy (including ESG), and investment risk appetite, which manifests in an 'Investment Policy Statement' and a strategic asset allocation (SAA) which is designed to deliver our expected long-term returns within our agreed risk appetite. Robust oversight and monitoring are maintained by the Investment Committee which includes appropriately skilled Co-Opted members and Trustees.</p> <p>Our Early Ventures strategy is executed by a team of professional investors supported by the translational skills of the wider organisation with oversight provided by an Early Ventures Investment Committee which includes appropriately skilled independent members and Trustees.</p>
<b>Operational Risk</b>	<p><b>Platform Technology:</b> There is a risk that we do not develop the right discovery technology and platforms to support our TCs and contribute to patient impact in the longer term.</p>	<p>The Science function has re-structured and re-focused its portfolio to deliver projects to the TCs and resource technology platform upgrades to align with the future requirements of the TCs.</p>
<b>Operational Risk</b>	<p><b>Management of Change:</b> There is a threat that we fail to manage the significant amount of change required or do not make the changes necessary for the LifeArc to realise our 2030 strategy.</p>	<p>Building change capability has been a priority throughout the year. A Head of Organisation Development was appointed early in 2022 to ensure a dedicated focus. A project and change management programme has been established and the organisation has received training on change and a change management toolkit. Additionally, an organisational effectiveness model has been applied across several key functions.</p>
<b>Operational Risk</b>	<p><b>Recruitment and Retention of Employees:</b> Attracting and retaining the people we need to deliver the strategy is a significant risk which is exacerbated in the current climate by a tight labour market especially in life sciences.</p>	<p>LifeArc's Remuneration Committee oversees reward practices to both enable appropriate recruitment, retention, and ensure alignment to the culture needed to deliver the strategy. A project to refresh our reward philosophy is due to complete in 2023. The Board and Executive team have been engaged with EDI throughout the year, progressing improvements to make LifeArc an attractive place to work. The Nominations Committee has continued to oversee the appointment of new Trustees.</p>
<b>Operational Risk</b>	<p><b>Supply Chain Resilience:</b> LifeArc relies upon suppliers. Due to the volatile state of international markets and global trading conditions, there is a risk that LifeArc may lose access to key supplies without warning.</p>	<p>We have introduced a Supplier Code of Conduct, risk-focused selection processes, and a strong supplier risk management process. We continue to evaluate technological solutions to provide further robustness across our supplier-related controls.</p>



Other major managed risks include: Health and Safety, and IT and Cyber Security. These risks are well controlled. Further to these risks, the Board and Executive Team have been assessing threats from: impacts of inflation and recession, business continuity management, litigation threats and data privacy. These continue to receive a strong focus from functional leads and the Head of Risk and Assurance. This is to ensure the principal threats are being appropriately and adequately identified, managed, and controlled. The Trustees have considered the major risks to which the organisation is exposed and satisfied themselves that systems or procedures are established to appropriately manage those risks.

## Financial Review

	2022 £m	2021 £m
Total Income	22.9	17.9
Total Expenditure	(60.3)	(56.5)
Net (Losses)/Gains On Investments & FX Hedges	(90.1)	133.6
<b>Net Movement In Funds</b>	<b>(127.6)</b>	<b>95</b>
Funds Balance Carried Forward	1,186.4	1,313.9

## Income

Total incoming resources of **£22.9m** (2021: £17.9m) were made up of **£3.3m** (2021: £2.4m) income from charitable activities and **£19.5m** (2021: £15.4m) investment income. Income from charitable activities includes **£1.7m** (2021: £0.7m) of contract and royalty income, and **£1.3m** (2021: £1.2m) received for intellectual property management and technology transfer services.

## Expenditure

Total resources expended during the year was **£60.3m**, an increase of **£3.8m** (6.7%) on 2021 **£56.6m**. Resources expended includes the cost of generating funds, corporate and governance costs and general support costs that are not directly attributable to charitable activities.

## Net Losses on Investment & FX Hedges

Net losses for the year of **£90.1m** was made up of net losses from the Investment portfolio of **£115.6m**, offset by net gains on FX hedges **£0.9m**, and net gains of **£24.6m** from the Early Ventures fund. This is made up of a gain of **£27.7m** from the disposal of two investments, and **£3.1m** net loss on revaluation of other investments in the fund.

## Early Ventures Investments During 2022

In addition to expenditure, LifeArc made investments into early stage life science companies totalling **£17.7m** (2021: £5.1m). This includes both direct investments and indirect limited partnership investments.

## Investment Portfolio Review

2022 was a highly turbulent year for financial markets, with the North American equity S&P 500 Index seeing its worst annual performance since 2008, just as global bonds fell into a bear market for the first time in 70 years. The biggest driver of this was inflation, which hit multi-decade highs and led central banks to embark on their most aggressive tightening cycle in a generation.

In parallel, Russia's invasion of Ukraine led to spikes in energy and food prices that particularly hit emerging market economies. Commodities were among the few assets that ended the year in positive territory.

Against this backdrop, LifeArc's long term investment portfolio fell **£96m** (as a result of gains, losses and investment income) to close the year at a value of **£1,010m**; a decline of **8.7%** in 2022. In relative terms, the portfolio performed reasonably well. This is partly due to having little or no exposure to UK Gilts, which are usually considered to be a conservative investment but fell in value by **25%** in 2022.

The major asset class for the portfolio continues to be global equities. Our transition away from passive equity funds to active global public equity funds continued into 2022, with the bulk of the activity occurring in Q2. The overall bias of the equity content of the portfolio is to quality growth; an investment style that lagged behind value but met our ESG requirements.

We have continued to diversify the asset base. In our private markets' allocation – we now have committed to 15 managers across private equity, venture capital, infrastructure, private credit and real estate.

## Reserves Policy

LifeArc holds reserves to ensure that, as far as is reasonably possible, our long-term strategic plans can be funded, given certain assumptions about future investment returns and income. All of LifeArc's reserves are held in pursuance of our charitable objectives. As a not-for-profit organisation that is primarily funded by investment returns, LifeArc necessarily holds significant reserves to generate enough cash to fund our operations and further our mission. In addition, we hope to generate future returns from our work in translational science and translational funding, which involves high risk activities, is subject to high attrition rates and runs over a lifecycle of around 10 years before commercial returns are realised. The LifeArc Board has determined that LifeArc should seek to continue to exist for the long term to support translational science in the UK and beyond. Our policy, reviewed by the Trustees annually, is to hold reserves which, along with anticipated future income, will enable the organisation to be sustainable in the long term to drive patient impact. LifeArc considers impact and financial sustainability to be compatible and critically co-dependent elements of our strategy.

The Board considers two definitions when measuring reserves for the reserves policy:

01. Total cash and invested reserves
02. Liquid and readily realisable cash and investments excluding any planned allocation to illiquid private investments.

The level of total cash and invested reserves at 31 December 2022 was **£1,177.2m** (2021 : £1,296.8m). The liquid element was **£839.2m** (2021: £954.2m). In setting the reserves policy the Board of Trustees has considered the Charity Commission guidance CC19.

## Structure, Governance & Management

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LifeArc is a company limited by guarantee and a registered charity, established in 2000. The organisation's governing document is its Articles of Association which sets out its charitable objectives (see page 14).

### Summary Of Governance Structure

Responsibility for the day-to-day running of LifeArc falls to the Executive Management Team of paid employees, under authority delegated by the Board of Trustees. The team, under the leadership of the Chief Executive Officer (CEO), proposes to the Board where the organisation should invest its time, money and expertise. It considers proposed strategic changes to the organisation's activities prior to submission to the Board or committees. It is also responsible for developing the financial and operational plans for Board approval and monitoring financial performance.

The Board is responsible for setting strategy and ensuring that there are the necessary financial, human and physical assets to meet the organisation's strategic aims. It monitors LifeArc's performance and oversees risk management. It is also responsible for Trustee and executive management succession planning, overseeing any changes to the organisation's constitution and upholding its culture and values.

The Board delegates oversight and assurance for key business functions to four Board committees: Audit and Risk Management Committee, Investment Committee, Nominations Committee and Remuneration Committee. A new committee – the Board Financial Approvals Committee – with delegated authority to approve certain investments and other financial transactions was established in February 2023.

LifeArc has established a Strategic Advisory Council to provide strategic advice and feedback to the Board from the organisation's key stakeholders.

### Decision Making

There is a clear organisational and control structure and scheme of delegation, which sets out which matters are reserved to the Board for approval and which are delegated to committees of the Board or to the CEO or other executive(s). Matters reserved to the Board include changes to the strategy or budget, approval of significant policies and the organisation's risk appetite. The Board approves the annual budget and strategic goals and monitors financial performance and progress towards the strategic goals at each meeting.

### Charity Governance Code

LifeArc complies with the Charity Governance Code for Larger Charities ('The Code'), which sets out seven principles of good governance practice for charities in England and Wales, and the Charity Commission's guidance. The General Counsel and Company Secretary monitors compliance with the Code and advises the Board on any actions required.

## Executive Management Team (EMT) As At 31 December 2022



Dr Melanie Lee  
Chief Executive  
Officer



Dr Edward Bliss  
General Counsel &  
Company Secretary



Graham Duce  
Chief Investment  
Officer



Fiona French  
Executive Director,  
Human Resources



Stéphane Maikovsky  
Chief Financial  
Officer  
From Jun 2022



Dr David Powell  
Chief Scientific  
Officer  
From Jan 2022



Karen Skinner  
Chief Project &  
Portfolio Officer  
Promoted to EMT in Apr 2022



Anna Tomlinson  
Chief Communications  
Officer  
From Dec 2022



## LifeArc Trustees

### Dr Ian Gilham, Chair



Ian is an experienced leader with an international track record in the research, development and commercialisation of diagnostic and pharmaceutical products. He has proven success in mergers and acquisitions, and strong fund manager, investor relations and advisor networks in the City of London and globally. Ian is currently Executive Chair of Aptamer Group, and non-executive chair of Genedrive plc, Cytos Group and RevoNa Bio. Ian previously held various global management roles at and GlaxoSmithKline and was CEO at diagnostics company Axis-Shield which was sold to Alere (now Abbott Labs) in 2011 and Chair at Horizon Discovery which was sold to Perkin Elmer.

### Lynne Robb, Vice Chair



Lynne joined the LifeArc Board as a Trustee in June 2020 and is Vice Chair and brings significant experience as a CFO in both the charities and life sciences sectors. She was CFO at Cancer Research UK for 11 years and oversaw the integration of the merger of the Cancer Research Campaign and Imperial Cancer Research Fund. Her interest in change and organisational development led her to being involved in several important developments, including the establishment of the Francis Crick Institute.

### Dr Melanie Lee PhD CBE, CEO



Prior to joining LifeArc, Melanie pursued a 30-year career in healthcare R&D and gained leadership experience from both the biopharmaceutical and medtech industries, including as Chief Scientific Officer at BTG, senior positions at GSK and Celltech and Non-Executive Director roles with Lundbeck, BTG, Sanofi and BIAL. She is also a Trustee of the UK Dementia Research Institute.

### Stéphane Maikovsky, CFO



Stéphane joined LifeArc as Chief Financial Officer and Trustee in June 2022. He heads up the Finance, Investment, Early Ventures, Information Technology and Operational Effectiveness teams. Stéphane was previously CFO at the Francis Crick Institute, and has held a number of senior financial, commercial and strategic roles in global biotechnology and business including 16 years at Amgen.

### Daniel Morgan, Trustee



Daniel Morgan has over 25 years' experience of private capital markets, including venture investment in life sciences. He is a Member of the Institute of Chartered Accountants in England and Wales.

## LifeArc Trustees



**Ian Nicholson**, Trustee

Ian has over 35 years' international experience in management and transactions within the life sciences sector including as chairman of Bioventix plc, and operating partner at London-based Advent Life Sciences LLP, and eight years as CEO of the privately held anti-fungal drug development company F2G Limited. Ian has worked extensively in licensing, mergers and acquisitions and market development in the UK, Europe and the US.



**Jo Pisani**, Trustee

Following 30 years in industry and consulting, Jo is a non-executive director of Bioventix plc but is also focused on supporting charities, universities and business start-ups. Jo is on the board of London & Partners, chairs the MedCity advisory board and chairs Birmingham's Precision Health Technology Accelerator. Prior to this, Jo led PwC's UK Pharmaceutical and Life Sciences practice. She is a passionate supporter of critical public health issues, such as tackling dementia and addressing anti-microbial resistance.



**Susan Wallcraft**, Trustee

Sue is an experienced general counsel and company secretary with over 25 years' experience in the pharmaceutical industry and health charities and brings significant legal and governance knowledge to the Board. She is currently General Counsel and Company Secretary for Vernalis (R&D) Limited, and Chair and trustee of Amnesty International Charity and a non-executive director of Medicines Discovery Catapult.



**David Zahn**, Trustee

David has more than 25 years' experience in the investment profession and is currently Head of European Fixed Income at Franklin Templeton. He has also served on a number of charitable boards, including The Health Foundation, Health Data Research UK and the CFA Society of the UK.

## The Board Of Trustees

LifeArc's Board is normally composed of 11 Trustees including the CEO and Chief Financial Officer, who are paid employees of LifeArc. The Trustees fulfil the legally defined roles of members and directors of the charitable company. They have broad and varied backgrounds, bringing to LifeArc not only the requisite governance experience, but also the diverse range of skills the organisation requires, including biomedical sciences, investment fund management, finance and law.

Non-executive Trustees (those who are not paid employees of LifeArc) are not remunerated for their role at LifeArc but are paid expenses. Other expenses incurred in the course of their duties are paid directly by the charity. Trustees benefit from indemnity insurance as allowed by section 234 of the Companies Act 2006.

The Board met four times during 2022.

## Recruitment & Election

Non-executive Trustees are recommended by the Nominations Committee and appointed by the Board through an open recruitment process. As recommended under the Charity Governance Code, Trustees are appointed for a renewable term of three years and are eligible to stand for re-election for a maximum of three consecutive terms. No new non-executive Trustees were recruited in 2022, but further recruitment is planned in 2023. The diversity of the Board is considered when appointing non-executive Trustees, and ensures that LifeArc has Trustees with the skills and experience it needs.

## Induction & Training

New Trustees have a tailored induction to ensure that they understand the organisation's objectives and operations as well as their duties and statutory obligations. They are also given relevant Charity Commission guidance. Further training and development opportunities for the Board as a whole, or for individual Trustees, are identified and delivered as needed. During 2022, the Board received training on equity, diversity and inclusion. Trustees meet regularly with members of the Executive Management Team to discuss all areas of the business.

## Trustees As Members

As a company limited by guarantee, LifeArc is required by company law to have members who act as nominal guarantors should the company ever be wound up. LifeArc has adopted a foundation model of governance where the membership is restricted to serving Trustees.

## Board Effectiveness

Following a skills audit of the Board in 2021, an action plan was agreed to build the range of experience needed to deliver LifeArc's long-term strategy. In line with this plan, upon retirement of Dr John Stageman as Chair in April 2022 and after an open recruitment exercise, Dr Ian Gilham – who has significant international experience in research commercialisation and was appointed to the Board in 2021 – was chosen as Chair.

During the year, additional opportunities were identified to improve the Board's effectiveness, leading to some changes being made to membership of committees. The Scientific Committee was disbanded, and its responsibilities divided between the Board and individual Scientific Advisory Boards attached to each of the Translational Challenges.

The Audit and Risk Management Committee carried out an annual self-assessment exercise and agreed an action plan for improvements.

### Composition of the Board & Committees in 2022

Board of Trustees	Date of Appointment	End date	Committees			
			Audit and Risk Management	Investment	Nominations	Remuneration
<b>Dr Ian Gilham</b> Chair from 4 <sup>th</sup> Apr 2022	Oct 2021				Chair	
<b>Lynne Robb</b> Vice Chair from 25 <sup>th</sup> Apr 2022	Jun 2020		Chair			
<b>Dr Melanie Lee CBE</b> CEO of LifeArc	Nov 2019					
<b>Stéphane Maikovsky</b> CFO of LifeArc	Jun 2022					
<b>Dan Morgan</b>	Nov 2017		Member			
<b>Ian Nicholson</b>	Oct 2021			Member	Member	Chair
<b>Jo Pisani</b>	Dec 2020					Member
<b>Dr Mike Romanos</b>	Mar 2016	Mar 2023				
<b>Susan Wallcraft</b>	Oct 2021		Member	Member		Member
<b>David Zahn</b>	Aug 2019			Chair		
<b>Dr John Stageman</b>	Nov 2014	Apr 2022				
<b>Aisling Burnand</b>	Nov 2017	Nov 2022				
<b>Dr Les Hughes</b>	Mar 2016	Nov 2022				

#### Co-opted Members

<b>Jonathan Marriott</b>	Jan 2020			Member		
<b>Simon Gibson</b>	Oct 2016			Member		
<b>Cindy Rose</b>	Jul 2020			Member		

For further details of our Trustees, please visit our website.



## Committees Of The Board

A summary of the responsibilities of each committee can be found below. Membership of the committees at the date of approving this report is shown on page 24. Most Trustees serve on one or more committees. Membership of each committee and its terms of reference are approved by the Board. Committees can co-opt external individuals to provide additional expertise. Following each committee meeting, the committee Chair provides an update at the next Board meeting, and the minutes of the meeting are made available to the Board.

### Audit & Risk Management Committee

Advises the Board on the adequacy and effectiveness of LifeArc's arrangements for the financial reporting process, the integrity of LifeArc's financial statements, the external and internal audit process, the system of internal controls and the identification and management of risks, and the organisation's processes for monitoring compliance with legislative and regulatory requirements. It oversees audit tenders and the selection and appointment of the external auditor, setting their remuneration and maintaining oversight of their work.

### Investment Committee

Provides appropriate and effective oversight of LifeArc's investment portfolio. Working within the Investment Policy, which is approved by the Board, the committee is responsible for determining asset allocation, approval of fund managers, hedging arrangements, appointment of Investment Consultants, Custodian and other consultants and their terms of engagement, and overseeing the application of the ESG Policy.

### Nominations Committee

Reviews the structure, size and composition of the Board and recommends any changes to the membership of the Board and its committees. It is responsible for succession planning for Trustees and the Executive, identifying and nominating new Trustees to fill vacancies and making recommendations to the Board on the re-appointment of non-executive Trustees. It reviews the membership of the Board committees and of the Strategic Advisory Council. It also oversees LifeArc's equity, diversity and inclusion approach.

### Remuneration Committee

Determines and agrees LifeArc's reward philosophy and associated strategy, and on an annual basis approves the budget and approach for reward in respect of pay awards and performance-related bonus awards. The committee uses benchmark data provided by Willis Towers Watson and OBN, and sets remuneration levels for members of the Executive Management Team with the aim of attracting, retaining and motivating senior leaders who are able to help deliver the organisation's ambitious strategy and goals. Bonus payments are linked to performance as assessed by the Chair in the case of the CEO, and by the CEO in the case of the other Executives. All bonus payments are approved by the committee.

## Conflicts Of Interest

LifeArc's policy on conflicts of interest applies to Trustees and employees alike. A register of Trustees' and executive directors' interests is reviewed at each Board meeting and all employees complete a conflicts disclosure form annually. Completed forms are reviewed by the Company Secretary in order to identify and manage any areas of potential conflict. The Board of Trustees has elected not to publish the registers of gifts, hospitality and interests owing to potential data privacy implications.

## Statement Of Trustees' Responsibilities

The Trustees (who are also the directors of LifeArc for the purposes of company law) are responsible for preparing the Trustees' report and the financial statements in accordance with applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Practice). Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of LifeArc at the balance sheet date and of its incoming resources and application of those resources, including its income and expenditure for the financial year.

In preparing these financial statements the Trustees are required to:

Select suitable accounting policies and then apply them consistently.	Observe the methods and principles in the Charities' Statement of Recommended Practice (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 financial statements.	Prepare the financial statements on a going concern basis unless it is inappropriate to presume that LifeArc will continue in operation.
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The Trustees are responsible for maintaining proper accounting records that are sufficient to show and to explain LifeArc's transactions and to disclose, with reasonable accuracy, at any time, the financial position of LifeArc and to ensure that the financial statements comply with the Companies Act 2006.

The Trustees are also responsible for safeguarding the assets of LifeArc and for taking reasonable steps for the prevention and detection of fraud or other irregularities.

LifeArc's financial statements are published on its website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements. The maintenance and integrity of LifeArc's website is the responsibility of the Trustees. The Trustees' responsibility also extends to the ongoing integrity of the financial statements published on the website.

### Preparation Of Financial Statements

The financial statements have been prepared in accordance with the accounting policies set out in notes to the financial statements and comply with LifeArc's Articles of Association, applicable law, the Statement of Recommended Practice 'Accounting & Reporting by Charities' and Financial Reporting Standard FRS 102.

### Disclosure Of Information To Auditors

The Trustees who held office at the date of approval of this Trustees' report confirm that, so far as each of them is aware:

- There is no relevant audit information of which LifeArc's auditor is unaware; and
- Each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant audit information and to establish that LifeArc's auditor is aware of that information.

### Auditor

PKF Littlejohn LLP has held office as auditor during the year and has indicated its willingness to continue in office as auditor.

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### Approval

The Trustees' Report incorporating the Strategic Report & Directors' Report was:

Approved by the Board of Trustees of LifeArc on: **27 June 2023**

Signature:



Signed on its behalf by:

**Dr Ian Gilham, Chairman**

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# LifeArc

2022

Accounts

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## Independent Auditor's Report To The Trustees & Members Of LifeArc

### Opinion

We have audited the financial statements of LifeArc (the 'charitable company') for the year ended 31 December 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the Cash Flow Statement and notes to the financial statements, including 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 December 2022, and of its incoming resources and application of resources, including 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.

### 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 charitable 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

In auditing the financial statements, we have concluded the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Trustees with respect to going concern are described in the relevant sections of this report.

## Other Information

The other information comprises the information included in the Trustees' annual report, other than the financial statements and our auditor's report thereon. The Trustees are responsible for the other information contained within the Trustees' annual report. 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. 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 course of 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 themselves. 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.

## Opinions On Other Matters Prescribed By The Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the Trustees' annual report, which includes the strategic report and the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The strategic report and the directors' report included within the Trustees' annual report have been prepared in accordance with applicable legal requirements.

## Matters On Which We Are Required To Report By Exception

In the light of our 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 included within the Trustees' annual report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

- Adequate and proper 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 Trustees

As explained more fully in the Trustees' responsibilities statement, the Trustees (who are also the directors of the charitable company for the purposes 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 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 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

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the charitable company and the sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, sector research and application of cumulative audit knowledge and experience of the sector.
- We determined the principal laws and regulations relevant to the charitable company in this regard to be those arising from the Companies Act 2006, Charities Act 2011, Charities and Trustee Investment (Scotland) Act 2005 and Financial Reporting Standard 102.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the charitable company with those laws and regulations. These procedures included, but were not limited to enquiries of management, review of minutes of meetings of the Trustees and review of legal and regulatory correspondence.
- We also identified the risks of material misstatement of the financial statements due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the valuation of unlisted investments. We challenged the assumptions underpinning the fair value assessments by management, comparing these to financial information pertaining to the relevant investment at the year end and post-year end.

We also identified potential for management bias in the depreciation rate applied to tangible fixed assets, and we addressed this by considering the useful economic life applied for the types of asset held, and re-performing the calculation to ensure it had been performed accurately in line with the stated accounting policy.

- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to: the testing of journals; reviewing accounting estimates for evidence of bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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

## Use Of Our Report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's Trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Alastair Duke - Senior Statutory Auditor

For and on behalf of PKF Littlejohn LLP Statutory Auditor  
15 Westferry Circus, Canary Wharf, London E14 4HD

Date: **13 July 2023**

PKF Littlejohn LLP is eligible for appointment as auditor of LifeArc by virtue of its eligibility for appointment as auditor of a company under section 1212 of the Companies Act 2006.



## Financial Statements

### Statement Of Financial Activities

(Incorporating An Income & Expenditure Account)

For The Year Ended 31 December 2022

	Notes	Unrestricted funds £000s	Restricted £000s	Total Funds Dec 22 £000s	Total Funds Dec 21 £000s
<b>Income and Endowments from:</b>					
Charitable Activities	1	2,920	401	3,321	2,343
Trading Activities	–	–	–	–	–
Investments	2	19,536	–	19,536	15,448
Other Income	3	22	–	22	86
<b>Total Income and Endowments</b>	–	22,478	401	22,879	17,877
<b>Expenditure On:</b>					
Raising Funds	4	1,526	–	1,526	1,911
Charitable Activities	5	58,364	401	58,765	54,599
Provisions	19	11	–	11	–
<b>Total Expenditure</b>	–	59,901	401	60,302	56,510
Net (Losses)/Gains on Investments	14/15	(90,991)	–	(90,991)	133,614
Net Gains on FX Hedges	–	851	–	851	–
<b>Net (Expenditure)/Income</b>	–	(127,563)	–	(127,563)	94,981
<b>Net Movement in Funds</b>	21	(127,563)	–	(127,563)	94,981
<b>Reconciliation of Funds:</b>					
Total Funds Brought Forward	21	1,313,922	–	1,313,922	1,218,941
<b>Total Funds Carried Forward</b>	<b>21</b>	<b>1,186,359</b>	<b>–</b>	<b>1,186,359</b>	<b>1,313,922</b>

All income and expenditure derives from continuing activities.

The Statement of Financial Activities includes all gains and losses recognised during the year.

Full comparative figures are presented in note 31.

The accounting policies and notes on pages 36 to 55 form part of the financial statements.

## Balance Sheet

For The Year Ended 31 December 2022

Company Number: 2698321

	Notes	LifeArc 2022 £000s	LifeArc 2021 £000s
<b>Fixed Assets</b>			
Tangible Fixed Assets	12	8,743	10,797
Intangible Assets	13	11,248	13,890
Investments	14	1,053,688	1,129,078
	–	1,073,679	1,153,765
<b>Current Assets</b>			
Investments	15	110,016	162,984
Debtors	16	5,288	2,764
Cash At Bank & In Hand	–	13,472	4,703
	–	128,776	170,451
<b>Creditors: Amounts Falling (Due Within One Year)</b>	17	(15,350)	(9,559)
<b>Net Current Assets</b>	–	113,426	160,892
<b>Total Assets (Less Current Liabilities)</b>	–	1,187,105	1,314,657
Provision For Liabilities	19	(746)	(735)
<b>Net Assets</b>	–	<b>1,186,359</b>	<b>1,313,922</b>
<b>Charity Funds</b>			
Unrestricted Funds	21	1,186,359	1,073,878
Designated Funds	21	–	240,044
Restricted Funds	21	–	–
<b>Total Charity Funds</b>		<b>1,186,359</b>	<b>1,313,922</b>

The accounting policies and notes on pages 36 to 55 form part of the financial statements.

The financial statements were approved and authorised for issue by the Board on 27 June 2023.

Signed on behalf of the Board of Trustees.



Dr Ian Gilham  
Chairman

## Statement Of Cash Flows

For The Year Ended 31 December 2022

	Notes	LifeArc 2022 £000s	LifeArc 2021 £000s
<b>Cash Flow From Operating Activities</b>	23	(54,146)	(49,300)
<b>Net Cash Flow Provided By/(Used In) Operating Activities</b>	–	(54,146)	(49,300)
<b>Cash Flow From Investing Activities</b>			
Payments To Acquire Tangible Fixed Assets	–	(963)	(1,363)
Payments To Acquire Intangible Assets	–	(5)	(203)
Payments To Acquire Investments	–	(35,725)	(712,556)
Receipts From Sale Of Investments	–	49,852	163,776
Dividends, Interest & Rents Received From Investments	–	19,536	15,448
Reclassification From Fixed Asset To Current Asset Investment	–	–	2,032
Decrease In Current Asset Investments	–	52,968	577,426
Increase In Cash Held For Investment	–	(22,748)	(3,116)
<b>Net Cash Flow Provided By/(Used In) Investing Activities</b>	–	62,916	41,444
<b>Change In Cash &amp; Cash Equivalents In The Year</b>	–	8,769	(7,856)
Cash & Cash Equivalents At 1 January	–	4,703	12,559
<b>Cash &amp; Cash Equivalents At 31 December</b>	–	<b>13,472</b>	<b>4,703</b>
<b>Cash &amp; Cash Equivalents Consist Of:</b>			
Cash At Bank And In Hand	–	13,472	4,703
Short-Term Deposits	–	–	–
<b>Cash &amp; Cash Equivalents At 31 December</b>	–	<b>13,472</b>	<b>4,703</b>

The accounting policies and notes on pages 36 to 55 form part of the financial statements.

## Accounting Policies

For The Year Ended 31 December 2022

### General Information & Basis Of Preparation

LifeArc is a charitable company limited by guarantee in the United Kingdom. In the event of the organisation being wound up, the liability in respect of the guarantee is limited to £1 per member of the organisation. The address of the registered office is given on the back cover of these financial statements. The nature of LifeArc's operations and principal activities are progressing early stage science from academic research towards clinical benefit, working with industry and academia to accelerate the delivery of diagnostic tests to patients and providing intellectual property (IP) management and commercialisation services to medical research charities and organisations.

LifeArc constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the financial reporting standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK generally accepted practice as it applies from 1 January 2019.

The financial statements are prepared on a going concern basis under the historical cost convention. The financial statements are prepared in sterling, which is the functional currency of the organisation, and rounded to the nearest £000.

The subsidiary undertaking LifeArc Innovations Limited has been excluded from consolidation on the basis of it not being material, in line with FRS 102 paragraph 9.9A.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented unless otherwise stated.

### Going Concern

The Trustees consider that the use of the going concern basis is appropriate because there are no material uncertainties relating to events or conditions that may cast significant doubt about LifeArc's ability to continue as a going concern, and there is reasonable expectation that the organisation has adequate reserves to continue in operational existence for the foreseeable future.

## Incoming Resources

Income is recognised when LifeArc is entitled to the income, the value can be reasonably measured and it is probable that the income will be received. Incoming resources from charitable activities comprise the following:

- Research contract and development income recognised according to the terms of the contract upon completion of agreed milestones, and royalty income recognised on an accruals basis.
- IP Management and Technology transfer services fees receivable from the Medical Research Council (MRC) and Dementia Research Institute (DRI) which are invoiced in line with the service level agreement.
- Grant income recognised when LifeArc has the right to receive the money. Grants received which are restricted by the donor for performance in future accounting periods are deferred.

Incoming resources from investments comprise the following:

- Investment income together with recoverable tax, recognised on a receivable basis.

## Resources Expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings, they have been allocated to activities on a basis consistent with the use of resources.

- Costs of raising funds are the costs of managing investments for both income generation and capital maintenance and include investment manager fees and investment consultancy fees relating to the costs of the external management of investments of LifeArc.
- Charitable activities comprise expenditure on the direct charitable activities of LifeArc.

## Fund Accounting

The unrestricted fund is a general unrestricted fund which is available for use at the discretion of the Trustees in furtherance of the general objectives of LifeArc and which has not been designated for other purposes.

Designated funds are amounts set aside by the Trustees for specific purposes.

The restricted funds represent grants received in the year which are subject to specific restrictions imposed by the donor.

## Support Cost Allocation

Support costs are those that assist the work of LifeArc but do not directly represent charitable activities and constitute corporate resource and governance costs. They are incurred directly in support of expenditure on the activities of the organisation and have been allocated to activities on an employee headcount basis.

## Accounting For Tangible Fixed Assets

Fixed assets or groups of fixed assets with a cost in excess of £5,000 are capitalised at cost and depreciated according to the disclosed policy.

## Depreciation For Tangible Fixed Assets

Depreciation is provided on a straight-line basis so as to write off the cost or valuation of tangible fixed assets less estimated residual value over their estimated useful economic lives, which are as follows:

Long Leasehold Land and Buildings	Over the period of the lease or useful economic life, whichever is the shorter
Plant and Machinery	10 Years
Laboratory Equipment	5 - 10 Years
Furniture, Fixtures and Fittings and Office Equipment	5 Years
Computers	3 - 5 Years
Leasehold Improvements	Over the period of the lease or useful economic life, whichever is the shorter
IT Infrastructure	10 Years

## Accounting For Intangible Fixed Assets

Intangible assets are capitalised at cost and amortised according to the policy below.

## Amortisation For Intangible Fixed Assets

Amortisation is provided on a reducing-balance basis or straight-line basis with the most appropriate basis for each asset chosen so as to write off the cost of intangible fixed assets less estimated residual value over their estimated useful economic lives, which are as follows:

- Licences – over the period of the licence or useful economic life, whichever is the shorter;
- Antibody Platforms – 20% reducing balance basis.

## Fixed Asset Investments

Investments are recorded at cost and are stated at fair value at the balance sheet date. The unrealised gains and losses arising as a result are included in the Statement of Financial Activities (SOFA) together with any realised gains and losses on any investments disposed of in the year.

Financial assets, including investments in equity instruments which are not subsidiaries, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried, where possible, at fair value and the changes in value are recognised in the SOFA. Assets are considered for indications of impairment, with any impairment then recognised in the SOFA.

## Impairment Reviews

A review of the impairment of fixed asset investments is carried out if events or changes in circumstances indicate that the carrying amount will not be recoverable.

## Current Asset Investments

Investments are stated at market value at the balance sheet date. The unrealised gains and losses arising as a result are included in the SOFA together with any realised gains and losses on any disposals in the year.

## Operating Leases

Rentals paid under operating leases are charged to the SOFA on a straight-line basis over the terms of the lease. Where there is a rent-free period the total cost of the lease is recognised over the term on a straight-line basis.

## Foreign Currencies

Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the balance sheet date.

Transactions which have been concluded prior to the balance sheet date are translated into sterling at the monthly rate of exchange ruling at the date of the transaction. Exchange gains and losses arising in the normal course of operations are included in the SOFA.

## Financial Instruments & Hedging Activities

LifeArc uses forward foreign currency contracts to manage its exposure to fluctuations in foreign exchange rates. These instruments are initially recognised at fair value on the trade date and are subsequently remeasured at their fair value at the end of the reporting date.

All hedging instruments will be recognised on the balance sheet at fair value, and all changes in value of the hedging instrument will be recognised in the SOFA.

## Employee Benefits

When employees have rendered service to the organisation, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

## Pension Costs

LifeArc operates a defined contributions pension scheme which is open to all employees. The funds of the scheme are administered by a third party and are separate from LifeArc. The pension charge represents contributions payable by LifeArc for the year. LifeArc's liability is limited to the amount of the contributions.

## Termination Benefits

Redundancy and termination costs are recognised when there is a legal or constructive obligation which can be measured reliably, and it is probable that a payment will be made.

## Material Items

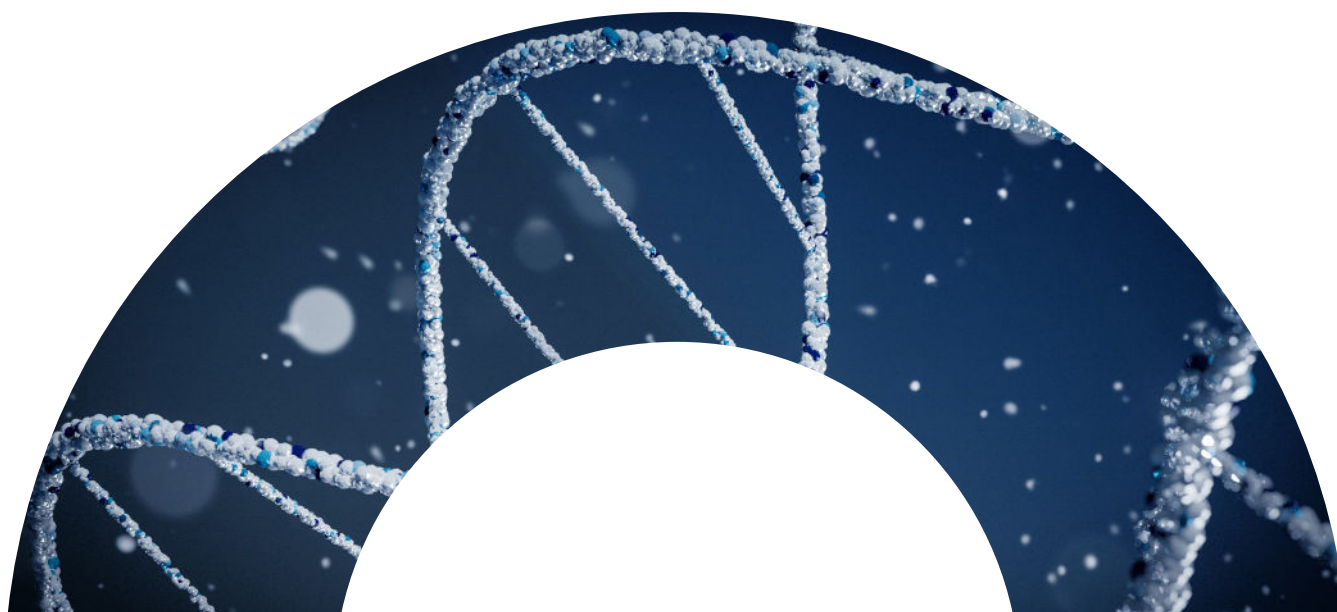
Material items are items which derive from events or transactions that fall within the ordinary activities of LifeArc and which individually need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. The separate reporting of material items helps to provide a better indication of LifeArc's underlying business performance.

## Taxation

LifeArc is a registered charity and is generally exempt from corporation tax but not from value added tax (VAT). Irrecoverable VAT is included with the cost of those items to which it relates.

## Provisions

A provision is made for a liability in the financial statements where LifeArc has a present obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the liability and a reliable estimate can be made of the obligation.





01. Income From Charitable Activities	Dec 2022 £000s	Dec 2021 £000s
Research Contracts & Royalty Income	1,665	709
IP Management & Technology Transfer Services	1,255	1,261
Grants	401	373
<b>Total</b>	<b>3,321</b>	<b>2,343</b>

02. Income From Investments	Dec 2022 £000s	Dec 2021 £000s
Dividends – Equities	944	2,226
Interest – Fixed Interest Securities	17,221	12,527
Interest – Deposits	82	4
Income From Alternative Investments	1,289	691
<b>Total</b>	<b>19,536</b>	<b>15,448</b>

03. Other Income	Dec 2022 £000s	Dec 2021 £000s
Miscellaneous	22	86
<b>Total</b>	<b>22</b>	<b>86</b>

04. Raising Funds	Dec 2022 £000s	Dec 2021 £000s
Investment Office Costs	381	300
Investment Manager & Consultancy Fees	1,145	1,611
<b>Total</b>	<b>1,526</b>	<b>1,911</b>

#### 05. Analysis Of Expenditure On Charitable Activities

	2022			2021
	Activities Undertaken Directly £000s	Support Costs £000s	Total Dec £000s	Total Dec £000s
Respiratory Health	1,751	1,140	2,891	1,959
Neurodegeneration Healthcare	911	576	1,487	97
Global Health Infection	2,410	1,690	4,100	970
Rare Disease	8,366	5,873	14,239	4,306
Other Translational Challenges	752	388	1,140	284
Early Ventures	1,860	1,162	3,022	1,807
COVID-19	1,467	1,030	2,497	14,096
IWP	2,468	1,639	4,107	3,695
Scientific Portfolio	15,088	10,194	25,282	27,385
<b>Total</b>	<b>35,073</b>	<b>23,692</b>	<b>58,765</b>	<b>54,599</b>

LifeArc has updated how we summarise our charitable activities to be more representative of the way LifeArc delivers our activities. Impact With Partners (IWP) activities have started to be allocated to specific healthcare themes where relevant e.g. rare disease. Support costs are then allocated across charitable activities based on FTE.

LifeArc has awarded grants to the following institutions during the year:

Institution	2022 £000s	2021 £000s
Medical Research Council	2,507	1,182
University College London	1,395	1,096
Sheffield University	1,078	156
Birmingham University	627	–
Department Of Health And Social Care	570	–
Francis Crick Institute	533	1,067
Glasgow University	532	184
Manchester University	500	–
Newcastle University	500	–
Edinburgh University	496	260
Kings College London	447	52
Great Ormond Street Hospital	369	187
Action Medical Research	258	205
Trozon X17	220	–
Oxford University	187	352
Cambridge University	134	259
University Health Network	123	500
Dundee University	80	40
Queen Mary University London	49	121
Beacon for Rare Diseases	47	–
Royal Holloway University London	42	20
AUTM Foundation	40	46
Intelligent Lab On Fiber Limited	20	–
Genomics England Limited	–	5,000
Ashford & St. Peter's Hospitals NHS Foundation Trust	–	754
Chelsea & Westminster Hospitals NHS	–	479
Post Era Inc	–	100
University Hospitals Coventry & Warwickshire NHS Trust	–	81

## 06. Allocation Of Support Costs

	Governance £000s	Corporate Resources £000s	Dec 2022 £000s	Dec 2021 £000s
Respiratory Health	45	1,095	1,140	606
Neurodegeneration Healthcare	22	554	576	32
Global Health Infection	64	1,626	1,690	320
Rare Disease	229	5,644	5,873	1,422
Other Translational Challenges	15	373	388	42
Early Ventures	45	1,117	1,162	597
COVID-19	40	990	1,030	4,654
IWP	64	1,575	1,639	1,179
Scientific Portfolio	394	9,800	10,194	8,866
<b>Total</b>	<b>918</b>	<b>22,774</b>	<b>23,692</b>	<b>17,718</b>

Governance costs are detailed further in note 7.

IWP activities have started to be allocated to specific healthcare themes where relevant e.g. rare disease.

## 07. Governance Costs

	Dec 2022 £000s	Dec 2021 £000s
Staff Costs	553	332
<b>Direct Costs</b>		
Other Legal & Professional Charges	38	33
Audit Fees	38	36
Other Fees	53	70
Bank Charges	7	9
Insurance	177	156
Other Governance Costs	52	85
<b>Total</b>	<b>918</b>	<b>721</b>

## 08. Net Income for the Year

Net income is stated after charging/(crediting):	Dec 2022 £000s	Dec 2021 £000s
Depreciation Of Tangible Fixed Assets	2,607	2,792
Amortisation Of Intangible Fixed Assets	2,812	2,827
Operating Leases – Property	1,349	1,337
Auditor's Remuneration	38	36
Fees Payable To Internal Auditor	69	70
Net Losses/(Gains) On Foreign Exchange	(225)	(556)

## 09. Auditor's Remuneration

	Dec 2022 £000s	Dec 2021 £000s
Fees Payable To The Charity's Auditor For The Audit Of The Charity's Annual Accounts	38	36
<b>Fees Payable To The Charity's Auditor For Other Services:</b>		
Other Services	8	5
<b>Total</b>	<b>46</b>	<b>41</b>

## 10. Trustees' &amp; Key Management Personnel Remuneration &amp; Expenses

Remuneration and benefits were paid to Melanie Lee (CEO) and Stéphane Maikovsky (CFO) for their roles as employees of the organisation, not for their positions as Trustees. The aggregate amounts due during the year to Melanie Lee includes basic pay **£288,375** (2021 – £282,000), **5%** flex allowance of **£14,419** (2021 – £14,100), bonus of **£104,580** (2021 – £112,800), Pension contributions **£28,837** (2021 – £28,200), and Other benefits **£9,054** (2021 – £3,191). Stéphane Maikovsky was appointed as Trustee of LifeArc on 17 June 2022. From 17 June 2022 remuneration and benefits were due for his role as an employee of the organisation, not for his position as Trustee. The aggregate amounts paid during the year to Stéphane Maikovsky includes basic pay **£125,481** (2021 – £Nil), **5%** flex allowance of **£6,274** (2021 – £Nil), bonus of **£39,000** (2021 – £Nil); Pension contributions **£10,904** (2021 – £Nil), and Other benefits **£5,493** (2021 – £Nil).

In respect of services provided to LifeArc for the Early Ventures Fund Ian Nicholson invoiced LifeArc **£7,000** for consultancy through Casewell Consulting Limited (2021 £Nil).

All other Trustees neither received nor waived any remuneration during the year (Dec 2021 – £Nil).

The total amount of employee benefits received by key management personnel during the year (made up of basic pay, bonus, pension allowance, employer's pension contribution, employer's NI, and other benefits) was **£3,033k** (2021 – £2,864k). The Trustees consider its key management personnel to comprise the Chief Executive Officer and Executive Management Team.

The following Trustees' expenses were reimbursed or paid directly on their behalf during the year for their services as Trustees:

	2022 No. Trustees	2021 No. Trustees	Dec 2022 £000s	Dec 2021 £000s
Travel & Subsistence	10	3	6	1
<b>Total</b>	<b>10</b>	<b>3</b>	<b>6</b>	<b>1</b>

Included above is **£1,588** (2021 – £Nil) which has been paid directly to third parties.

## 11. Staff Costs & Employee Benefits

The average number of employees, analysed by function, was:

	Dec 2022	Dec 2021
Executive	8	8
Translational Science	110	108
Translational Advice	20	20
Early Ventures	6	5
Scientific Enablers	31	25
Enabling Functions	59	54
Agency/Contract Staff	13	9
<b>Total</b>	<b>247</b>	<b>229</b>

Scientific enablers includes Business Development, Diligence, and Project Management.

The total staff costs and employee benefits were as follows:

	Dec 2022 £000s	Dec 2021 £000s
Wages & Salaries	18,201	15,391
Social Security	2,143	1,683
Defined Contribution Pension Costs	1,326	1,284
Agency/Contract Staff	1,753	1,347
Redundancy Payments	588	659
<b>Total</b>	<b>25,011</b>	<b>20,364</b>

The number of employees who received total employee benefits (made up of basic pay, bonus, and other allowances) of more than **£60,000** is as follows:

	Dec 2022	Dec 2021
£60,001 – £70,000	33	12
£70,001 – £80,000	11	16
£80,001 – £90,000	13	11
£90,001 – £100,000	16	9
£100,001 – £110,000	8	4
£110,001 – £120,000	5	2
£120,001 – £130,000	3	7
£130,001 – £140,000	2	–
£140,001 – £150,000	3	2
£150,001 – £160,000	0	2
£160,001 – £170,000	1	–
£170,001 – £180,000	1	–
£180,001 – £190,000	–	–
£190,001 – £200,000	1	1
£200,001 – £210,000	2	2
£210,001 – £220,000	1	1
£220,001 – £230,000	1	–
£230,001 – £240,000	1	–
£240,001 – £250,000	1	–
£250,001 – £260,000	–	1
£280,001 – £290,000	–	1
£290,001 – £300,000	1	–
£300,001 – £310,000	–	1
£330,001 – £340,000	1	–
£430,001 – £440,000	1	1
<b>Total</b>	<b>106</b>	<b>73</b>

PILON totalling **£268,000** was included in calculating the number of employees who received total employee benefits of more than **£60,000**.

The pension contributions to the defined contribution scheme payable on behalf of 105 (December 2021 – 73) members of staff amounted to **£840,387** (2021 – £623,316).

The redundancy and termination payments in the year totalled **£588,422** (2021 – £658,920), of which **£588,422** (2021 – £529,377) had been paid during the year with **£Nil** (2021 – £129,584) accrued at the year end.

## 12. Tangible Fixed Assets

	Assets Under Construction £000s	Leasehold Improvements £000s	Laboratory Equipment & Plant £000s	Fixtures, Fittings & Computers £000s	Total £000s
<b>Cost</b>					
At 1 January 2022	573	9,848	11,042	3,210	24,673
Additions	54	12	497	400	963
Disposals	–	–	(48)	(53)	(101)
Reclassification	(211)	–	31	180	–
Transfer To Intangibles	(410)	–	–	–	(410)
At 31 December 2022	6	9,860	11,522	3,737	25,125
<b>Accumulated Depreciation</b>					
At 1 January 2022	–	4,440	7,111	2,325	13,876
Charge For Year	–	915	1,228	464	2,607
Disposals	–	–	(48)	(53)	(101)
At 31 December 2022	–	5,355	8,291	2,736	16,382
<b>Net Book Value</b>					
At 31 December 2022	6	4,505	3,231	1,001	8,743
At 31 December 2021	573	5,408	3,931	885	10,797

LifeArc had capital commitments of **£2.1m** at 31 December 2022 (December 2021 – £Nil).

## 13. Intangible Assets

	Synergy Antibody Platform £000s	Software & Licences £000s	Total £000s
<b>Cost</b>			
At 1 January 2022	16,149	598	16,747
Additions	–	5	5
Disposal/Write Offs	–	(447)	(447)
Transfer From Tangibles	–	410	410
At 31 December 2022	16,149	566	16,715
<b>Accumulated Depreciation</b>			
At 1 January 2022	2,706	151	2,857
Charge For Year	2,689	123	2,812
Disposal/Write Offs	–	(202)	(202)
Reclassification	–	–	–
At 31 December 2022	5,395	72	5,467
<b>Net Book Value</b>			
At 31 December 2022	10,754	494	11,248
At 31 December 2021	13,443	447	13,890

14. Fixed Asset Investments	Dec 2022 £000s	Dec 2021 £000s
Investments At Cost	54	54
Unlisted Investments In Early Ventures Fund Held At Fair Value	44,675	19,679
Listed Investments	977,243	1,100,377
Cash Held For Investment Purposes	31,716	8,968
<b>Total</b>	<b>1,053,688</b>	<b>1,129,078</b>

Included within investments at cost is **£10k** in relation to **100%** of the shares in LifeArc Innovations Limited.

Listed investments includes investments held by LifeArc where there is an available market for the investments to be bought and sold, including private equity investments managed and valued by the third party investment managers.

#### Unlisted Investments Held At Fair Value

	2022 £000s	2021 £000s
Fair Value At 1 January	19,679	18,591
Investments In The Year	17,546	9,126
Disposals In The Year	(26,084)	–
Realised Gain During The Year	23,327	–
Unrealised Gain During The Year	9,225	18,725
Reclassification To Fixed Asset Listed Investment	–	(27,270)
Interest Accrued	390	339
Foreign Exchange Gains	572	168
<b>Fair Value At 31 December</b>	<b>44,675</b>	<b>19,679</b>

At the year end LifeArc was committed to investing **£51.3m** (2021 £26.9m) through LifeArc Ventures and as a Limited Partner, and **£72.3m** (2021 £13.8m) from other unrestricted funds.

#### Listed Investments Held At Fair Value

	Dec 2022 £000s	Dec 2021 £000s
Market Value At 1 January	1,100,377	419,966
Acquisitions	18,179	703,430
Sale Proceeds	(23,768)	(163,776)
Unrealised Gain (Loss)	(138,759)	83,548
Realised Gain	21,214	31,380
Reclassification From Fixed Asset Unlisted Investments	–	27,270
Reclassification From Current Asset Investments	–	9,282
Reclassification To Current Asset Investments	–	(11,314)
Foreign Exchange Gains	–	591
Market Value At 31 December	977,243	1,100,377
<b>Historical Cost At 31 December</b>	<b>1,061,591</b>	<b>1,023,492</b>



Portfolio Analysis		Dec 2022 £000s	Dec 2021 £000s
Equities	within the UK	45,414	–
	Overseas	677,908	803,362
Fixed Interest Securities	within the UK	–	–
	Overseas	121,189	195,865
Alternative Investment Inc Private Equity		132,732	101,150
		977,243	1,100,377
Cash		31,716	8,968
<b>Total</b>		<b>1,008,959</b>	<b>1,109,345</b>

## 15. Current Asset Investments

	Dec 2022 £000s	Dec 2021 £000s
At 1 January	162,983	739,380
Net (Withdrawals)/Investment	275	(739,539)
Acquisitions	13,086	1,150,079
Sale Proceeds	(61,200)	(989,294)
Realised Gains/(Losses)	124	(39)
Unrealised (Losses)	(6,142)	–
Interest Received	12	659
Reclassified From Fixed Asset Investments	–	2,032
Foreign Exchange (Loss)/Gain	878	(218)
Management Fees	–	(78)
As At 31 December	110,016	162,982
Historical Cost At 31 December	111,932	159,305

Portfolio Analysis	Dec 2022 £000s	Dec 2021 £000s
Equities Overseas	4,434	11,314
Fixed Interest Securities Within The Uk	–	–
Fixed Interest Securities Overseas	101,749	151,668
Alternative Investment	–	–
	106,183	162,982
Cash	3,833	2
<b>Total</b>	<b>110,016</b>	<b>162,984</b>

The fair value of listed investments is determined by reference to the quoted price for identical assets in an active market at the balance sheet date.

## 16. Debtors

	Dec 2022 £000s	Dec 2021 £000s
Trade Debtors	507	–
Prepayments & Accrued Income	1,938	1,801
Tax Debtor – VAT	979	835
Other Debtors	295	128
Hedge/Derivative Asset	1,569	–
<b>Total</b>	<b>5,288</b>	<b>2,764</b>

## 17. Creditors: Amounts Falling Due Within One Year

	Dec 2022 £000s	Dec 2021 £000s
Trade Creditors	2,039	1,228
Grant Creditors	385	734
Accruals & Deferred Income	7,739	6,233
Other Creditors	4,430	652
PAYE & NI Creditor	757	712
<b>Total</b>	<b>15,350</b>	<b>9,559</b>

## 18. Leases

	Dec 2022 £000s	Dec 2021 £000s
<b>Operating Leases – Lessee</b>		
Total Future Minimum Lease Payments Under Non-Cancellable Operating Leases Are As Follows:		
Not Later Than 1 Year	1,404	1,404
Later Than 1 And Not Later Than 5 Years	2,109	3,487
Later Than 5 Years	–	–
<b>Total</b>	<b>3,513</b>	<b>4,891</b>

## 19. Provisions For Liabilities &amp; Charges

	Provision for Dilapidations £000s	Total £000s
At 31 December 2021	735	735
Additions During The Year	11	–
Amounts Charged Against The Provision	–	–
Unused Amounts Reversed	–	–
At 31 December 2022	746	735

The provision relates to dilapidations for the Edinburgh site, the Lynton House site, and the Stevenage site.

## 20. Grant Commitments

	Expected to be Paid Within 1 Year £000	Expected to be Paid After 1 Year £000	Total £000s
Rare Disease	6,673	4,849	11,532
IWP	3,804	3,257	7,061
COVID	1,034	864	1,898
Neurodegeneration Healthcare	878	820	1,697
Respiratory Health	819	629	1,447
<b>Total</b>	<b>13,207</b>	<b>10,428</b>	<b>23,635</b>

## 21. Fund Reconciliation

	Balance at 1 Jan 2022 £000s	Income £000s	Expenditure £000s	Transfers £000s	Gains (losses) £000s	Balance at 31 Dec 2022 £000s
Unrestricted	1,073,878	21,634	(55,703)	236,690	(90,140)	1,186,359
Early Ventures Fund	216,233	844	–	(217,077)	–	–
Philanthropic Fund	11,389	–	(2,639)	(8,750)	–	–
Crick Fund	4,315	–	(533)	(3,782)	–	–
COVID Fund	8,107	–	(1,026)	(7,081)	–	–
<b>Total Designated Funds</b>	<b>240,044</b>	<b>844</b>	<b>(4,198)</b>	<b>(236,690)</b>	<b>–</b>	<b>–</b>
<b>Total Unrestricted</b>	<b>1,313,922</b>	<b>22,478</b>	<b>(59,901)</b>	<b>–</b>	<b>(90,140)</b>	<b>1,186,359</b>
Restricted	–	401	(401)	–	–	–
<b>Total</b>	<b>1,313,922</b>	<b>22,879</b>	<b>(60,302)</b>	<b>–</b>	<b>(90,140)</b>	<b>1,186,359</b>

In 2022 the Trustees approved the transfer of all designated funds to unrestricted funds. We have developed effective alternative ways of tracking and communicating the use of LifeArc's funds. As a result, the presentation of designated funds in the accounts is no longer required and is discontinued.

	Balance at 1 Jan 2021 £000s	Income £000s	Expenditure £000s	Transfers £000s	Gains (losses) £000s	Balance at 31 Dec 2021 £000s
Unrestricted	1,165,127	17,172	(44,416)	(197,000)	132,995	1,073,878
Early Ventures Fund	23,282	332	–	192,000	619	216,233
Philanthropic Fund	7,800	–	(1,411)	5,000	–	11,389
Crick Fund	4,702	–	(387)	–	–	4,315
COVID Fund	18,030	–	(9,923)	–	–	8,107
<b>Total Designated Funds</b>	<b>53,814</b>	<b>332</b>	<b>(11,721)</b>	<b>197,000</b>	<b>619</b>	<b>240,044</b>
<b>Total Unrestricted</b>	<b>1,218,941</b>	<b>17,504</b>	<b>(56,137)</b>	<b>–</b>	<b>133,614</b>	<b>1,313,922</b>
Restricted	–	373	(373)	–	–	–
<b>Total</b>	<b>1,218,941</b>	<b>17,877</b>	<b>(56,510)</b>	<b>–</b>	<b>133,614</b>	<b>1,313,922</b>

## Fund Descriptions

### 01. Unrestricted Funds

The unrestricted fund is a general unrestricted fund which is available for use at the discretion of the Trustees in furtherance of the general objectives of LifeArc and which has not been designated for other purposes.

### 02. Restricted Funds

The restricted funds are grants received in the year which are subject to specific restrictions imposed by the donor. Grant income includes **£401k** (December 2021 – £373k) from GSK Services and the Royal Commission for the Exhibition of 1851.

### 03. Designated Funds

The designated funds were specifically allocated for the COVID Fund, Early Ventures Fund, Philanthropic Fund, and Crick Fund. The Trustees have approved the transfer of designated funds to unrestricted funds.

## 22. Analysis of Net Assets Between Funds

	Unrestricted Funds £000s	Designated Funds £000s	Total Dec 2022 £000s
Fixed Assets	1,073,679	–	1,073,679
Cash & Current Investments	123,488	–	123,488
Other Current Assets/Liabilities	(10,062)	–	(10,062)
Provisions	(746)	–	(746)
<b>Total</b>	<b>1,186,359</b>	<b>–</b>	<b>1,186,359</b>

	Unrestricted Funds £000s	Designated Funds £000s	Total Dec 2021 £000s
Fixed Assets	937,532	216,233	1,153,765
Cash & Current Investments	143,142	24,545	167,687
Other Current Assets/Liabilities	(6,061)	(734)	(6,795)
Provisions	(735)	–	(735)
<b>Total</b>	<b>1,073,878</b>	<b>240,044</b>	<b>1,313,922</b>

## 23. Reconciliation Of Net Income To Net Cash Flow From Operating Activities

	Dec 2022 £000s	Dec 2021 £000s
Net Income For Year	(127,563)	94,981
Dividends, Interest & Rents From Investments	(19,536)	(15,448)
Movement In Deferred Income On Early Ventures Investments	(390)	(339)
Revaluation (Gain)/Loss On Investments	(572)	(760)
Depreciation And Impairment Of Tangible Fixed Assets	2,607	2,792
Amortisation Of Intangible Fixed Assets	2,812	2,827
(Gains) Losses On Investments	84,973	(133,653)
Loss On Disposal Of Tangible Fixed Assets	–	8
Loss On Disposal Of Intangible Fixed Assets	245	–
(Increase)/Decrease In Debtors	(2,524)	(211)
Increase/(Decrease) In Creditors	5,802	503
Net Cash Flow From Operating Activities	(54,146)	(49,300)

## 24. Pensions & Other Post-Retirement Benefits

### Defined Contribution Pension Plans

LifeArc operates a defined contribution pension plan for its employees.

The amount of contributions recognised as an expense during the year was **£1,326k** (12 months to December 2021 – £1,284k).

## 25. Related Party Transactions

The non-executive Trustees of the Board received no remuneration from LifeArc for their services as Trustees during the year.

Reimbursements for travel expenses with an aggregate value of **£6,399** (December 2021 – £606) were made to 10 non-executive Trustees (December 2021 – three non-executive Trustees). These transactions were carried out on normal commercial terms.

Trustee indemnity insurance was purchased in the year at a cost of **£16,692** including insurance premium tax (2021 – £21,882).

Information about related party transactions and outstanding balances is outlined below:

	Income £000s	Expenditure £000s	Creditor £000s
<b>Medicine Discovery Catapult</b>			
At End Date 31 December 2022	–	177	–
At End Date 31 December 2021	–	389	–
<b>Dementia Research Institute</b>			
At End Date 31 December 2022	55	–	–
At End Date 31 December 2021	61	–	–
<b>Sanofi S.a (Kymab Ltd)</b>			
At End Date 31 December 2022	–	–	–
At End Date 31 December 2021	–	19	–
<b>Association Of Medical Research Charities</b>			
At End Date 31 December 2022	–	90	–
At End Date 31 December 2021	–	68	–
<b>Rq Biotechnology Limited</b>			
At End Date 31 December 2022	21	–	–
At End Date 31 December 2021	85	–	–
<b>Bioindustry Association</b>			
At End Date 31 December 2022	–	36	–
At End Date 31 December 2021	–	26	–
<b>Casewell Consulting</b>			
At End Date 31 December 2022	7	–	–
At End Date 31 December 2021	–	–	–
<b>Beacon For Rare Diseases</b>			
At End Date 31 December 2022	47	–	–
At End Date 31 December 2021	8	–	–

## 26. Post Balance Sheet Events

Since 31<sup>st</sup> December 2022 the value of LifeArc's investment portfolio (excluding Early Ventures) has increased by **£27m** as at 31<sup>st</sup> May 2023 as a result of **£45.4m** gains and income, offset by **£18.4m** of disposals.

## 27. Limited Liability

LifeArc is a company limited by guarantee (Company number 02698321) and thus has no share capital.

In the event of LifeArc being wound up, every member of LifeArc undertakes to contribute no more than £1 to the assets of LifeArc while they are a member, or within one year after they cease to be a member, for the debts and liabilities of LifeArc contracted before they cease to be a member. The number of members at 31 December 2022 was 10 (31 December 2021 – 13).

## 28. Charitable Status

LifeArc is a charity registered with the Charity Commissioners for England and Wales, number 1015243 and a charity registered in Scotland (number SC037861) with the Office of the Scottish Charity Regulator.

## 29. Trading Subsidiary

LifeArc holds 100% of the shares in LifeArc Innovations Limited. Consolidated accounts have not been prepared as its inclusion is not material for the purpose of giving a true and fair view.

## 30. Ultimate Controlling Party

LifeArc is controlled by its members.

## 31. Comparative Statement of Financial Activities

	Notes	Unrestricted Funds £000s	Restricted £000s	Total Funds Dec 2021 £000s
<b>Income &amp; Endowments From:</b>				
Charitable Activities	1	1,970	373	2,343
Trading Activities				
Investments	2	15,448	–	15,448
Other Income	3	86	–	86
<b>Total Income &amp; Endowments</b>		<b>17,504</b>	<b>373</b>	<b>17,877</b>
<b>Expenditure On:</b>				
Raising Funds	4	1,911	–	1,911
Charitable Activities	5	54,226	373	54,599
Provisions	19	–	–	–
<b>Total Expenditure</b>	–	<b>56,137</b>	<b>373</b>	<b>56,510</b>
Net Gains On Investments	14/15	133,614	–	133,614
<b>Net Income</b>	–	<b>94,981</b>	<b>–</b>	<b>94,981</b>
<b>Net Movement In Funds</b>	21	<b>94,981</b>	<b>–</b>	<b>94,981</b>
<b>Reconciliation Of Funds:</b>				
Total Funds Brought Forward	21	1,218,941	–	1,218,941
Cash Flow Hedge Reserve	21	–	–	–
<b>Total Funds Carried Forward</b>	<b>21</b>	<b>1,313,922</b>	<b>–</b>	<b>1,313,922</b>

## Advisers

Statutory Auditors	PKF Littlejohn LLP	15 Westferry Circus, Canary Wharf, London E14 4HD
Bankers	Lloyds Bank Plc	3 <sup>rd</sup> Floor, 25 Gresham Street, London EC2V 7HN
Charity Law Advisors	Bates Wells	10 Queen Street Place, London EC4R 1BE
Internal Auditor	BDO	55 Baker Street, London W1U 1EU
	Grant Thornton UK LLP (from Jan 2023)	30 Finsbury Square, London EC2A 1AG
Investment Advisors	Cambridge Associates Ltd	80 Victoria Street, Cardinal Place, London SW1E 5JL
Investment Custodian	Northern Trust	50 Bank Street, Canary Wharf, London E14 5NT



## Company And Charity Numbers

Company Limited by Guarantee Incorporated in England & Wales No. 2698321

Charity Registered with the Charity Commission for England & Wales No. 1015243

Charity Registered in Scotland with the Office of the Scottish Charity Regulator No. SC037861

## Registered Address And Principal Place of Business

Lynton House, 7 - 12 Tavistock Square, London WC1H 9LT



# LifeArc

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