

LIFEARC

England & Wales · Charity number 1015243

Details

Other names	MEDICAL RESEARCH COUNCIL TECHNOLOGY, MRC COLLABORATIVE CENTRE
Status	Registered
Legal form	Charitable company
Company number	02698321
Registered	1992-11-17
Register	View on the Charity Commission register

Contact

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Activities

Objects: 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 ITS OWN RESEARCH AND DEVELOPMENT AS NEEDED TO ACCELERATE THE PROGRESS OF THESE DISCOVERIES AND TECHNOLOGIES TO THE STAGE AT WHICH THEY ARE (I) CAPABLE OF BEING MADE GENERALLY AVAILABLE TO THE MEDICAL PROFESSION AND THE PUBLIC FOR PRACTICAL APPLICATION FOR THE IMPROVEMENT OF HEALTH AND/OR (II) ARE TRANSFERRED OR LICENSED TO A THIRD PARTY TO PROGRESS DEVELOPMENT OF SUCH DISCOVERIES OR TECHNOLOGIES TOWARDS SUCH GOALS.

Activities: SIC Code: 72110 - Research and experimental development on biotechnology
1. Performing our own research in order to progress technologies and treatments for the benefit of human health.
2. Work with universities, charities, public bodies and industry to accelerate the progression of biomedical discoveries to

develop new treatments or therapeutics for the medical profession and public.

Classification

- **How:** Sponsors Or Undertakes Research
- **What:** The Advancement Of Health Or Saving Of Lives
- **Who:** The General Public/mankind

Geography

- Scotland
- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2024-12-31	£205,043,000	£95,934,000	£1,606,960,000	345
2023-12-31	£169,579,000	£73,489,000	£1,385,478,000	290
2022-12-31	£22,879,000	£60,302,000	£1,186,359,000	247
2021-12-31	£17,877,000	£56,510,000	£1,313,922,000	229
2020-12-31	£9,148,000	£49,659,000	£1,218,941,000	215

Trustees

Name	Role	Appointed
Daniel Morgan		2017-11-20
David Zahn		2019-08-15
Dr Ian David Gilham		2021-10-21
Dr Samantha Marney		2024-11-28
Dr Sameer Mistry		2023-06-27
Dr Teresa Cooper		2023-06-27
Ian James Nicholson		2021-10-21
Joanne Patra Pisani		2020-12-17
Lynne Robb		2020-06-08
PANKAJ DAVE		2026-03-17
Paul Nioi		2026-03-17
Stephane Maikovsky		2022-06-10
Susan Jean Wallcraft		2021-10-21

LIFEARC

England & Wales - Charity number 1015243

Accounts

Annual report and accounts 2024

Making life science life changing



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Forewords

Note from our Chair of the Board

2024 was a pivotal year for LifeArc, marked by significant strides towards tackling underserved conditions. We enhanced our role in bridging the gap between scientific innovation and patients, advancing discoveries that have the potential to transform lives. Additionally, we drove forward initiatives that address some of the most overlooked conditions, underscoring our commitment to making meaningful impact for patients.

LifeArc seeks to act as a catalyst for innovation. We have always focused on tackling complex and overlooked health challenges, bringing together expertise and resources to move science forward. This year, we made significant progress in areas such as motor neurone disease, dementias, and chronic respiratory infections. A key highlight was our launch of the Childhood Cancer Translational Challenge. These efforts exemplify our dedication to ensuring that promising research reaches people with underserved conditions.

We also invest in the infrastructure and networks that underpin progress. In rare diseases, we committed £40 million to establish four Translational Centres for Rare Disease with a range of partners across the country. These centres bring experts together to overcome the persistent challenges of fragmented expertise, dispersed patient populations and limited funding. Similarly, we co-founded the UK's first network of Cystic Fibrosis Lung Health Innovation Hubs with Cystic Fibrosis Trust, to accelerate the development of new diagnostic tools and therapeutic approaches to detect, treat and manage lung infections. And through our experienced Ventures team, we continued to invest in life changing science, bolstering early-stage companies with advice, scientific insight and funding.

Gene therapy is another area where we're championing innovation. The gene therapy innovation centres we are sponsoring in London, Bristol and Sheffield provide vital facilities for researchers working on gene therapies, often targeting rare diseases which can lack research attention due to small patient populations. LifeArc is continuing to focus on this critical area, opening new avenues for discovery and development to ensure that patients with rare diseases are not left behind.

Partnerships remain central to our work. We're participating in groundbreaking programmes such as Our Future Health, which aims to use population genomics to transform the understanding of disease and its treatment across diverse populations. Our collaboration with the UK Dementia Research Institute is focussed on advancing new diagnostic and therapeutic approaches for dementia. We also deepened our commitment to tackling antimicrobial resistance by making a major commitment to, and becoming a founding partner of, the Fleming Initiative. These partnerships highlight the way in which LifeArc seeks to address global health challenges in collaboration with diverse stakeholders including research institutions, policymakers and industry.

Our people have been at the heart of this progress. Dr Sam Barrell joined us as CEO in the autumn, bringing energy, vision and strong leadership which puts us in a powerful position going forward. We have also been joined by our first Chief Medical Officer, Dr Jonathan Morgan, who will play a crucial role in shaping our clinical research agenda. I'm delighted that we have appointed two additional scientific chairs to support our disease-specific areas. These distinguished leaders bring invaluable expertise and have expanded our global networks, accelerating progress and ensuring LifeArc remains at the forefront of

translational science.

Looking ahead, we're excited to build on this momentum and pursue bold, long-term initiatives. Our plans include further developing our programme to deliver tangible patient outcomes, continuing to expand our data science capability, and advancing the consolidation of our operations into a new facility.

I am incredibly proud of what we have achieved. With a sharper focus, strong partnerships and an exceptional team, we're positioned to make significant further progress in 2025. Together we're harnessing innovation to make a lasting difference to the lives of people with underserved conditions.

Ian Gilham,
Chair of the LifeArc Board of Trustees

Note from our Chief Executive Officer, CEO of LifeArc, and our Deputy CEO and Chief Financial Officer

2024 has been defined by transformation and exciting beginnings.

We continued to align every part of LifeArc to better deliver on our mission to progress innovations that could help those with rare and underserved conditions, where limited commercial incentives, complexity or high risk have hindered progress.

We collaboratively established a series of translational centres and hubs for both rare disease and lung health with charity, academic and patient partners from around the UK; co-started an international drug discovery consortium for childhood cancer; funded multiple new clinical trials; conducted our first motor neuron disease community workshops and surveys; and launched our antibody discovery capabilities.

Partnership was critical for each of those initiatives and in all that we do. Alongside advancing our data science capabilities to enhance our ability to conduct patient-focused research, we joined Our Future Health – the world's largest dataset of its kind for health research. We also deepened our efforts to tackle antimicrobial resistance through a partnership with the Fleming Initiative.

Central to this year's transformation were the strides made in planning for a building in London's King's Cross Knowledge Quarter. This new hub will foster collaboration and innovation, improving our ability to deliver cutting-edge translational science.

The people who work at LifeArc have been crucial in our ability to deliver so many important and potentially life-changing projects. We welcomed several new leaders, including a chief medical officer and chief people officer, as well as many new colleagues. Our heartfelt thanks go out to our teams in London, Stevenage and Edinburgh for their dedication to our mission.

LifeArc is poised for continued transformation in 2025. With our partners, we will continue to create positive impact for people with rare and underserved conditions and to tackle global health challenges such as resistant infections. We look forward to 2025 and beyond, as we strive to help those with unmet health needs and continue to make life science life changing.

Dr Sam Barrell CBE
Chief Executive Officer

Stéphane Maikovsky
Deputy Chief Executive Officer (CEO)
Chief Financial Officer (CFO)

Trustees' report



Who we are and what we do

At LifeArc, our mission is to enable science to get health breakthroughs to people with underserved conditions faster.

Translating scientific discoveries into the next drug, diagnostic or device is a long, expensive and unpredictable process. We help to remove barriers to this translation by bridging the gaps between the lab and the patient.

We do this by:

- funding innovative research and investing in science-based companies
- providing scientific support at our on-site labs
- offering translational advice to protect new research and bring it to market more quickly

As a self-funded charity, we can focus on medical challenges that may otherwise be overlooked due to their complexity, risk or commercial uncertainty. This means our priorities can be informed by the needs of people with underserved conditions.

Our purpose, vision and mission

Purpose

To bridge the gap between academic research and clinical development by catalysing scientific discoveries into the next generation of diagnostics, devices, treatments and cures.

Vision

To enhance human health and wellbeing across the globe by removing the barriers that prevent discoveries becoming rapidly available to people with rare diseases and in global health.

Mission

Our mission is to make an impact for people with underserved conditions, by convening the ecosystem to translate scientific discoveries into treatments, tests and other technologies, through innovative science, expert advice, contribution to public policy, and access to funding. This mission is informed and guided by experts, including patients, carers and their families.

Strategy and achievements

Throughout 2024, we continued to help bridge the gap between the lab and the clinic to bring new advances to people with underserved conditions, fuelled by strategic partnerships and our expertise in translation.

We bring people together to form strong partnerships, combining expertise and resources. By working with experts – including patients, caregivers and families – we gain knowledge to help us focus on what matters most.

Major collaborations forged in 2024 include our partnership with Our Future Health (OFH), Britain's largest health research programme of its kind, and announcing our intention to invest in the Fleming initiative, as a founding partner. Both unite partner knowledge and resources to accelerate health improvements. Our partnership with OFH will advance research across our Translational Challenges such as motor neuron disease, respiratory health, and rare diseases, while the Fleming Initiative is a multidisciplinary approach to tackling antimicrobial resistance (AMR).

Patient and public engagement remained an important focus of our work, ensuring lived experiences are embedded into our research priorities. This included sharing our own public engagement framework and joining the Shared Commitment to Public Involvement, alongside 25 other leading health and research organisations.

In 2024, we launched our new brand and website, reflecting the evolution of our strategy and position within the translational science ecosystem. We were also delighted to convene more than 700 attendees for the inaugural LifeArc Translational Science Summit in April. The one-day event featured presentations and insights from leading scientists, experts, policy makers and innovators on how translational science can bridge the gap between basic research and clinical applications.

Our Translational Challenges

Following 2023's strategy refresh, we continue to channel our research efforts through our Translational Challenges:

Priority areas with the potential to translate science into impact for people with underserved conditions such as motor neuron disease, chronic respiratory infection, childhood cancer, and in global health. We continue to refine our priorities in these spaces, to ensure we use our resources in a way that achieves the greatest patient impact.

Motor neuron disease (MND): a world where MND is preventable and treatable

We use our expertise to progress discoveries that could enable earlier intervention, better treatment and improved quality of life for people living with MND. More broadly across neurodegeneration, we also invest in Alzheimer's disease and dementia research.

Highlights from 2024 include:

- forming and growing partnerships with NEURii, US-based ALS Therapy Development Institute and King's College London, to support the development and validation of new biomarkers, risk prediction tools and therapeutic targets for MND
- launching our MND Insights Group to ensure our research efforts focus on the most pressing needs of people affected by MND
- committing up to £5 million into the repurposing of drugs for MND, to enable evidence-based decision making around which pre-existing drugs should enter clinical studies for MND

Chronic respiratory infection: improving lives of people with respiratory conditions

We progress innovations and clinical solutions for the detection, treatment and management of cystic fibrosis (CF) and bronchiectasis, a condition of the airways – aiming to break the cycle of infection, inflammation and lung damage to support those affected to live longer, with an improved quality of life.

Highlights from 2024 include:

- the UK's first network CF Innovation Hub Network, launched with Cystic Fibrosis Trust, to develop new diagnostics and therapeutics for lung infections
- announcing the first awardees of our £3 million Collaborative Discovery Programme, delivered in partnership with our CF AMR Syndicate, to advance antimicrobial drugs for people with CF
- working with people with underserved conditions and lived experience experts to develop a suite of target product profiles for incorporation into new diagnostic products for CF
- funding the AIRNET trial to test whether existing anti-inflammatory drugs could be repurposed to treat bronchiectasis, with initial results expected within 18 months of launch

Childhood cancer: driving a paradigm shift in how we diagnose and treat childhood cancers

In 2024, we announced our new childhood cancer research strategy, driven by collaboration and partnership, which we hope will catalyse sustainable change for children with cancer.

Highlights from 2024 include:

- launching C-Further, our £28 million international initiative with Cancer Research UK and Cancer Research Horizons, to remove barriers to progress and support the development of new, tailored drugs for children with cancer
- seeking the perspectives of people affected by childhood cancer and healthcare professionals working in childhood oncology to guide our new research strategy
- partnering with CureSearch to support a transatlantic team investigating a modified cold sore virus combined with a vaccine as a treatment for high-grade glioma in children
- joining the global Cancer Grand Challenges PROTECT team, alongside 9 of the world's leading cancer research centres, to develop new small molecule targeting (PROTAC) drugs that target the drivers of solid tumours in children

Rare disease: a collaborative research ecosystem working to overcome barriers to progress

We're taking a holistic approach to rare conditions by tackling the systematic issues preventing discoveries in the lab from reaching the next phase of development, and ultimately the people who need them.

Highlights from 2024 include:

- launching 4 new Translational Centres for Rare Disease, a combined investment of £40 million, with charity, university and patient partners across the country; these centres will become beacons of translational excellence in the rare disease ecosystem and drive ideas into innovations for people with rare diseases

- a first-of-its-kind plan to licence gene therapies that have not been progressed by pharma, providing more children with life-changing treatments for their rare diseases through our partnership with Great Ormond Street Hospital (GOSH) and GOSH Charity
- funding clinical trials to explore innovative treatments, including testing faecal microbiota transplantation in people with a rare liver disease and repurposing deferiprone for an incurable brain disorder that "traps" people in their bodies

Global health: affordable, accessible solutions for infectious diseases

Resistant infections are some of the biggest challenges to human health. Antimicrobial resistance is one of the World Health Organization's top 10 public health threats. Our focus is on controlling and preventing resistant infection. We have tightened our global health focus which until recently also incorporated neglected tropical diseases.

Highlights from 2024 include:

- forming partnerships to foster infectious disease research and drug discovery in sub-Saharan Africa, including an antibiotic stewardship programme (ASPIRE) with ReAct Africa and a joint £6 million investment in the Grand Challenges African Drug Discovery Accelerator with the Gates Foundation
- a second £5 million funding round of PACE (Pathways to Antimicrobial Clinical Efficacy), in partnership with Innovate UK and Medicines Discovery Catapult, supporting research teams to develop diagnostics that could reduce inappropriate antibiotic usage
- joining the Infection Innovation Consortium (iiCON) and investing £2.7 million into a new fund with the Liverpool School of Tropical Medicine to tackle infectious diseases
- improving our ability to understand and prevent the spread of dengue, with the support of 3 early-stage research projects across India and Australia

LifeArc Ventures

In addition to our Translational Challenges, we invest in science-led companies that are developing promising health-related innovations.

LifeArc Ventures made substantial progress in 2024, with 3 new investments, several follow-on investments, and scientific advances by a number of our portfolio companies.

- **Fluid Biomed Inc.** is a clinical-stage medical device company based in Canada advancing the first hybrid polymer-metal stent to treat brain aneurysms. LifeArc Ventures invested in Fluid Biomed's US\$27 million Series A equity financing which closed in December.
- **AviadoBio** announced an exclusive option and license agreement with Astellas for its gene therapy AVB-101 targeting frontotemporal dementia and other indications. AviadoBio is eligible to receive up to \$2.18 billion in license fees and milestone payments, plus royalties, if Astellas exercises its option. A Phase 1/2 clinical trial of AVB-101 is underway in the U.S. and Europe.
- **Kavigale** (sipavibart; AZD3152), a monoclonal antibody discovered by **RQ Biotechnology** and licensed to AstraZeneca in 2022, received a positive opinion from the European Medicines Agency's Committee for Medicinal Products for Human Use (CHMP) for prevention of COVID-19 in immunocompromised individuals. The advance from discovery to a positive CHMP opinion in 3 years illustrates the speed with which long-acting monoclonal antibodies can be developed as a drug class to protect vulnerable populations against serious viral diseases. The decision further validates RQ Bio's antiviral drug discovery expertise and model for early partnership with the pharmaceutical industry.
- LifeArc Ventures further supported **Ikarovec's** successful seed funding round. Ikarovec is advancing the novel gene therapy programme IKC159V towards clinical trials in geographic atrophy (GA), a cause of sight loss in millions of people which is often a precursor to wet age-related macular degeneration.

Our science capabilities

We've implemented and finalised several strategic changes to our capabilities this year, as we continue to develop plans for a new LifeArc building.

This included expanding our therapeutics platform to include antibody discovery, with the launch of our advanced B-SMArT™ (B cell Screening Method for Antibody Therapeutics) platform. We are now able to produce fully human antibodies for almost any viable target, ready for preclinical testing.

Alongside antibody discovery, we have generated nearly 100 monoclonal antibodies through our humanisation platform, including immuno-oncology drug Keytruda® (commercialised by Merck) which, in 2024, was approved for its 40th indication. An antibody we humanised with KisoJi Biotechnology Inc also reached a new milestone this year, entering a Phase 1/2a clinical trial. The antibody targets a molecule found in high levels on many hard-to-treat solid cancers, such as lung, ovarian and pancreatic cancers, and could offer a new treatment for people with underserved conditions who currently face poor prognoses.

We continued to establish solid foundations for growing our data sciences capabilities. LifeArc's data science team harnesses the power of data computation and informatics to deliver patient-focused solutions, complementing traditional therapeutic approaches. We now encompass clinical data science, artificial intelligence and machine learning, computational chemistry, bioinformatics, and data engineering to generate practical insights, tools, and knowledge that help answer critical healthcare questions. The data science team also supports drug discovery by optimising small molecule design. Since its inception in 2019, the team has grown from 6 members to 19 in 2024, with plans to recruit 6 more members in 2025.

A major 2024 milestone was joining Britain's largest health research programme, Our Future Health (OFH), as a charity partner. LifeArc aims to leverage the large-scale, longitudinal data to address underserved conditions. OFH will provide valuable data that can be used to identify new biomarkers for disease, as well as developing new tests and treatments.

Plans for the future

Across 2025, our major priorities include continued channelling of research efforts through our existing disease areas and cementing our plans for the consolidation of our London and Stevenage sites into one new building in London's Knowledge Quarter, King's Cross.

Another key focus is our aim to support more innovations to reach and enter clinical trials, ensuring life-changing treatments reach people with underserved conditions faster.

Our Translational Challenges

Looking ahead, we'll continue to refine our focus to ensure we prioritise innovations with the greatest potential to benefit people with underserved conditions. We have embraced a mindset of constant evaluation and adaptation, guided by patient involvement and advances in science, to ensure we can respond quickly to emerging trends and opportunities. We look forward to evolving our existing partnerships and forming new collaborations, fuelled by the progress we've made to date.

A new home for our work

The translational research ecosystem is complex, comprising many partners and areas of expertise. Within the next 3 years, we plan to open a new facility in London, which aims to be a model of partnership that boosts translation science and improves the lives of people with underserved conditions.

We have now secured a home for this building, at the heart of London's knowledge quarter in King's Cross. We hope this central location will serve as a convening point for the translational community. Over the next year, we will work with employees, partners and people with underserved conditions to ensure the space meets our needs, with sustainability principles embedded into its design.

We hope that this central, go-to location will nurture a vibrant culture at LifeArc, centred around learning and development and collaboration.

Financial sustainability

As a self-funded charity, we work hard to ensure we have the long-term financial sustainability to support our activities and commitments. Our income is derived from several sources, including our investment portfolio, LifeArc Ventures, and royalties from the projects we collaborate on. We expanded our services in 2024 to include antibody discovery, the revenue and royalties from which we hope will provide support for our activities well into the future.

Another fundamental source of our income is our investment portfolio. We invest in a diverse portfolio to spread our risk across many asset classes. These include global equities, fixed income investments, private markets, infrastructure, real estate and hedge funds. Over the long term, we seek to outpace UK annual wage inflation by 3.5%, with the returns on our investment used to fund future translational activity. We also expect our LifeArc Ventures companies to provide us with financial returns, in addition to delivering positive impact for people with underserved conditions.

Our wider commitments to sustainability include conducting our business responsibly through appropriate environmental, social and corporate governance, internal control and risk management, developing and retaining our talent and building our reputation across the ecosystem.

LifeArc's significant financial income in any given year is not directly linked to that year's expenditure. This is because our income primarily comes from royalties on medical interventions we helped develop in the past or from long-term investments. As a result, we adopt a long-term approach to managing income, expenditure, and reserves.

In 2024, we received substantial royalties and research contract income mainly from Keytruda, resulting in a surplus of £182.6 million. Since these royalties are time-limited and will not continue indefinitely, the surplus is invested to ensure the organisation's ongoing financial sustainability.

Patient involvement

Working in partnership with patients and the public is essential for achieving our mission at LifeArc. Across 2024, we consulted with people affected by the conditions we're researching to understand their perspectives on the most underserved conditions, and areas of the patient pathway which need improvement.

We recently signed the Shared Commitment to Public Involvement, demonstrating our continued commitment to drive up standards of health research with improved quality of patient and public involvement.

We want to see more growth in this area and are developing tools, resources and guiding principles to help us and others across the scientific community actively involve public and patients in research. Across 2025, we'll continue to consult patient advisory groups to ensure the voices of those with lived experiences guide our work.

Establishing enduring leadership at LifeArc

We are hugely grateful to the individuals who have led LifeArc through the changes of the recent years, as we have grown our ambitions and delivered a number of significant achievements.

Following a period of extensive recruitment, we are delighted to welcome new, permanent leaders to the LifeArc team, outlined in full on page 33. We look forward to working with our executive management team in delivering our vision to make life science truly life changing.

People report



Our 'people first' strategy centres around 4 core priorities that enable our significant ambitions and support our people to thrive.

Culture and employee experience

Our regular employee engagement surveys help us gain a deep understanding of the employee experience. In the latest survey, 84% of staff said they felt proud to work for LifeArc.

Equity, diversity and inclusion (ED&I) principles are fundamental to who we are as an organisation, to our overall performance, and to our ability to drive impact.

For example, our new carers policy provides a clear framework for supporting people with caring responsibilities and who may need flexible work arrangements. We also hosted a series of events throughout the year, including celebrating heritage and awareness months and National Inclusion Week in September, and providing training on unconscious bias.

This year, we were awarded the TIDE bronze award from our partners at the Employers Network for Equality and Inclusion, which provides us with additional guidance on focus areas for our continued progress in ED&I.

Our colleague support networks continued to thrive this year and, with the addition of one new network, we are proud to now support the LGBTQ+, Neurodiversity, Parents and Carers, and Menopause Networks. Across 2025, we will continue our journey towards an even more inclusive workplace.

Performance and reward

Our philosophy at LifeArc is to foster high employee engagement and performance in an environment that supports people to build on their strengths while also acting on areas of opportunity.

We issued the first bonus payments through our updated annual incentive plan in April, rewarding colleagues for their contributions to both organisational and individual objectives. We use a technology platform that facilitates a consistent approach to performance management, providing data insights that enable us to make more informed and equitable decisions.

We're continuing to adapt our ways of working to help eliminate bias, including in recruitment and supporting progression. We're proud of the number of women we recruited across 2024 – including 8 into senior roles – but we know there's more to be done. More information is included in our gender pay gap report which we published this year, having measured and reported this data since 2021. You can find the **published report on our website**.

Learning and career

We invest in a range of learning opportunities and experiences to support our people’s development.

Across 2024, we delivered the first full round of our LifeArc Manager Accelerator (LMA) programme, equipping more than 90 people managers with the skills to lead and develop their teams effectively. Managers who took part reported a 49% increase in self-assessed skills and we are supporting them to embed their learnings into daily practice. We will launch a new LMA cohort in 2025, expanding its reach and influence.

The future of life sciences research depends on attracting diverse talent and we offer several programmes for people early in their career. We continued to make strides in this area for our industrial placement (IP) programme, welcoming 9 students in September to gain work experience with our science teams. We received 506 applications for the 2025/26 cohort. We are pleased to welcome 6 students in September 2025.



In 2024,
4 new
LifeArc fellows were supported

●●●●

17 people
completed the LifeArc Knowledge Transfer Fellowship

+++++

We supported
8 new fellows
through the Crick Africa Network

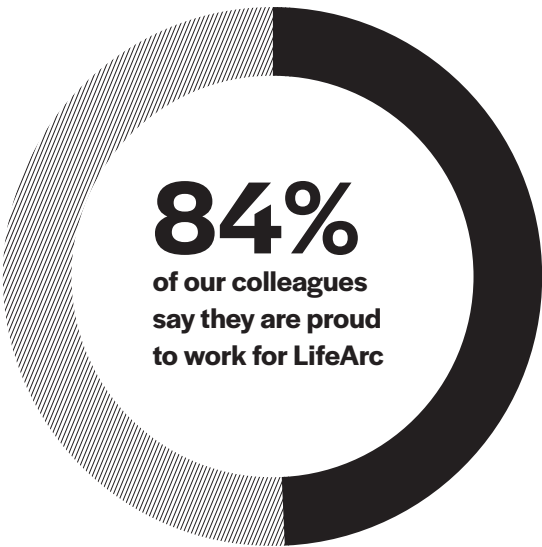
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Nearly 100 alumni have now taken part in the LifeArc Knowledge Transfer Fellowship, which equips scientists with skills in business and law to transition into highly demanded knowledge transfer careers across academia, industry, government and venture funding. In March, we supported the second round of the Crick Africa Network, with 8 new fellows from The Gambia, Ghana, Uganda and South Africa beginning a 4-year training programme before establishing independent research groups and careers on the African continent.

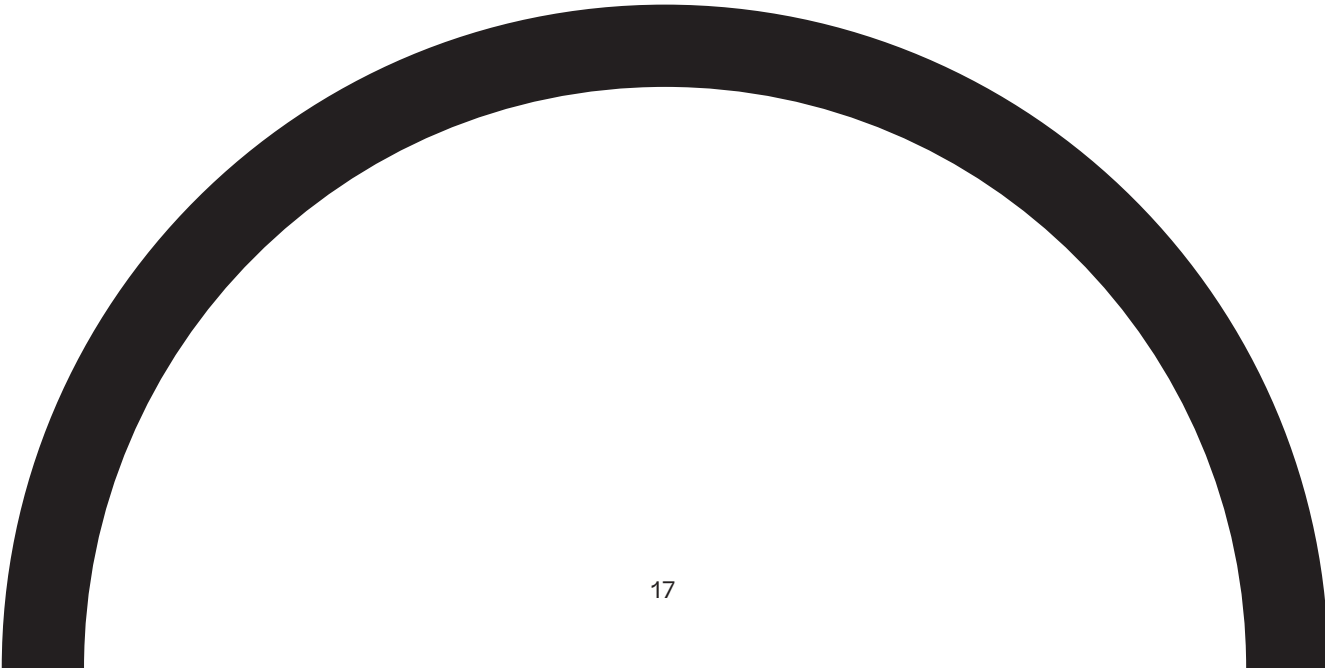
Talent

We continued to build on our successful hiring programme and have recruited a number of talented individuals to the LifeArc team across 2024. We’re particularly proud of our growth in the data sciences field, which can be challenging given the small, unique nature of this talent pool.

This year, we transitioned to an in-house recruitment model, which will support our sustainable growth and significantly reduced our hiring costs. We’re pleased to see our new brand growing in traction and awareness, reflected in the quality, breadth and depth of applications and expressions of interest we receive for new job opportunities.



This year, more than
80 people
joined the LifeArc team
●●●●●●●●



Strategic report



Strategic report

LifeArc is a charity registered in England and Wales.
It is also registered in Scotland.

Our Board of Trustees are responsible for ensuring the charity complies with the law and our governing documents and that we achieve our purpose of bridging the gap between academic research and clinical development, to get new innovations to people with underserved conditions faster.

Charitable objectives

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

- to promote public benefit by improving human health and medical research, assisting the progress of scientific discoveries and new technologies into therapeutic treatments, drugs, diagnostics, other technologies or information resources
- to work with industry, charities, universities, the health service and other bodies, as well as conducting our own research and development, to accelerate the progress of discoveries and technologies so they:
 - are capable of being made available to healthcare and the public for application for the improvement of health
 - are transferred or licensed to a third party to progress development of discoveries towards such goals

Public benefit

The trustees have paid due regard to the public benefit guidance published by the Charity Commission and the Charity Commission's general guidance 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 our ability to deliver on our strategic ambitions. Further details on what we are doing in this area can be found in the people report on page 14.

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. 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 27 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

We are 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. Upon accepting appointment, all trustees agree to our Code of Conduct for Trustees.

The need to act fairly 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 sets LifeArc’s strategic objectives, annually reviews risk appetite, and sets the risk management policy. Throughout 2024, the Board has considered risk in terms of the wider landscape in which we operate, ensuring significant risks and threats are identified and monitored and are considered in the delivery of our mission and vision. Throughout 2024 the risk management framework has continued to support delivery of our mission and objectives; this has ensured readiness to take the right opportunities.

The Board delegates the arrangements for 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 officer which is discharged across the executive team and the extended leadership team. A head of risk and assurance facilitates and maintains the risk management process across the organisation, ensuring risks are effectively identified, reviewed and assessed.

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

Nature of risk	Risk explanation	Management and mitigation of risk
Strategic risk	Long-term financial sustainability and liquidity If we fail to generate sufficient long-term income or react appropriately to changes in our income and expenditure profile, this may result in insufficient liquidity to meet cash flow requirements.	• Annual long-term planning cycle and long-term financial sustainability strategy agreed with Board, including liquidity guardrails. • Professional investment and Ventures teams with set strategies, expected returns and robust governance structures in place to take timely action. • Conservative position taken regarding the inclusion of uncertain income streams in forecasts. • Monthly tracking of financial performance commitments and reserves by the Finance Committee. • Investment and Ventures Committees’ oversight of investment strategy and returns.
Strategic risk	Reputation and brand If communications are not effectively monitored and controlled to have the desired impact, it could lead to reputation damage and loss of influence.	• Clear communication of LifeArc's revised focus. • Stakeholder engagement plan in place for relevant stakeholders. • Engagement with colleagues to support them with clear messaging and materials to communicate our strategic shift. • Crisis communications plan that enables rapid and effective response to reputational crisis. • Clear approval process including executive level approval for high profile communications. • Media training for senior managers to ensure appropriate actions.

Nature of risk	Risk explanation	Management and mitigation of risk
Strategic risk	Centre for Translation (CfT) The significant project of selecting and moving to a new building risks time and budget overrun and may disrupt mission delivery and strategic objectives.	• A range of external specialist commercial teams have been deployed to help with building selection, design, fit-out, and negotiations to achieve best value and support long-term success. • Early engagement, communication and socialisation of CfT among employees and managers. • Comprehensive and evidence-based business case confirmed by the Board. • Robust project governance and management controls applied.
Strategic risk	Data governance Greater use of data and data science including AI may result in failure to maintain data privacy or prevent data leakage/misuse.	• A 'data privacy improvement plan' has been applied along with a policy on use of a segregated AI platform across the organisation. • Implementation of a 'data council' to steward LifeArc's work on data issues. • Independent external audits used to assess discipline and new policies and to reinforce the control framework.
Operational risk	IT, cyber security, and resilience The continually evolving IT and cyber security landscape exposes us to the risk of information/data security breach or information/data loss.	• Robust data recovery systems are in place and reviewed for resilience, alongside periodically reviewed business continuity plans and independent penetration testing. • IT system users undertake mandatory cyber security awareness training. • Regular security testing with remediation actions applied. Additionally, ISO:27001 and cyber essentials plus accreditations are retained.
Operational risk	Compliance As the organisation continues to grow and transform at pace, there is a need to ensure compliance with regulations and legislation.	• Appetite for legal and regulatory risk is reviewed and set by the Board on an annual basis. • Where there may be scope for non-compliance, new checks and balances have been applied and additional resource procured to improve systems and automation. • Culture is monitored via engagement surveys • An overarching 'policy framework' has been reviewed with improved training and awareness.

Nature of risk	Risk explanation	Management and mitigation of risk
Operational risk	Funding, grants, and awards Increasing the volume and type of grants and funding we provide may increase the risks of ineffective governance, fraud, and error.	• Active engagement with charities and fundees. • Establishment of a patient engagement role. • Organisational structure and process being developed and specialist skills obtained to better resource portfolio delivery. • External ‘expert panels’ review funding decisions to ensure appropriate scrutiny and governance.

Other risks identified and considered by the ARMC and Board included: protection of royalty rights, inflation, business continuity management, change and organisational bandwidth, health and safety, supply chain resilience, utilisation of our platform technologies, and management of our strategic partnerships. These continue to receive a strong focus from functional leads and the head of risk and assurance.

Emerging risks to the delivery of LifeArc’s objectives are periodically considered by the ARMC and Board. Some examples of the topics considered recently are: the geopolitical landscape; regulatory requirements in relation to clinical trials; and capital in venture markets.

We integrate risk management with our approach to LifeArc’s insurance strategy, seeking to transfer risk where appropriate. Additionally, we integrate the work and operation of the internal audit function in providing assurance and actions in response to identified risk.

The trustees have considered the major risks to which the organisation is exposed and satisfied themselves that they are appropriately managed.

Financial review

	2024 (£ million)	2023 (£ million)
Total income	205.0	169.6
Total expenditure	(95.9)	(73.5)
Net gains on investments and FX hedges	112.4	103.0
Net movement in funds	221.5	199.1
Funds balance carried forward	1,607.0	1,385.5

Income

Total incoming resources of **£205.0 million** (2023: £169.6 million) were made up of **£184.3 million** (2023: £143.1 million) income from charitable activities and **£20.5 million** (2023: £26.5 million) investment income. Income from charitable activities includes £182.6 million (2023: £141.3 million) of contract and royalty income, and **£1.2 million** (2023: £1.3 million) received for intellectual property management and technology transfer services.

LifeArc's most significant charitable income came from pharmaceutical product royalties. This income is not connected to the current year's expenditure and will fluctuate significantly from year to year.

Expenditure

Total resources expended during the year was **£95.9 million**, an increase of £22.4 million (31%) on 2023's £73.5 million. Resources expended included costs related to scientific activities performed on site, grants awarded, overhead costs, investment activity, and other costs throughout the year that are not directly attributable to charitable activities.

Net gains on investment and FX hedges

Net gains for the year of **£112.4 million** was made up of net gains from the Investment portfolio of **£116.1 million**, offset by net losses on FX hedges **£3.2 million**, and a net reduction of **£0.5 million** from LifeArc Ventures direct and indirect investments as a limited partner. This is made up of net losses from the revaluation of multiple investments.

LifeArc Ventures investments during 2024

In addition to expenditure, LifeArc made investments into early-stage life science companies totalling **£32.8 million** (2023: £32.7 million). This includes both direct investments into private companies and indirect limited partnership fund investments.

Grants and funding

LifeArc provides funding through grants and other funding arrangements to partner organisations to support our mission to translate scientific discoveries into treatments and therapies. We award grants in line with our strategy and our charitable objectives. Approval for funding calls follows our scheme of delegation and the award of individual projects is typically vetted by an expert panel with input from our internal opportunity assessment group. We oversee the award process and the monitoring of projects through our partnerships team with support from our project management office. Grants awarded in the period are detailed on page 56.

Investment portfolio review

LifeArc manages its investments in line with its investment and ESG policies which set the framework for the assets and funds we invest in and our long-term return target of 3.5% plus UK average wage inflation.

The investment portfolio and policies are overseen and reviewed by the Investment Committee, with strategic changes requiring board approval.

2024 was another positive year for asset returns, as economic growth surprised on the upside and central banks eventually started to cut interest rates. The US S&P 500 Index posted another year of returns in excess of 20%, making it the first time since the late-1990s that it achieved back-to-back annual returns above 20%. Once again, these strong gains were led by, and further entrenched a narrow leadership within the index amongst the Magnificent 7 stocks, which were up 67%. Nvidia, Microsoft, Apple, Alphabet (Google), Amazon, Meta, and Tesla now account for over a third (33.5%) of the S&P 500. By contrast the S&P 500 Equal Weight Index was up 12% in the year.

Despite the generally upbeat performance, it was not all plain sailing in 2024. As inflationary pressures did not subside as much as expected, interest rate cuts took longer than many predicted, meaning that sovereign bonds struggled. Indeed, the 10-year Treasury yield rose for a 4th consecutive year, which is the first time that it has happened since the 1980s. Geopolitical matters also caused volatility.

In 2024, LifeArc's long-term investment portfolio rose £122 million to close the year at a value of £1.255 billion, an increase of 10.7%. In relative terms, the portfolio performed reasonably well. Again, this is partly due to having the majority of the portfolio invested in public market equities, which was the strongest performing asset class. That said, it was another challenging year for active public equity fund managers, who in the main, struggled to keep up with the broader market and passive index funds. Of the five active global equity funds in the portfolio only one outperformed the market over the year, and that was the RBC Global Equity Fund. Nevertheless, the portfolio did benefit from a sizable weight to passive global equities with c.£400m in two Northern Trust funds. The allocation to passive equities versus active public equities in the portfolio was 46%:54%.

In terms of portfolio activity over the year, we continued to build exposure to global bonds from a low base, patiently and opportunistically adding to existing fund positions. In the hedge fund sleeve, which consists of 10 funds with varying styles and approaches, we increased our allocation to 6%. The overall risk/reward returns of the hedge fund sleeve surpassed our expectations over 2024. After a relatively quiet year in 2023 for commitment of capital into private markets, we made commitments to 12 funds, bringing a total of 33 to date. At the end of the year, we had 3.3% of the overall portfolio deployed by our funds across private equity, venture capital, infrastructure, private credit and real estate.

Reserves policy

All of LifeArc's reserves are held in pursuance of our charitable objectives.

Our policy, reviewed by the trustees annually, is to hold reserves which, along with anticipated future income, will enable the organisation to fund our operations and be sustainable in the long term to drive patient impact. The timescales associated with the translation of medical research are long term with the development of interventions such as therapeutics often taking more than 10 years, so it is critical that we are able to sustain ourselves in the long term to support projects to completion with our partners. Reserves are not restricted, are expendable and will be spent in the future in pursuit of our charitable objectives. LifeArc will not make commitments in excess of our liquid reserves and we are compliant with the position at 31 December 2024.

As well as the total balance sheet value of £1,606.9m, the Board considers 2 definitions when measuring reserves:

- Total cash and invested reserves, which was £1,542.3 million as of 31 December 2024 (2023: £1,270.9 million).
- Liquid and readily available cash and investments excluding any planned allocation to illiquid private investments, which was £1,077.6 million as of 31 December 2024 (2023: £899.7 million).

Financial sustainability

LifeArc considers impact and financial sustainability to be compatible and critically co-dependent elements of our strategy.

Our long-term financial plan is evaluated at least once a year by the Board and has 4 key elements: income generated through invested reserves managed by our investment office, returns from venture investments through our ventures team, revenue from operations (e.g. royalties and milestones) and expenditure.

The Board ensures that, given current reserves and certain assumptions about future investment returns and income, the organisation's long-term plan is robust and positions LifeArc to maximise impact while maintaining financial sustainability.

A goal of the trustees' financial planning is that we will have sufficient flexibility such that in periods of high financial stress we will avoid crystallising losses through the forced sale of assets by aiming for 50% of our investments across the balance sheet to remain in liquid assets. This is to ensure we are positioned to fulfil our commitments and obligations.

Carbon report

We are committed to reducing our energy use and greenhouse gas emissions. Here we summarise LifeArc's consumption and emissions for 2024, and how we are approaching our responsibility to reduce our environmental impact.

Reporting period

We are reporting on energy usage and emissions from 1 January to 31 December 2024

Methodology

We have followed the GHG Reporting Protocol – Corporate Standard for company reporting to identify and report relevant energy and greenhouse gas (GHG) emissions over which we have operational control. This includes owned assets where LifeArc is directly responsible for electricity and/or gas supplies across its three sites (Stevenage, London and Edinburgh). We have also considered the seven main GHGs covered by the Kyoto protocol, converting to tonnes of CO₂ equivalents (CO₂e).

Business travel in employee-owned vehicles relates to mileage expense claims from LifeArc staff during 2024.

Greenhouse gas emissions and energy use from LifeArc's activities during 2024 and previous year

	2023	2024	Vs (%)
Energy consumption used to calculate emissions (kWh)	2,084,863	1,861,609	-11%
Energy consumption breakdown (kWh):			
• Gas (Scope 1)	0	0	
• Electricity (Scope 2)	2,054,807	1,835,136	-11%
• Transport fuel* (Scope 3)	30,056	26,473	-12%
Scope 1: Direct emissions from owned or controlled sources (such as fuel combustion or company vehicles) in metric tonnes CO ₂ e			
Total	0	0	
Scope 2: Indirect emissions from the generation of purchased electricity, in metric tonnes CO ₂ e** (Location based)			
Total	421	376	-11%
Scope 3: Business travel in employee-owned vehicles, in metric tonnes CO ₂ e**			
Total	7	7	0%
Total gross emissions in metric tonnes CO₂e	428	383	-11%
Intensity ratio: Tonnes CO ₂ e per FTE	1.5	1.1	-27%
Intensity ratio: Purchased electricity tonnes CO ₂ 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 2024, heating and cooling of our offices and laboratories continued to be the largest source of carbon emissions for our on-site activities. We have worked with our building managers to further understand our electricity consumption in more detail and have started exploring further efficiency gains concerning heating and cooling systems. Our electricity consumption in 2024 has decreased by 11%, bringing with it a decrease of 45 tonnes of carbon dioxide equivalents (tCO₂e).

During 2024 a significant reduction in energy consumption was achieved at our Stevenage site by adjusting the heating, ventilation, and air conditioning (HVAC) system. Reductions were made during standard working hours and at the weekends. In addition, we have lowered the ambient temperatures in under-used areas of the building, including stairwells and the ground floor's underfloor heating system.

In our laboratories, teams have taken steps to enhance energy efficiency through better management of cold storage and temperature control systems. Regular cleanouts of refrigerators prevent overloading, while ultra-low temperature freezers have been adjusted from -80°C to -70°C, reducing energy consumption without compromising sample integrity.

Future priorities for sustainability

Looking ahead, LifeArc stays committed to expanding these initiatives, continuing to empower employees, and strengthening our sustainability framework. Through continuous action and collaboration, we are setting a standard for responsible operations in the life sciences sector while ensuring a positive and lasting impact on both people and the planet.

We will continue to develop our environmental, social and governance (ESG) roadmap to outline our commitments and plans for continued measurement improvement and progress towards our ESG aspirations.

...contributing to an
11%
emissions reduction

In 2024, we had
**11% lower
electricity
usage**
than the previous year...

Structure, governance and management



Structure, governance and management

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 19).

Summary of governance structure

Responsibility for the day-to-day running of LifeArc is delegated by the Board to the executive management team. 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. The executive management team also prepares recommendations for any strategic changes to the organisation's activities prior to submission to the Board or committees of the Board. The team is also responsible for developing the financial and operational plans for board approval, and for monitoring financial performance.

The Board is responsible for setting strategy and ensuring that the necessary financial, human and physical assets to meet the organisation's strategic aims are in place. The Board monitors organisational performance and oversees risk management, as well as planning for board and executive management succession, overseeing any changes to the articles of association and upholding our culture and values.

The Board delegates oversight and assurance for key business functions to five board committees: the Audit and Risk Management Committee, Investment

Committee, Nominations Committee, Remuneration Committee and the Board Financial Approvals Committee.

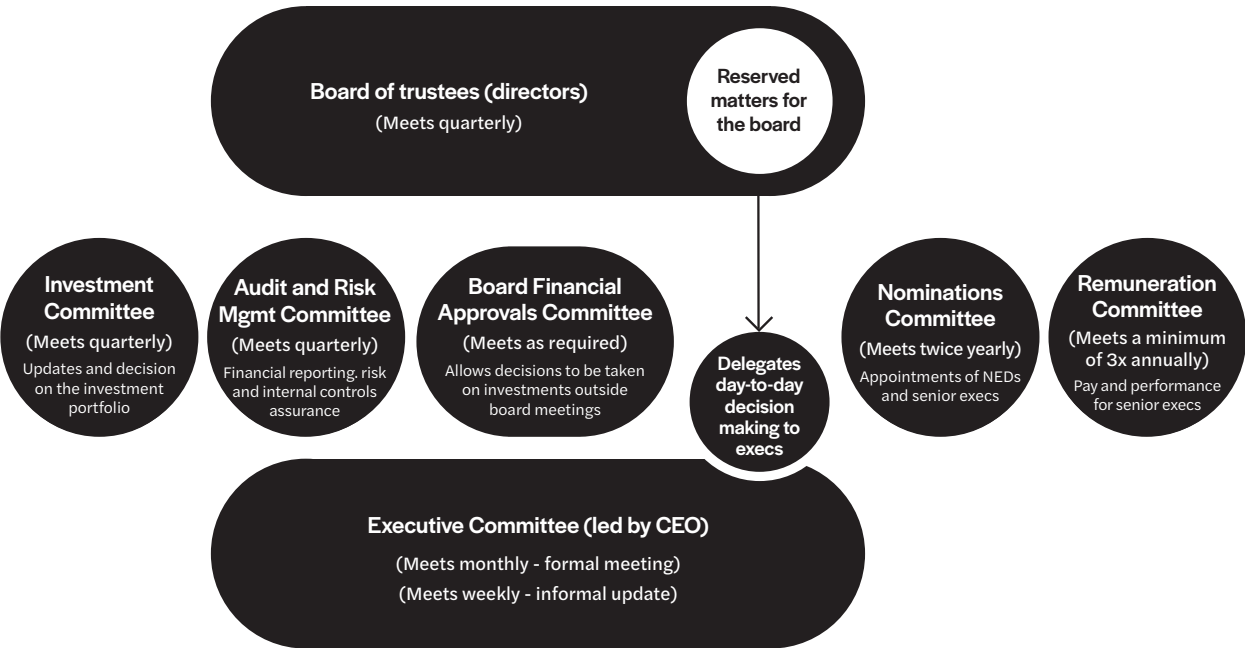
This year, strategic advisory boards were set up within each of the Translational Challenges, which will be critical to our success. Some truly outstanding individuals joined these boards as chairs and members, bringing extensive experience and insight and further raising LifeArc's profile and credibility.

The past year has seen several changes to the executive management team. Following an extensive recruitment process, the Board is delighted to welcome Dr Sam Barrell, CBE, as CEO. Sam brings over 25 years of experience in the life science and healthcare sectors, and a wealth of knowledge of the activities in commercial and health spaces. Her leadership will drive the organisation forward and help accelerate the translation of research into innovations for people who need them.

The Board is also grateful to Stéphane Maikovsky, who served as Interim CEO from October 2023 alongside his role as Chief Financial Officer (CFO) and led LifeArc through a period of significant growth and achievement. Stéphane will continue to share his expertise and leadership with the organisation in his new capacity as Deputy CEO, in addition to his responsibilities as CFO.

Structure of LifeArc’s board of trustees and board committees

Executive committees (with a focus on science, finance, health and safety and early ventures) are not included in this report.



Decision making

There is a clear organisational and control structure and scheme of delegation, which sets out those matters which are reserved for the Board, and those which are delegated to committees of the Board, or to the CEO or other executive(s). Matters reserved for the Board include changes to the strategy or budget, approval of significant projects and policies, decisions about property, 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 board meeting.

Charity Governance Code

LifeArc complies with the Charity Governance Code for Larger Charities (‘the Code’), which sets out 7 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 action required.

LifeArc executive management team

The executive management team is responsible for the day-to-day running of the charity under the authority of the Board.

Over the past 12 months, the team's skills have been honed with the recruitment of new leaders who have the skills and experience needed to deliver LifeArc's ambitions. As outlined above, Dr Sam Barrell, CBE, joined as CEO in October, and Stéphane Maikovsky stepped into the new position of Deputy CEO, alongside his responsibilities as CFO. Fiona Roberts joined the team as Chief People Officer in December, having previously held senior HR and people leadership positions across various sectors throughout her career. Jan Lasik joined as General Counsel & Company Secretary in summer 2025, facilitating ongoing good governance of the organisation. Claire Pimm also joined as Chief Communications Officer, following on from Jane Hughes as interim Chief Communications Officer, after Anna Tomlinson's departure in November.

Jonathan Morgan joined the team in the new role of Chief Medical Officer in January 2025, to serve as LifeArc's senior medical expert, shaping the clinical research agenda and ensuring the highest standards of medical and ethical integrity. Clare Terlouw has also stepped up to join the executive management team, having been Head of LifeArc Ventures since 2020, and continues to deliver the strategy for investments in the translation of life science innovation. This role is separate from that of the Chief Investment Officer, held by Graham Duce, who is responsible for investing the proceeds of monetisation to generate financial returns with which to fund further activities.

The Board is delighted to welcome the new leaders to the team, all of whom bring a wealth of experience to drive LifeArc forward, to meet its ambitious objectives and bring real impact to the people who need it most.

Dr Sam Barrell CBE

Chief Executive Officer (as of October 2024)

Stéphane Maikovsky

Deputy Chief Executive Officer (CEO)
Chief Financial Officer (CFO)

Rachael Davidson Interim General Counsel and Company Secretary (until June 2025)	Graham Duce Chief Investment Officer	Jane Hughes Interim Chief Communications Officer (December 2024 to June 2025)
Jan Lasik General Counsel and Company Secretary (as of June 2025)	Dr Jonathan Morgan Chief Medical Officer (as of January 2025)	Claire Pimm Chief Communications Officer (as of June 2025)
Dr Dave Powell Chief Scientific Officer	Fiona Roberts Chief People Officer (as of December 2024)	Dr Karen Skinner Chief Project and Portfolio Officer
Dr Jason Slingsby Chief Business Officer (until April 2025)	Clare Terlouw Head of LifeArc Ventures	

LifeArc Board of Trustees

The Board is composed of 11 trustees, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), 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 not only the requisite governance experience, but also the diverse range of skills which the organisation requires, including biomedical science, investment fund management, finance, risk management, and law.

The independent trustees are not remunerated for their role at LifeArc. Trustees and members of the leadership team benefit from indemnity insurance as allowed by section 234 of the Companies Act 2006. Trustees are reimbursed for any direct expenses they incur in carrying out their duties.

The Board typically meets each year for 4 formal board meetings and one strategy day. Additionally, the Board meets as needed for shorter topic-specific meetings. During 2024, the Board met an additional 2 times as the full board and once as non-executive trustees to appoint the incoming chief executive officer.

Dr Ian Gilham
Chair of the Board
Chair of the Nominations and Board
Financial Approval Committees

Dr Sam Barrell CBE
Chief Executive Officer
(as of October 2024)

Stéphane Maikovsky
Deputy Chief Executive Officer
(CEO) Chief Financial Officer (CFO)

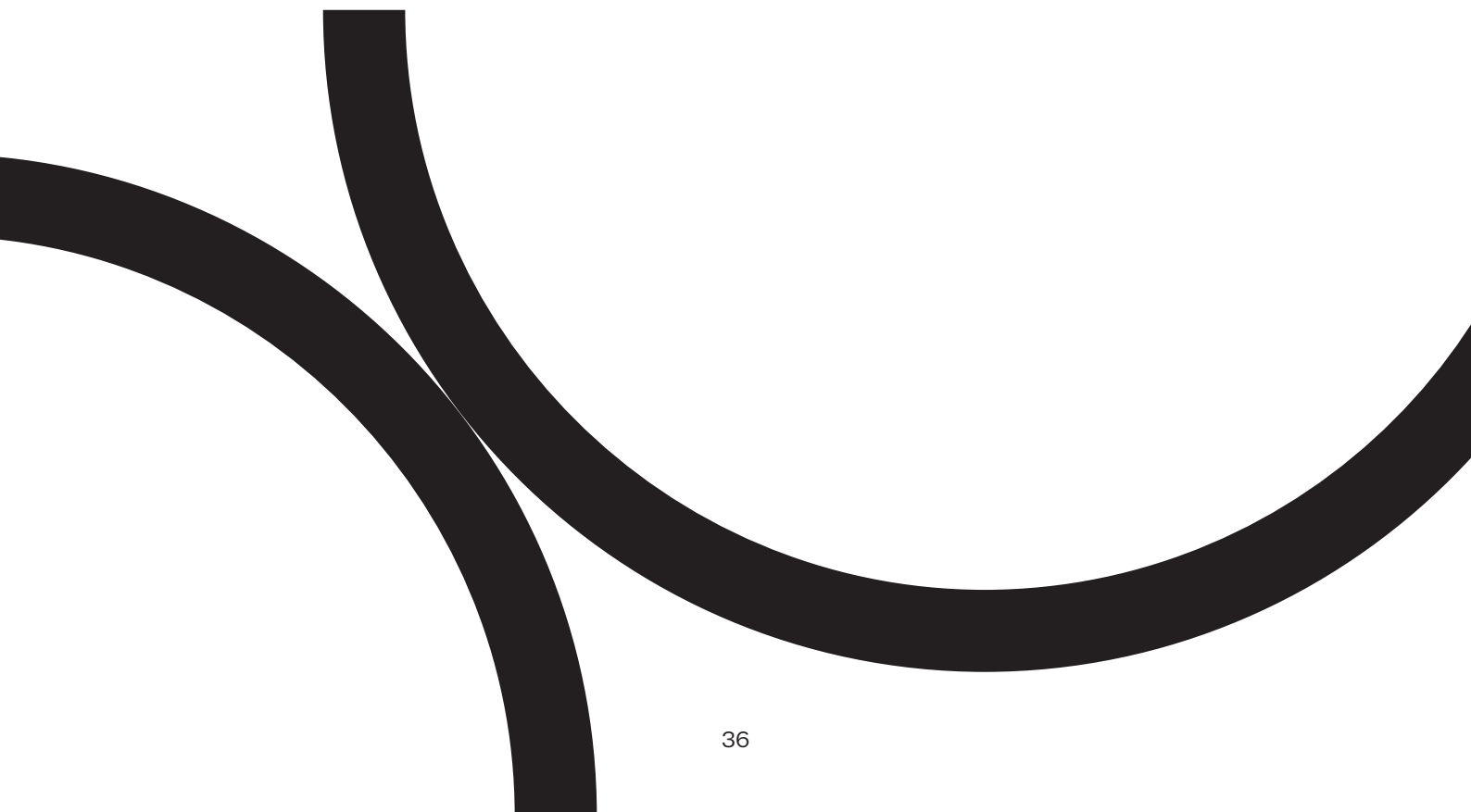
Lynne Robb
Vice Chair of the Board
Chair of the Audit and Risk
Management Committee

Dr Terri Cooper
Member of the Investment
Committee and the Nominations
Committee

Daniel Morgan
Member of the Audit and Risk
Management Committee and
the Board Financial Approvals
Committee

Dr Rima Makarem Member of the Audit and Risk Management Committee (as of October 2024) Member of the Nominations Committee and the Remuneration Committee (until October 2024)	Dr Sameer Mistry Member of the Nominations Committee and the Remuneration Committee (as of October 2024) Member of the Audit and Risk Management Committee and the Investment Committee (until October 2024)	Ian Nicholson Chair of the Remuneration Committee Member of the Investment Committee and the Board Financial Approvals Committee
Jo Pisani Member of the Remuneration Committee	Susan Wallcraft Member of the Audit and Risk Management Committee and Remuneration Committee	David Zahn Chair of the Investment Committee

Dr Rima Makarem resigned from the Board and all Board committees in February 2025.
The Board thanks Rima for her time and commitment to the organisation during her period as a Trustee.



Recruitment and election of LifeArc trustees

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 3 years and are eligible to stand for re-election for a maximum of 3 consecutive terms.

As outlined previously, Dr Sam Barrell, CBE, joined the Board in November 2024 in her position as Chief Executive Officer of LifeArc. She observed an initial board meeting in October 2024. While there were no changes to the non-executive trustees in 2024, Rima Makarem resigned from the Board in February 2025.

Induction and training of LifeArc trustees

Trustees meet regularly with members of the executive management team to discuss all areas of the business. New trustees receive a tailored induction to ensure that they understand our objectives and operations as well as their duties and statutory obligations. Trustees are given relevant Charity Commission guidance, and further training and development opportunities for the Board as a whole, or for individual trustees, are delivered as needed. Ahead of joining LifeArc, new CEO Dr Sam Barrell received an extensive 6-month induction, including regular briefings on Board matters from the Chair, the Interim CEO and other executive team members.

Trustees as members

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

Board effectiveness

In October 2024, Trustees undertook a board effectiveness self-assessment, building on the external review conducted in 2023. Highly rated areas of the review included clarity of the Board's role, the Board's composition and skillset, and the operation and oversight of the investment portfolio and Board committees. The Board agreed actions to optimise other areas of performance, including allocating sufficient time for strategic discussion during meetings, continuing to use terms of references and processes to support decision making, and adjusting board agendas to support additional time to enable the Board's continued professional development.

Committees of the Board

A summary of the responsibilities of each committee can be found below. Membership of the committees as of December 2024 is shown on page 39. All 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. The committee Chair provides an update of the committee's activities at the following board meeting, and all committee meeting agendas, papers and minutes are shared with the Board.

Audit and Risk Management Committee

The Audit and 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 the selection and appointment of the external auditor, setting their remuneration and maintaining oversight of their work.

Investment Committee

The 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 Environmental, Social and Governance Policy.

Nominations Committee

The 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 team, 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 oversees LifeArc's equity, diversity and inclusion approach.

Remuneration Committee

The 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 sets remuneration levels for members of the executive management team with the aim of attracting, retaining and motivating senior leaders who can help deliver the organisation's ambitious strategy and goals. Bonus payments are linked to performance as assessed by the CEO for the executive team and the chair in the case of the CEO. All bonus payments for the executive team are approved by the committee, as well as reviewing the organisation's overall recommendations for the general employee pool.

Board Financial Approvals Committee

The Board Financial Approvals Committee supports effective governance of investment decisions which are outside of the remit of the Early Ventures Investments Committee and the Investment Committee, to ensure that life sciences investments further LifeArc's strategy, and social investments meet LifeArc's stated charitable purpose. It provides access to the Board to facilitate swift decision-making outside of the programme of scheduled meetings and without the need to call a board meeting at short notice.

Composition of the Board and committees, as of 31 December 2024

Below shows the composition of the Board, their membership to each board committee and the number of meetings they attended in 2024.

Trustee Number of attendances	Date of appointment	End date	Committees Number of times meeting in 2024					
			Board	Audit and risk management	Investment	Nominations	Remuneration	Board financial approvals
			8	5	4	2	4	0
Dr Ian Gilham Chair	Oct 2021		◆◆◆◆			◆◆		—
Lynne Robb Vice Chair	Jun 2020		●○●○ ●●●○	◆◆◆◆◆				—
Dr Sam Barrell CBE, CEO of LifeArc	Nov 2024		----- -----●					—
Stéphane Maikovsky Deputy CEO and CFO of LifeArc	Jun 2022		—●●● —●●●					—
Dr Terri Cooper	Jun 2023		●●●● ○●●●		●●●●	●—		—
Dr Rima Makarem	Jun 2023	Feb 2025	○●●○ ●●○○	-----●		—●	●●●—	—
Dr Sameer Mistry	Jun 2023		○●●○ ●●○○	○●●○—	●●●—		----●	—
Daniel Morgan	Nov 2017		○●●○ ●●●●	●●●●●				—
Ian Nicholson	Oct 2021		●●●● ●○○●		●●●●		◆◆◆◆	—
Jo Pisani	Dec 2020		○●●○ ●●●○		—		●●●●	—
Susan Wallcraft	Oct 2021		●●●● ●●●●	●●●●●	—		○●●●	—
David Zahn	Aug 2019		●●○○ ●●●●		◆◆◆◆			—

Key ◆ Chair ● Attended ○ Not attended — Not applicable

Conflicts of interest

LifeArc's policy on conflicts of interest applies to the Board and employees alike. A register of trustees' interests is reviewed at each board meeting and all employees complete a conflicts disclosure form annually. Randomised checks are conducted to support our compliance processes. Completed forms are reviewed by the Company Secretary to identify and manage any actual or potential conflict.

The Audit Committee reviews the Policy related to gifts, hospitality and interests and the registers are available as required to meet any regulatory review.

Statement of board responsibilities

The Board of Trustees 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 Board 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 Board is required to:

- select suitable accounting policies and 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 to be in operation in the next accounting period

The Board is 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 Board is 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 Board and this responsibility 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 the notes to the financial statements, and comply with LifeArc’s Articles of Association, applicable law, the Statement of Recommended Practice ‘Accounting and 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
- each trustee has taken all of 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

Moore Kingston Smith LLP was appointed as an independent external auditor in September 2024. The Audit Risk and Management Committee reviewed the proposed delivery of the audit and noted that the auditors meet the requirements to exercise suitable objectivity in relation to the carrying out the audit.

Approval

The Trustees’ Report incorporating the Strategic Report was approved by the Board of trustees of LifeArc on:

Date:

0	2	-	0	7	-	2	5

Signature: 

Signed on its behalf by: Dr Ian Gilham, Chair

2024 **accounts**



Independent auditor's report to the trustees and members of LifeArc

We have audited the financial statements of LifeArc (the 'charitable company') for the year ended 31 December 2024 which comprise the statement of financial activities, the balance sheet, the statement of cash flows 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 2024 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 Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 (as amended) and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

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 that 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 annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained in the 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 strategic report and the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and 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 the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the trustees' annual report.

We have nothing to report in respect of the following matters where the Companies Act 2006 or the Charities Accounts (Scotland) Regulations 2006 (as amended) 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
- the financial statements are not in agreement with the accounting records and returns
- certain disclosures of trustees' remuneration specified by law are not made
- we have not received all the information and explanations we require for our audit

Responsibilities of trustees

As explained more fully in the Statement of board responsibilities, 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 to you in accordance with regulations made under those Acts.

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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK) we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the charitable company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees.
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures

in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the charitable company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the charitable company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

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.

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the charitable company.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory requirements applicable to the charitable company and considered that the most significant are the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 (as amended), regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charity SORP, and UK financial reporting standards as issued by the Financial Reporting Council.
- We obtained an understanding of how the charitable company complies with these requirements by discussions with management and those charged with governance.
- We assessed the risk of material misstatement of the financial statements, including the risk of material misstatement due to fraud and how it might occur, by holding discussions with management and those charged with governance.
- We inquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations.
- Based on this understanding, we designed specific appropriate audit procedures to identify instances of non-compliance with laws and regulations. This included making enquiries of management and those charged with governance and obtaining additional corroborative evidence as required.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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 Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters which we are required to state to them in an auditor's report addressed to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charitable company and charitable company's members as a body, and the charity's trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in black ink that reads "Moore Kingston Smith LLP" with a stylized "2" at the end.

Luke Holt (Senior Statutory Auditor)

For and on behalf of
Moore Kingston Smith LLP,
Statutory Auditor,
9 Appold Street,
London, EC2A 2AP

Date: 25 July 2025

Moore Kingston Smith LLP
is eligible to act as auditor in
terms of Section 1212 of the
Companies Act 2006.

Financial statements

Statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 December 2024

	Notes	Unrestricted funds £000s	Restricted £000s	Total funds 2024 £000s	Total funds 2023 £000s
Income and endowments from					
Charitable activities	1	183,842	422	184,264	143,054
Investments	2	20,479	–	20,479	26,459
Other income	3	300	–	300	66
Total income and endowments	–	204,621	422	205,043	169,579
Expenditure on					
Raising funds	4	2,210	–	2,210	1,943
Charitable activities	5	93,223	422	93,645	71,496
Provisions	19	79	–	79	50
Total expenditure	–	95,512	422	95,934	73,489
Net gains on investments	14/15	115,560	–	115,560	87,187
Net gains on FX hedges	–	(3,187)	–	(3,187)	15,842
Net income	–	221,482	–	221,482	199,119
Net movement in funds	21	221,482	–	221,482	199,119
Reconciliation of funds:					
Total funds brought forward	21	1,385,478	–	1,385,478	1,186,359
Total funds carried forward	21	1,606,960	–	1,606,960	1,385,478

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 50 to 71 form part of the financial statements.

Balance sheet

For the year ended 31 December 2024

Company number: 2698321

	Notes	2024 £000s	2023 £000s
Fixed assets			
Tangible fixed assets	12	7,867	10,174
Intangible assets	13	7,147	8,980
Investments	14	1,354,155	1,196,056
		1,369,169	1,215,210
Current assets			
Investments	15	179,662	68,010
Debtors	16	78,126	117,356
Cash	-	8,462	6,815
Total current assets		266,250	192,181
Creditors: amounts falling (due within one year)	17	(27,584)	(21,117)
Net current assets	-	238,666	171,064
Total assets (less current liabilities)	-	1,607,835	1,386,274
Provision for liabilities	19	(875)	(796)
Net assets	-	1,606,960	1,385,478
Charity funds			
Unrestricted funds	21	1,606,960	1,385,478
Total charity funds		1,606,960	1,385,478

The accounting policies and notes on pages 50 to 71 form part of the financial statements.

The financial statements were approved and authorised for issue by the Board on 2 July 2025.

Signed on behalf of the LifeArc Board of Trustees.



Dr Ian Gilham - Chairman

Statement of cash flows

For the year ended 31 December 2024

	Notes	2024 £000s	2023 £000s
Cash flow from operating activities	23	141,456	(13,564)
Cash flow from investing activities			
Payments to acquire tangible fixed assets	-	(838)	(4,449)
Payments to acquire intangible assets	-	-	5
Payments to acquire investments	-	(261,794)	(293,484)
Receipts from sale of investments	-	217,263	208,140
Dividends, interest and rents received from investments	-	20,479	26,459
(Increase) / decrease in current asset investments	-	(111,652)	42,004
(Increase) / decrease in cash held for investment	-	(167)	28,230
Reclassification from current asset investment to fixed asset investment	-	(3,100)	-
Net cash flow provided by investing activities	-	(139,809)	6,907
Change in cash and cash equivalents in the year	-	1,647	(6,657)
Cash and cash equivalents at 1 January	-	6,815	13,472
Cash and cash equivalents at 31 December		8,462	6,815
Cash and cash equivalents consist of:			
Cash at bank and in hand	-	8,462	6,815
Short-term deposits	-	-	-
Cash and cash equivalents at 31 December		8,462	6,815

The accounting policies and notes on pages 50 to 71 form part of the financial statements.

Accounting policies

For the year ended 31 December 2024

General information and 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 enabling science to create health breakthroughs – including drugs, diagnostics and devices – for people with underserved conditions, working with partners from industry, academia, charities and patient organisations. We do this by funding innovative research and investing in science-based companies, providing scientific support and offering translational advice.

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 Board considers 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, and at least 12 months from the date of approval of these accounts

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 UK Dementia Research Institute (UK 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 Board in furtherance of the general objectives of LifeArc and which has not been designated for other 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:

Plant and machinery	10 years
Laboratory equipment	5 to 10 years
Furniture, fixtures and fittings and office equipment	5 years
Computers	3 to 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.

Associates accounting

Where we have a shareholding greater than 20%, but less than 50%, these companies are considered associates. All of our associate companies are part of the venture portfolio and are held within a basket of investments. Investments in associates within our venture portfolio are initially recognised at cost and subsequently measured at fair value, with changes in fair value recognised in the SOFA.

Where these assets are private holdings, fair value requires significant judgement. Increases in valuation require robust evidence such as a funding round with an upwards valuation involving new investors. Impairment assessments are conducted at each reporting date, and any disposal gains or losses are recognized in the SOFA. The carrying value of associates in our venture portfolio is £10.01 million.

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 and 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 contribution 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.

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.

Grant accounting

Grants are awarded with substantive review conditions and expenditure is recognised in the SOFA as those conditions are met. A grant commitment will be recorded in note 20 when a constructive obligation exists to make a grant split between those payable within one year and beyond one year. Grant commitments that are estimated as payable after more than one year are not discounted.

Cash and cash equivalents policy

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

01. Income from charitable activities

	2024 (£000s)	2023 (£000s)
Research contracts and royalty income	182,647	141,321
IP management and technology transfer services	1,195	1,255
Grants	422	478
Total	184,264	143,054

LifeArc made the strategic decision not to submit a tender proposal to extend our contract with the MRC in 2025 for IP management and technology transfer services.

02. Income from investments

	2024 (£000s)	2023 (£000s)
Dividends – equities	6,811	7,250
Interest – fixed interest securities	1,710	2,053
Interest – deposits	249	311
Income from alternative investments	11,709	16,845
Total	20,479	26,459

03. Other income

	2024 £000s	2023 £000s
Miscellaneous	300	66
Total	300	66

04. Raising funds

	2024 £000s	2023 £000s
Investment office costs	752	634
Investment manager and consultancy fees	1,458	1,309
Total	2,210	1,943

05. Analysis of expenditure on charitable activities

		2024			2023
	Activities undertaken directly £000s	Grant funding of activities £000s	Support costs £000s	Total £000s	Total £000s
Respiratory health	3,388	2,849	4,010	10,247	6,650
Neurodegeneration healthcare	3,569	5,375	5,763	14,707	6,965
Global health infection	3,143	5,019	5,238	13,400	9,956
Rare disease	423	9,143	6,160	15,726	9,306
Childhood cancer	1,551	1,064	1,649	4,264	856
Cross Translational Challenges	627	-	238	865	582
LifeArc Ventures	2,573	-	1,696	4,269	3,587
Scientific platforms and other partnerships	13,831	5,094	10,994	29,919	26,545
Other	75	29	144	248	7,049
Total	29,180	28,573	35,892	93,645	71,496

Grants

Institution	2024 £000s	2023 £000s
Our Future Health	4,984	-
UK DRI Ltd	3,869	412
(UCL) University College London	2,480	1,578
Francis Crick Institute	2,062	725
Medical Research Council	1,593	2,219
University of Edinburgh	1,590	483
Medicines Discovery Catapult Ltd	807	-
University of Texas Southwestern Medical Center	754	-
University of Glasgow	722	465
CureSearch for Children's Cancer	661	-
University of Cape Town	601	-
Action Medical Research	596	421
University of Cambridge	588	308
Great Ormond Street Hospital	572	338
University of Dundee	285	285
Kings College London	528	455
University of Newcastle	491	63
University of Liverpool	475	-
Action on Antibiotic Resistance Africa	456	-
Ockham Biotech Limited	431	-
Yemaachi Biotech Limited	403	-
BioVersys AG	399	-
University of Birmingham	332	85
University of Sheffield	297	452
University of Oxford	250	361
Bicycle Tx Limited	203	-
Department of Health and Social Care	190	760
Drugs and Diagnostics for Tropical Diseases	182	20
Oxford Drug Design	169	-
University of Manchester	163	-
Translab Private Limited	136	-
ALS Therapy Development Institute	117	-
Cambridge Science Centre	110	100

Institution (cont.)	2024 £000s	2023 £000s
University of Oxford DTC	107	-
Imperial College London	102	-
University of Buea	91	82
Beacon for Rare Diseases Limited	85	-
Indian Institute of Technology Roorkee	84	-
Monash University	82	-
Antabio	80	-
NESTA	80	-
Rostra Therapeutics	76	-
Foundation for Innovative New Diagnostics	63	-
AUTM Foundation	55	57
Royal Holloway University of London	53	43
Aarhus University	46	-
Cystic Fibrosis Trust	42	-
Queen Mary University of London	38	220
TRH Consulting	37	-
Liverpool School of Tropical Medicine	34	100
The Institute of Cancer Research Royal Cancer Hospital	23	23
University of Oxford Pandemic Sciences Institute	8	-
University of Ghana*	(108)	503
Gene People	-	30
University of H3D Foundation	-	98
University of Chile	-	100
Chelsea and Westminster Hospital NHS	-	137
University of Sussex	-	149
University of AIBST: Pan Africa DMPK Center of Excellence	-	166
University of Aberdeen	-	214
DEBRA Austria	-	250
University of Stellenbosch	-	444
KQ Labs	-	876
Total	28,573	13,023

*Over accrual £108k in 2023, reversed in 2024.

06. Allocation of support costs

	Governance £000s	Corporate resources £000s	2024 £000s	2023 £000s
Respiratory health	154	3,856	4,010	2,569
Neurodegeneration healthcare	222	5,541	5,763	2,705
Global health infection	201	5,037	5,238	3,860
Rare disease	236	5,924	6,160	3,436
Childhood cancer	63	1,586	1,649	309
Cross Translational Challenges	9	229	238	225
LifeArc Ventures	66	1,630	1,696	1,397
Scientific platforms and other partnerships	405	10,589	10,994	10,136
Other	2	142	144	2,858
Total	1,358	34,534	35,892	27,495

Governance costs are detailed further in note 7.

07. Governance costs

	2024 £000s	2023 £000s
Staff costs	739	517
Direct costs		
Other legal and professional charges	32	178
Audit fees	43	40
Other fees	193	181
Bank charges	8	8
Insurance	239	210
Other governance costs	104	143
Total	1,358	1,277

08. Net income for the year

	2024 £000s	2023 £000s
Net income is stated after charging/(crediting):		
Depreciation of tangible fixed assets	3,105	3,018
Amortisation of intangible fixed assets	1,833	2,263
Operating leases – property	1,483	1,367
Auditor’s remuneration	43	40
Fees payable to internal auditor	193	181
Net (gains)/losses on foreign exchange	(149)	262

09. Auditor’s remuneration

	2024 £000s	2023 £000s
Fees payable to the charity’s auditor for the audit of the charity’s annual accounts	43	40
Fees payable to the charity’s auditor for other services:		
Other services	-	9
Total	43	49

10. Board and key management personnel remuneration and expenses

Remuneration and benefits were paid to Sam Barrell (CEO) and Stéphane Maikovsky (CFO and Deputy CEO, formerly interim CEO) for their roles as employees of the organisation, not for their positions as trustees.

Stéphane Maikovsky was appointed as a trustee of LifeArc on 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 £296,725 (2023 – £245,875), 5% flex allowance of £14,836 (2023 – £12,294), bonus of £136,296 (2023 – £124,810), pension contributions £35,607 (2023 – £29,505), and other benefits £6,269 (2023 – £5,030). This includes basic pay of £38,556 (2023 £12,437), 5% flex allowance of £1,928 (2023 £622), and pension contributions of £4,627 (2023 £1,492) in respect of acting up as the CEO of LifeArc from 1 October 2023 to 30 September 2024. Bonus was awarded in relation to his role as both CFO and interim CEO during the year.

Sam Barrell was appointed as a trustee of LifeArc on 28 November 2024. Remuneration and benefits were due for her role as an employee of the organisation, not for her position as trustee. The aggregate amounts paid during the year to Sam Barrell includes basic pay £34,185, 5% flex allowance of £1,709, bonus of £18,580, pension contributions £3,418, and other benefits £451.

In respect of services provided to LifeArc for the LifeArc Ventures Fund, Ian Nicholson invoiced LifeArc £9,000 (2023 £6,500) for consultancy through Casewell Consulting Limited.

All other trustees neither received nor waived any remuneration during the year (2023 – £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, PILON, severance payments and other benefits) was £3,873,000 (2023 – £3,517,000). The Board considers its key management personnel to comprise the Chief Executive Officer and executive management team.

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

	2024 number of trustees	2023 number of trustees	2024 £000s	2023 £000s
Travel and subsistence	8	11	11	13
Total	8	11	11	13

Included above is £6,453 (2023 – £7,961) which has been paid directly to third parties.

11. Staff costs and employee benefits

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

	2024	2023
Executive	9	8
Translational science and Translational Challenge leadership	173	144
Partnerships	42	37
LifeArc Ventures	8	6
Enabling functions*	94	77
Investment office	3	3
Agency/contract staff	16	15
Total	345	290

*Enabling functions includes Corporate Affairs, Finance, Facilities, Human Resources, IT, Legal and Project Management.

The total staff costs and employee benefits were as follows:

	2024 £000s	2023 £000s
Wages and salaries	28,136	22,291
Social security	3,209	2,560
Defined contribution pension costs	2,219	1,682
Agency/contract staff	1,986	2,174
Redundancy payments	362	398
Total	35,912	29,105

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

	2024	2023
£60,001 – £70,000	39	29
£70,001 – £80,000	20	26
£80,001 – £90,000	23	15
£90,001 – £100,000	17	18
£100,001 – £110,000	18	11
£110,001 – £120,000	20	10
£120,001 – £130,000	6	1
£130,001 – £140,000	5	3
£140,001 – £150,000	6	1
£150,001 – £160,000	-	3
£160,001 – £170,000	5	3
£170,001 – £180,000	1	-
£180,001 – £190,000	2	1
£190,001 – £200,000	2	-
£200,001 – £210,000	3	1
£210,001 – £220,000	2	-
£220,001 – £230,000	1	4
£230,001 – £240,000	-	1
£240,001 – £250,000	1	2
£250,001 – £260,000	-	1
£260,001 – £270,000	1	-
£270,001 – £280,000	3	-
£280,001 – £290,000	-	1
£310,001 – £320,000	1	-
£320,001 – £330,000	-	1
£340,001 – £350,000	1	-
£350,001 – £360,000	-	1
£370,001 – £380,000	1	-
£380,001 – £390,000	1	1
£440,001 – £450,000	1	-
£480,001 – £490,000	-	1
Total	180	135

PILON totalling £151,600 (2023 – £282,275) 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 180 (December 2023 – 135) members of staff amounted to £1,645,576 (2023 – £1,142,691).

The redundancy and termination payments in the year totalled £362,122 (2023 – £398,382) from 17 employees (2023 – 8 employees), of which £262,622 (2023 – £335,382) had been paid during the year with £99,500 (2023 – £63,000) accrued at the year end.

12. Tangible fixed assets

	Assets under construction £000s	Leasehold improvements £000s	Laboratory equipment and plant £000s	Fixtures, fittings and computers £000s	Total £000s
Cost					
At 1 January 2024	751	9,910	14,428	4,213	29,302
Additions	279	130	212	217	838
Disposals	-	-	(1,081)	(1,247)	(2,328)
Reclassification	(823)	-	681	142	-
At 31 December 2024	207	10,040	14,240	3,325	27,812
Accumulated depreciation					
At 1 January 2024	-	6,277	9,628	3,223	19,128
Charge for year	-	928	1,702	475	3,105
Disposals	-	-	(1,041)	(1,247)	(2,288)
At 31 December 2024	-	7,205	10,289	2,451	19,945
Net book value					
At 31 December 2024	207	2,835	3,951	874	7,867
At 31 December 2023	751	3,633	4,800	990	10,174

LifeArc had capital commitments of £nil at 31 December 2024 (December 2023 – £nil).

13. Intangible assets

	Synergy antibody platform £000s	Software and licences £000s	Total £000s
Cost			
At 1 January 2024	16,149	561	16,710
Additions	-	-	-
At 31 December 2024	16,149	561	16,710
Accumulated amortisation			
At 1 January 2024	7,546	184	7,730
Charge for year	1,721	112	1,833
At 31 December 2024	9,267	296	9,563
Net book value			
At 31 December 2024	6,882	265	7,147
At 31 December 2023	8,603	377	8,980

14. Fixed asset investments

	Note	2024 £000s	2023 £000s
Investments at cost		27	38
Unlisted investments in LifeArc Ventures Fund held at fair value	14a	94,935	64,471
Listed investments	14b	1,033,736	978,645
Alternative investment incl. private equity	14b	221,804	149,416
Cash held for investment purposes		3,653	3,486
Total		1,354,155	1,196,056

Included within investments at cost is £10,000 in relation to 100% of the shares in LifeArc Innovations Limited.

14a. Unlisted investments held at fair value

	2024 £000s	2023 £000s
LifeArc Ventures and LifeArc as a limited partner		
Fair value at 1 January	64,471	44,675
Investments in the year	32,969	32,721
Disposals in the year	(4,023)	(1,012)
Realised (losses) / gain during the year	(850)	100
Unrealised gain during the year	969	12,271
Interest accrued	1,625	298
Foreign exchange loss	(226)	(40)
Fair value at 31 December	94,935	64,471

At the year-end, LifeArc was committed to investing £71.7 million (2023 £72.7 million) through LifeArc Ventures and as a limited partner, and £104.8 million (2023 £76.8 million) from other unrestricted funds.

14b. Listed investments held at fair value

	2024 £000s	2023 £000s
Market value at 1 January	1,128,061	977,243
Acquisitions	228,825	260,733
Sale proceeds	(213,240)	(207,084)
Unrealised gain	127,082	94,832
Realised (loss) / gain	(17,885)	2,215
Reclassification	3,100	-
Foreign exchange (loss) / gain	(403)	122
Market value at 31 December	1,255,540	1,128,061
Historical cost at 31 December	1,089,542	1,090,212

Portfolio analysis

		2024 £000s	2023 £000s
Equities	within the UK	74,477	113,225
	overseas	802,438	700,129
Fixed interest securities	within the UK	22,528	-
	overseas	134,293	165,291
Alternative investment incl. private equity		221,804	149,416
		1,255,540	1,128,061
Cash		3,653	3,486
Total		1,259,193	1,131,547

15. Current asset investments

	2024 £000s	2023 £000s
At 1 January	68,010	110,016
Net (withdrawals)	(332)	(3,209)
Acquisitions	220,048	84,421
Sale proceeds	(111,200)	(125,358)
Realised gains	2,316	3,656
Unrealised gains / (losses)	3,900	(1,346)
Reclassification to fixed asset investments	(3,100)	-
Interest received	18	24
Foreign exchange gain /(loss)	-	(194)
As at 31 December	179,662	68,010
Historical cost at 31 December	174,675	71,466

Portfolio analysis

	2024 £000s	2023 £000s
Equities overseas	-	3,100
Fixed interest securities overseas	179,655	64,590
Total	179,655	67,690
Cash	7	320
Total	179,662	68,010

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

	2024 £000s	2023 £000s
Trade debtors	830	41
Prepayments and accrued income	76,524	103,176
Tax debtor – VAT	508	976
Other debtors	264	115
Hedge / derivative asset	-	13,048
Total	78,126	117,356

17. Creditors: amounts falling due within one year

	2024 £000s	2023 £000s
Trade creditors	738	3,174
Grant creditors	1,059	1,238
Accruals and deferred income	11,779	12,185
Other creditors	2,780	3,558
Hedge / derivative liability	9,973	-
PAYE and NI creditor	1,255	962
Total	27,584	21,117

Deferred income £88k (2023 - £88k) relates to income received in advance, relating to the following year. The full amount was deferred in the current year, with the full amount brought forward being released in the year.

18. Leases

	2024 £000s	2023 £000s
Operating lease – leasee		
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	1,465	1,441
Later than 1 and not later than 5 year	630	2,068
Later than 5 years	-	-
Total	2,095	3,509

19. Provisions for liabilities and charges

	Provision for dilapidations £000s
At 31 December 2023	796
Additions during the year	79
Amounts charges against the provision	-
Unused amounts reversed	-
At 31 December 2024	875

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 diseases and Philanthropic Fund	18,669	33,326	51,995
Neurodegeneration healthcare	6,636	20,413	27,049
Global health	12,730	46,334	59,064
Respiratory health	8,155	11,420	19,575
Childhood cancer	242	13,258	13,500
Our Future Health	2,500	2,500	5,000
Total	48,932	127,251	176,183

21. Fund reconciliation

	Balance at 1 Jan 2024 £000s	Income £000s	Expenditure £000s	Transfers £000s	Gains £000s	Balance 31 Dec 2024 £000s
Unrestricted	1,385,478	204,621	(95,512)	-	112,373	1,606,960
Restricted	-	422	(422)	-	-	-
Total	1,385,478	205,043	(95,934)	-	112,373	1,606,960

Fund descriptions

01. Unrestricted funds

The unrestricted fund is a general unrestricted fund which is available for use at the discretion of the Board 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 £422,000 (December 2023 – £478,000) from GSK Services and the Royal Commission for the Exhibition of 1851.

22. Analysis of net assets between funds

	Unrestricted funds £000s	Total 2024 £000s
Fixed assets	1,369,169	1,369,169
Cash and current investments	188,124	188,124
Other current assets/liabilities	50,542	50,542
Provisions	(875)	(875)
Total	1,606,960	1,606,960

	Unrestricted funds £000s	Total 2023 £000s
Fixed assets	1,215,210	1,215,210
Cash and current investments	74,825	74,825
Other current assets/liabilities	96,239	96,239
Provisions	(796)	(796)
Total	1,385,478	1,385,478

23. Reconciliation of net income to net cash flow from operating activities

	2024 £000s	2023 £000s
Net income for year	221,482	199,119
Dividends, interest and rents from investments	(20,479)	(26,459)
Accrued income on LifeArc Ventures investments	(1,625)	(298)
Revaluation loss/(gain) on investments	629	(81)
Depreciation and impairment of tangible fixed assets	3,105	3,018
Amortisation of intangible fixed assets	1,833	2,263
(Gains)/losses on investments	(109,305)	(84,875)
Loss on disposal of fixed assets	40	-
Decrease/(increase) in debtors	49,003	(112,068)
(Decrease)/increase in creditors	(3,227)	5,817
Total	141,456	(13,564)

24. Pensions and 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 £2,219,335 (12 months to December 2023 – £1,682,000).

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 £4,752 (2023 – £5,081) were made to 4 non-executive trustees (2023 – 5 non-executive trustees).

These transactions were carried out on normal commercial terms.

Trustee indemnity insurance was purchased in the year at a cost of £13,100 including insurance premium tax (2023 – £14,500).

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

	Income £000s	Expenditure £000s	Debtor £000s	Creditor £000s	Provision for bad debt £000s
Medicine Discovery Catapult Services Ltd¹					
At end date 31 December 2024	-	184	-	37	-
At end date 31 December 2023	-	211	-	-	-
Medicine Discovery Catapult Ltd²					
At end date 31 December 2024	-	806	-	-	-
At end date 31 December 2023	-	-	-	-	-
Dementia Research Institute³					
At end date 31 December 2024	-	3,813	-	-	-
At end date 31 December 2023	55	412	-	-	-
RQ Biotechnology Limited⁴					
At end date 31 December 2024	522	-	263	-	100
At end date 31 December 2023	1,985	-	-	-	-
Casewell Consulting⁵					
At end date 31 December 2024	-	9	-	-	-
At end date 31 December 2023	-	7	-	-	-
Beacon For Rare Diseases⁶					
At end date 31 December 2024	-	77	-	-	-
At end date 31 December 2023	-	10	-	-	-

¹ Lynne Robb (LifeArc Trustee) is on the Board of Trustees. During the year LifeArc had expenditure of £184k on outsource fees (2023 – £211k).

² Lynne Robb and Sue Wallcraft (LifeArc Trustees) are on the Board of Trustees. During the year LifeArc had funded awards of £806k (2023 – £Nil).

³ Jo Pisani (LifeArc Trustee) is on the Board of Trustees. During the year LifeArc funded awards of £3,813k (2023 – £412k) and had SLA income of £Nil (2023 – £55k).

⁴ Clare Terlouw (Head of LifeArc Ventures) is on the Board. During the year LifeArc received £Nil dividend investment income (2023 – £1,970k), and £522k income (2023 – £15k). RQ Biotechnology Limited is an associate investment.

⁵ Ian Nicholson (LifeArc Trustee) is an owner of Casewell Consulting. During the year LifeArc had expenditure of £9k on consultancy fees (2023 – £6.5k).

⁶ Jo Pisani (LifeArc Trustee) is on the Board of Trustees. During the year LifeArc had expenditure of £77k on sponsorship (2023 – £10,000).

26. Post balance sheet events

Since 31 December 2024, the value of LifeArc's investment portfolio (excluding early ventures) has decreased by £4.2 million as at 31 May 2025 as a result of £85.9 million losses offset by £5.2 million income, and £76.5 million of net additions.

LifeArc have signed an agreement to lease 105 Judd Street for 15 years with a 10-year break clause.

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 2024 was 12 (2023 – 11).

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 2023 £000s	Total funds 2022 £000s
Income and endowments from					
Charitable activities	1	142,576	478	143,054	3,321
Investments	2	26,459	–	26,459	19,536
Other income	3	66	–	66	22
Total income and endowments	–	169,101	478	169,579	22,879
Expenditure on					
Raising funds	4	1,943	–	1,943	1,526
Charitable activities	5	71,018	478	71,496	58,765
Provisions	19	50	–	50	11
Total expenditure	–	73,011	478	73,489	60,302
Net gains /(losses) on investments	14/15	87,187	–	87,187	(90,991)
Net gains on FX hedges	–	15,842	–	15,842	851
Net income /(expenditure)	–	199,119	–	199,119	(127,563)
Net movement in funds	21	199,119	–	199,119	(127,563)
Reconciliation of funds:					
Total funds brought forward	21	1,186,359	–	1,186,359	1,313,922
Total funds carried forward	21	1,385,478	–	1,385,478	1,186,359

Advisors

Statutory auditors	Moore Kingston Smith LLP	9 Appold Street, London, EC2A 2AP
Bankers	Lloyds Bank Plc	3rd floor, 25 Gresham Street, London EC2V 7 HN
Charity law advisors	Bates Wells	10 Queen Street Place, London EC4R 1BE
Internal auditor	Grant Thornton UK LLP	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 and Wales No. 2698321

Charity registered with the Charity Commission for England and 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

England & Wales - Charity number 1015243

Accounts

Annual report and accounts 2023

Making life science life changing



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Forewords

A note from the chair

We have a real privilege at LifeArc to play an early role in improving the lives of patients with unmet clinical need – and this year we made great strides toward achieving this mission.

Our people and partners continue to drive progress, building on our proven track record of translating science from the lab into the clinic. We have strong foundations, for which we owe a debt of gratitude to Dr Melanie Lee, who stepped down this year after 5 years as CEO. Since October, our Chief Financial Officer Stéphane Maikovsky has taken the helm, keeping us moving at pace.

We have now appointed our next CEO, Dr Sam Barrell CBE. She will join us from the Francis Crick Institute where she has served as Deputy CEO for nearly 2 years, having joined them in 2017 as chief operating officer. We look forward to welcoming her in October 2024, at which time Stéphane will take on the role of Deputy Chief Executive Officer and continue his role as our Chief Financial Officer.

2023 felt like a pivotal year in our journey, shaped by a growing sense of momentum and purpose. Our strategy refresh played a major role, refining our focus to the healthcare areas where we feel we can make a real difference. We also led a great deal of work to secure the long-term sustainability of our people and governance, our infrastructure, and our financial resources.

“ We’ll continue to meet many challenges as we take on health conditions with urgent unmet need. But if there’s a way to break these barriers down and drive change for patients, I’m confident that we at LifeArc – with our resource, appetite for risk and ambitious approach – will find that route forward.”

Our resources, primarily derived from the monetisation of Keytruda® royalties, enable us to make meaningful commitments and drive important collaborations with our partners. We can move at pace, maximising our ability to translate promising science for patients for many years to come.

These resources also fuel our appetite for risk. We’re able to focus on areas with unmet need that might otherwise be overlooked, perhaps due to patient demographics or a low chance of financial returns. Childhood cancer is a perfect example – a global leading cause of death in children that has attracted limited investment for too long. We announced childhood cancer as an area of focus this year and are making bold plans for the future.

I would like to take this opportunity to thank the board of trustees of LifeArc for their time and commitment, and in particular thank Dr Mike Romanos and Dr Melanie Lee who stepped down from the board this year. We were pleased to welcome 3 new trustees in 2023:

Dr Terri Cooper, Dr Rima Makarem
Dr Sameer Mistry, each of whom
bring a wealth of valuable
experience
to the board.

Dr Ian Gilham,
Chair of LifeArc Board
of Trustees



A note from the interim CEO

“I am delighted to share our 2023 Annual Report and Accounts with you. It has been a year of significant achievements and growth at LifeArc, and this report features a selection of highlights.”

Stéphane Maikovsky,
Interim Chief Executive
Officer and Chief
Financial Officer



An important milestone was the completion of a refreshed strategy. We now have a clear narrative to guide the organisation, with a crystal-clear understanding of our vision, mission and purpose.

We have made great strides in translational research and early ventures. Achievements include, amongst others, setting up a consortium to tackle antimicrobial resistance as a global health issue, funding a drug repurposing initiative for chronic respiratory health, the funding of translational science originating from the Dementia Research Institute and plans to establish rare disease centres. The early ventures team has made 6 new direct investments and several follow-on investments. We have also continued to build our scientific platforms, especially our world-class antibody discovery and humanisation platform.

The sustainability of the organisation has been reinforced with a view to maximising patient impact in the long term. We have in place the plans and capability to support financial sustainability; we have hired great talent to ensure we have a skilled and motivated workforce to deliver the goals of the organisation; and we have established robust governance to oversee our activities.

More than 60 talented people joined our team, connected by the common mission to find life-changing

solutions for patients with unmet need. Big enabling factors were the launch of our new rewards philosophy and our people strategy, marking our commitment to creating space for our people to flourish.

Not only are we proud of our achievements in 2023, but we are very excited about our future, as we continue our plans to deliver growing and impactful outcomes. I'm particularly excited about our plans for a London-based Centre for Translation which we hope will become a central facilitator in the early translational research ecosystem. We look forward to communicating more details of this in the near future.

I would like to take this opportunity to thank Dr Melanie Lee for the role she has played in leading the organisation through significant change, and the board and its chair, Dr Ian Gilham, for their unwavering support and ambition for the organisation.

None of our achievements would be possible without the spectacular efforts of the LifeArc team, and we've certainly set the bar very high for 2024. We start the year full of hope, with renewed energy and a clear path forward. We are in a fantastic position to deliver on our ambitious goals and I am confident that our work at LifeArc will continue to make a real difference for patients.

Trustees' report



Who we are and what we do

At LifeArc, our mission is to improve the lives of patients with unmet medical need.

Translating scientific discoveries into the next drug, diagnostic or device is a long, expensive and unpredictable process. We help to remove barriers to this translation by bridging the gap between the lab and the patient.

We do this by:

- funding innovative research and investing in science-based companies
- providing scientific support at our on-site labs
- offering translational advice to protect and bring new research to market

As a self-funded charity, we can focus on medical challenges that may otherwise be overlooked due to their complexity, risk or commercial uncertainty. This means our priorities – from detection and diagnosis through to treatment and patient support – can be informed by patient needs.

Our purpose, vision and mission

Purpose

To bridge the gap between academic research and clinical development, by catalysing early scientific discoveries into the next generation of prevention, diagnostics, devices, treatments and cures.

Vision

To enhance human health and wellbeing across the globe, by developing and supporting the ecosystem committed to removing the barriers that prevent discoveries becoming rapidly available to patients.

Mission

Informed by patients and guided by experts, our mission is to make an impact for patients with under-served healthcare needs, by convening the ecosystem to translate scientific discoveries into treatments and therapies, through innovative science, expert advice, contribution to public policy, and access to funding.



Strategy and achievements

Throughout 2023, we continued to help bridge the gap between the lab and the clinic, to bring new advances to patients.

A major milestone was the approval in the USA and Japan of Leqembi® (lecanemab), an early Alzheimer's disease drug marketed by Eisai that we helped to develop through our humanisation work. The drug was later recognised by TIME Magazine as one of the best inventions of 2023.

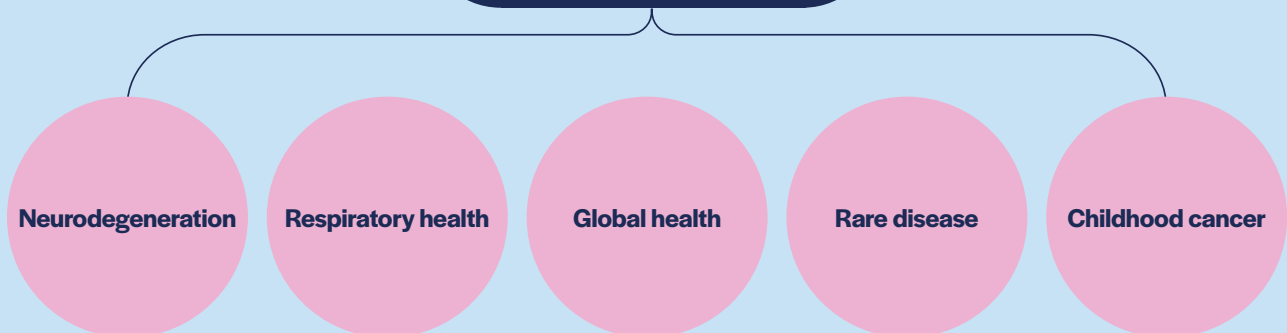
Another highlight was Keytruda® (pembrolizumab), Merck's antibody-based cancer drug that we humanised, becoming the best-selling drug in the world*, extending its reach to benefit even more patients.

Our 5 focus areas and Translational Challenges

This year, we refreshed our strategy to concentrate on 5 focus areas where our experience and expertise could make a real difference: neurodegeneration, respiratory health, global health, rare disease and childhood cancer.

Our investment in these focus areas is channelled through our Translational Challenges. Translational Challenges are ambitious research programmes tackling specific areas of unmet need, each of which map to a focus area. We have already invested in several projects through the challenges and look forward to announcing more projects in 2024.

5 focus areas



Neurodegeneration: a world where neurodegenerative conditions are preventable and treatable

Motor neuron disease (MND) continues to be a major focus of our neurodegeneration focus area and through our MND Translational Challenge, we aim to make the condition treatable by 2030. We also invest in Alzheimer's disease and dementia research.

Highlights from 2023 include:

- a **£5 million** international funding call to repurpose existing drugs to treat MND
- committing **£14.5 million** to support 7 new dementia research projects, through our £30 million partnership with the UK Dementia Research Institute
- launching NEURii – a collaboration with Eisai, Gates Ventures, Health Data Research UK and the University of Edinburgh – to develop digital solutions for dementia management and care

Respiratory health: improving quality of life for people with respiratory conditions

This focus area advances clinical solutions for the detection, treatment and management of respiratory conditions. This includes a Chronic Respiratory Health Translational Challenge with the ultimate goal of ending the cycle of infection, exacerbation and lung damage for those affected by cystic fibrosis (CF) and bronchiectasis, a condition of the lung airways. Highlights from 2023 include:

- partnering with the Cystic Fibrosis Trust, a collaboration that will build a **£15 million** network of CF innovation hubs
- investing **£3 million** into CF treatment research, through the CF AMR Syndicate's Collaborative Discovery Programme
- launching ACE-CF, a trial with Royal Papworth Hospital NHS Foundation Trust and the National Institute of Health and Care Research, to test an at-home monitoring system for CF

Global health: affordable, accessible solutions for infectious diseases

We launched this focus area in 2023, with 3 Translational Challenges focused on important threats to global public health: antimicrobial resistance (one of the World Health Organisation's top 10 public health threats), neglected tropical diseases and emerging viral threats. Highlights from 2023 include:

- launching PACE (Pathways to Antimicrobial Clinical Efficacy), a joint **£30 million** partnership with Innovate UK and Medicines Discovery Catapult, to support early antimicrobial resistance research
- partnering with the Crick Africa Network to invest **£7.5 million** to support African scientists to address unmet medical needs in their communities
- joining the Infection Innovation Consortium (iiCON) and investing **£2.7 million** into a new fund with the Liverpool School of Tropical Medicine to tackle infectious diseases

Rare disease: a collaborative research ecosystem bringing discoveries to rare disease

We have been working in the rare disease space for over 5 years, focusing on the systemic issues in the rare disease research ecosystem that prevent discoveries from reaching patients. This year, we officially launched our Rare Disease Translational Challenge, and are continuing to build our strategy in this area. Highlights from 2023 include:

- announcing **£40 million** of funding to create 4 Translational Centres for Rare Disease in the UK – our largest single grant funding call to date
- partnering with DEBRA Austria to launch a **£2.5 million** funding call to repurpose medicines to treat the rare skin condition epidermolysis bullosa
- awarding 6 LifeArc Pathfinder Awards, totalling **£3 million**, to advance promising early rare disease research

Childhood cancer: working to bring new, effective tests and treatments to children with cancer

In 2023, we committed to developing a strategy with a focus on improving outcomes for children with cancer. As well as recruiting leadership with substantial experience, this has involved extensive exploration and collaboration to understand where our skills, expertise and resource could make the biggest difference. Highlights from 2023 include:

- research and diligence of the current landscape
- convening key opinion leaders to identify research challenges and opportunities
- working with people affected by childhood cancer and representatives from charity partners to understand the needs of the community

We are refining our childhood cancer strategy and continue to build networks with researchers and partners. We already have a number of projects in development and hope to make a number of further announcements in 2024.



LifeArc Ventures

In addition to our 5 focus areas, we invest in early-stage, science-led companies that are developing promising innovations for patients and could benefit from our expertise.

In 2023, we made 6 new investments and several follow-on investments for companies already in our portfolio.

New investments include:

- Maxion Therapeutics, developing new therapies for poorly treated conditions, like chronic pain and autoimmune diseases
- Ozlo Sleep, developing digital solutions for better sleep
- Affect Therapeutics, developing a digital treatment platform for substance use disorders
- 2 companies focused on oncology and rare diseases
- the creation of a new UK-based company focusing on Huntington's disease

Plans for the future

Our strategic priorities for 2024 include tracking the impact of our work, our commitment to financial sustainability and our Centre for Translation. Our refreshed strategy is enabling us to channel our efforts through our Translational Challenges – we will continue to fund research which delves more deeply into these areas of focus, rather than venturing into other topics.

In 2023, through LifeArc Ventures, we made

**6 new
investments**
and several follow-on investments

Our Translational Challenges

We continue to drive progress through our Translational Challenges, which focus our translational expertise and efforts into the areas of unmet need where we feel we can make a difference. From developing new tools to achieve earlier detection or correct diagnosis, to pioneering novel treatments, each Challenge strives for improved quality of life and outcomes for patients.

To fulfil our Translational Challenges, we'll continue to collaborate with our growing network of academic, commercial and charity partners to translate promising scientific discoveries into tangible outcomes.

Financial sustainability

To protect our future as a self-funded charity, we must ensure we have the financial resource to support our activities and commitments. These stem from several sources, including revenue from our services and royalties from the projects we collaborate on.

A fundamental source of our income is our investment portfolio, which is spread across many asset classes, including global equities, private markets, real estate and hedge funds. We will draw funds from this portfolio to finance our operations and research strategy. The primary objective of our portfolio is to outpace UK annual wage inflation by 3.5%. We also expect our LifeArc Ventures companies to provide us with financial returns, in addition to delivering positive impact for patients.

Our wider commitments to sustainability include conducting our business responsibly through appropriate environmental, social and corporate governance, internal control and risk management, developing and retaining our talent and building our reputation across the ecosystem.

Our investment portfolio stood at

**£1.133
billion**
as of December 2023

LifeArc Centre for Translation

Early translation is a complex research ecosystem comprising many partners. We are continuing to review our role within this ecosystem and hope to open a Centre for Translation that could serve as a central facilitator to collaboration. We are currently working on our vision for the centre and hope to announce more news in the future.

People Report



Our 'people first' strategy centres around 4 core priorities that enable our significant ambitions and support our people to thrive.

Culture and employee experience

We are dedicated to creating a diverse, flexible, equitable and happy work environment – which we know is fundamental to our overall performance and enabling us to drive impact for patients. We regularly seek feedback on employee engagement, including implementing a full employee questionnaire in early 2023, followed by a pulse 'temperature check'. We have since initiated action plans to support key areas of focus and monitor our progress.

We also reviewed our equity, diversity and inclusion strategy this year, which we launched in 2022 to support colleagues to thrive at work as their truest selves. We are pleased to have made progress in all 3 strategic areas: culture; science and research; and funding and engagement. Across 2024, we will ensure the strategy continues to align with our environmental, social and governance values.

As part of our inclusive culture pillar, our 'Disability and tailored adjustments policy' (and related 'Talking about disability' guidance) applies to anybody working at LifeArc. The policy states our commitments towards employees with disabilities and long-term health conditions and aims to help managers support and manage disabled employees by making effective reasonable adjustments.

Our recruitment processes ensure that no candidate with a disability is disadvantaged, by making appropriate adjustments to support their application and onboarding into the company. We have also developed inclusive recruitment guidance for hiring managers.

We support personal development and career ambitions by ensuring that all reasonable measures are taken to retain the talents and skills of disabled employees in our employment.

We also provide specialist training and support for employees that have become disabled during employment.

Performance and reward

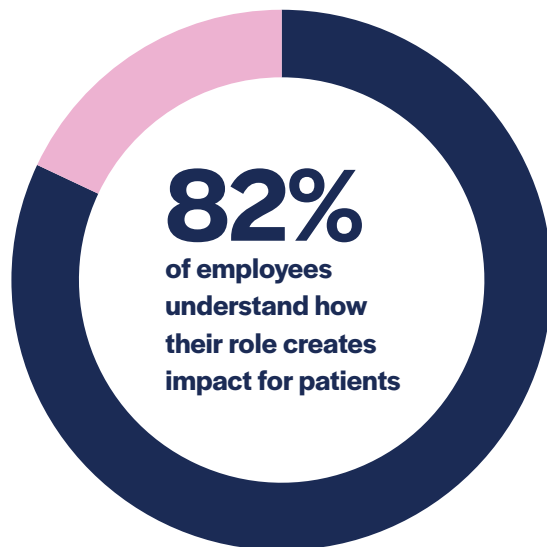
We carried out a refresh of our reward philosophy in 2023, launching a new annual incentive plan focused on performance. We also benchmarked our employee rewards and benefits package, finding it to compare well with the private sector. Both are important levers in our ability to deliver a culture that strives for excellence and attracting, engaging and retaining key talent in a competitive industry.

To ensure everyone has a clear line of sight between their individual performance and organisational success, we have established new processes to regularly update employees on progress against corporate goals.



Learning and career

To support our people's development, we invest in a range of learning opportunities and experiences. This year, we continued to grow our suite of learning resources, including launching LinkedIn Learning for all employees and an accelerator programme specifically for our people managers. Across 2024, we will continue to support our managers to integrate performance as an ongoing activity and part of regular meetings and feedback.



This year, more than

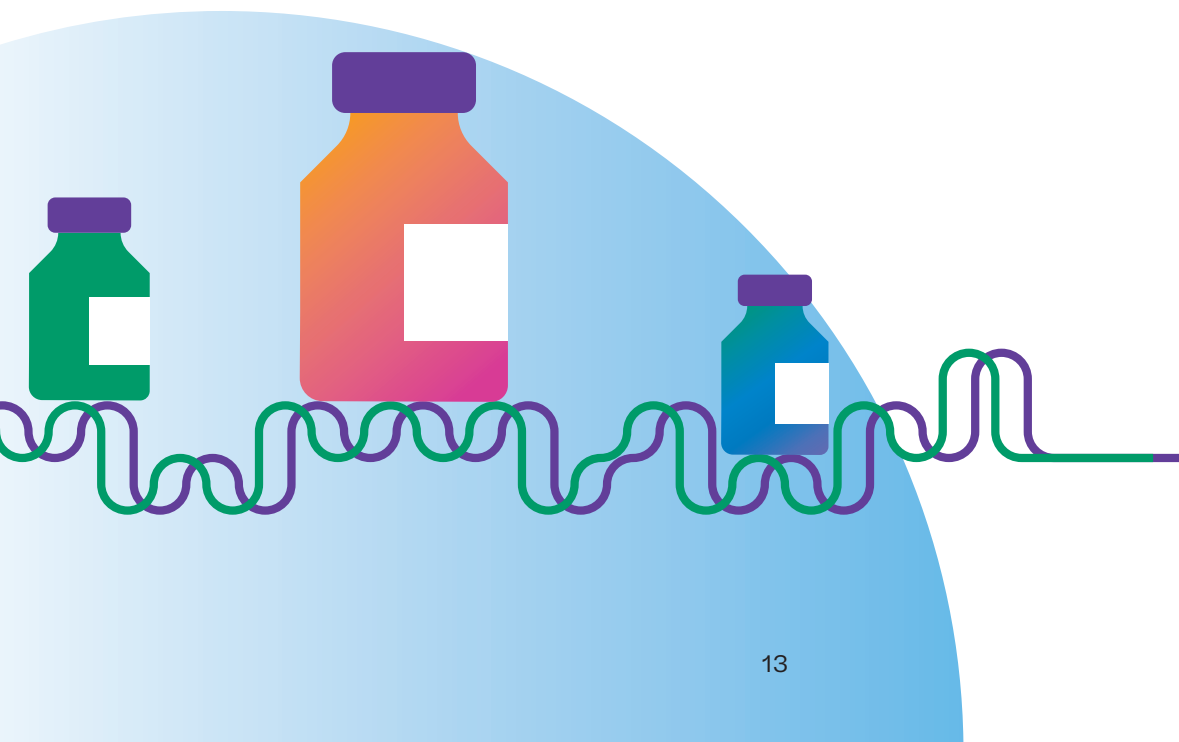
60 people

joined the LifeArc team

Talent

We know that the future of life sciences research depends on attracting diverse talent into the industry. We set ourselves an ambitious talent acquisition target for 2023 which resulted in the LifeArc workforce growing by a third, and we'll continue to build on our successful hiring programme in 2024.

This year, we also continued to develop and establish more robust career paths to support the growth of our talent in science. This included completing our career and growth framework for science roles, following extensive input from leaders and focus groups.





Strategic report



LifeArc is a charity registered in England and Wales. It is also registered in Scotland.

Our board is responsible for ensuring the charity complies with the law and our governing documents and that we achieve our purpose of bridging the gap between academic research and unmet patient need.

Charitable objectives

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

- to promote public benefit by improving human health and medical research, assisting the progress of scientific discoveries and new technologies into therapeutic treatments, drugs, diagnostics, other technologies or information resources
- to work with industry, charities, universities, the health service and other bodies, as well as conducting our own research and development, to accelerate the progress of discoveries and technologies so they:
 - are capable of being made available to healthcare and the public for application for the improvement of health
 - are transferred or licensed to a third party to progress development of discoveries towards such goals

Public benefit

The board has paid due regard to the Charity Commission's public benefit guidance and its general guidance when reviewing its aims and objectives and in planning future activities. In particular, the board has considered how planned activities will contribute to the organisation's aims and objectives.

Promoting LifeArc's success

The board has 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, it is 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 our ability to deliver on our strategic ambitions. Further details on what we are doing in this area can be found in the people report on page 12.

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. 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 24 outlines LifeArc's greenhouse gas emissions and activities designed to reduce our environmental impact.

We published our inaugural sustainability report in May 2024, which showcases the progress of our sustainability ambitions, going beyond carbon reduction to include diverse initiatives that support our commitment to the UN Sustainability Development Goals.

The desire of the company to maintain a reputation for high standards of business conduct

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

The need to act fairly 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 sets LifeArc's strategic objectives, risk appetite and the approach to risk management. LifeArc sets an appropriate risk appetite for each area of the organisation, including those where we embrace a high level of risk, e.g. scientific success of translational research projects.

Throughout 2023, the board has considered risk in terms of the wider landscape in which we operate, 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 stated aims can be successfully achieved.

The board delegates the oversight of arrangements for identifying and monitoring risk and the effectiveness of internal control systems to the Audit and Risk Management Committee, with the day-to-day management of risk delegated to the Chief Executive Officer and discharged across the executive team. A Head of Risk and Assurance facilitates and maintains a consistent risk management process across the organisation, ensuring risks are effectively identified, 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	Delivering impact There is a risk that we are unable to achieve patient impact through a failure to execute our Translational Challenges, LifeArc Ventures and other programmes effectively.	• Robust internal governance consistently applied via the executive team's Portfolio Committee combines objective measurement of progress and formalised decision making within the context of the entire LifeArc strategy • Quarterly performance review by the board agreeing strategy, considering spending and resource requirements, reviewing goals and objectives, and confirming the organisation remains on target • Scientific advisory boards and expert chairs used for established Translational Challenges. Additionally, expert chairs of Neurodegeneration and Childhood Cancer appointed to ensure complete coverage of all Translational Challenges and scrutiny of impact • Scrutiny, approval and stewardship from the Early Ventures Investment Committee populated by independent experts, trustees and management

Nature of risk	Risk	Management and mitigation of risk
Strategic delivery risk	Partnerships and alliances Collaborations are key enablers for LifeArc. There is a risk that we do not effectively develop, manage, monitor and nurture successful relationships critical to our strategic objectives. Reliance on third party innovators, licensees and other partners also exposes us to reputational risk in relation to the selection, delivery and effectiveness of partner outcomes.	• Systems and processes established to undertake financial, legal, reputational and scientific diligence prior to and during alliance and partner delivery • Establishing an alliance management function, along with robust policies, processes, and procedures. An experienced Head of Alliance Management will progress further controls and opportunity management during the coming year
Strategic delivery risk	External funding We are increasing the volume of funding to support the launch and development of all Translational Challenges. If this process is done poorly, there is a risk that the organisation's reputation and ability to achieve objectives are damaged. Effective delivery is reliant on experienced resource and subject matter expertise.	• Utilisation of external expert panels to review and scrutinise funding decisions • A cross-functional funding project established to remap, standardise, centralise and control how funding awards are administered • Experienced resources being appointed, in conjunction with the establishment of a patient engagement function, to ensure effective allocation of external funding
Financial risk	Investments There is a risk that we may not achieve the required investment returns over the longer term. This would impact on funds available to deliver the strategy. Additionally, there is a risk that LifeArc may not remain sustainable or withstand a major market shock.	• Dynamic oversight and monitoring maintained by an Investment Committee, which includes appropriately skilled independent members and trustees • Utilisation of subject matter expertise internally and externally to generate appropriate and informed decision making • Application and monitoring of the board-approved investment strategy (including environmental, social and governance) • Risk reviews to confirm investment decisions are in line with the board's investment risk appetite and our strategic asset allocation • Stress testing of the portfolio's ability to withstand a major market incident within appropriate liquidity guardrails • For LifeArc Ventures, utilisation of a team of professional investors supported by the translational skills of the wider organisation, with oversight of our direct investment strategy provided by an Early Ventures Investment Committee. This facilitates expert and independent scrutiny



Nature of risk	Risk	Management and mitigation of risk
Operational risk	Platform technology There is a risk that we do not maintain, refresh and deploy the relevant platform technologies to optimally deliver patient impact and contribute to LifeArc's sustainability.	•Focus on our science resource and review of current platform capabilities in 2023 •Continue to upgrade our antibody humanisation, diagnostic and small molecule platforms and develop new platforms where appropriate, such as an induced pluripotent stem cells platform to directly support work on our Motor Neuron Disease Translational Challenge •Doubling resources in data science and developing plans for a clinical data science platform, to ensure we develop and deploy the right platform technologies
Operational risk	IT, cyber security and resilience Our IT and cyber security landscape continuously evolves, as does the wider cyber landscape. This exposes the organisation to the risk of information/data security breach or loss of information/data.	•Undertaking of regular periodic penetration testing to confirm the robustness of protections •Obtaining and maintaining ISO:27001 and Cyber Essentials Plus accreditation to confirm critical security controls are in place and operating effectively in line with current best practice

Other risks identified and monitored include health and safety, management of change, recruitment, reward and retention and supply chain resilience.

Further to these risks, the Audit and Risk Management Committee, the board and executive team have been assessing threats from the 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 to ensure the principal threats are being identified, managed and controlled.

Emerging disruptors or opportunities relevant to the delivery of LifeArc's strategic objectives are periodically considered by the board. Some examples of the most recently included topics were the USA Inflation Reduction Act, the geopolitical landscape and capital in venture markets.

The board has considered the major risks to which the organisation is exposed and satisfied itself that systems or procedures are established to appropriately manage those risks.

Financial review

	2023 (£ million)	2022 (£ million)
Total income	169.6	22.9
Total expenditure	(73.5)	(60.3)
Net gains / (losses) on investments and FX hedges	103.0	(90.1)
Net movement in funds	199.1	(127.6)
Funds balance carried forward	1,385.5	1,186.4

Income

Total incoming resources of **£169.6 million** (2022: £22.9 million) were made up of **£143.1 million** (2022: £3.3 million) income from charitable activities and **£26.5 million** (2022: £19.5 million) investment income. Income from charitable activities includes **£141.3 million** (2022: £1.7 million) of contract and royalty income, and **£1.3 million** (2022: £1.3 million) received for intellectual property management and technology transfer services.

Expenditure

Total resources expended during the year was **£73.5 million**, an increase of **£13.2 million** (22%) on 2022 **£60.3 million**. 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 gains on investment and FX hedges

Net gains for the year of **£103.1 million** was made up of net gains from the Investment portfolio of **£100.5 million**, and net gains on FX hedges **£15.8 million**, offset by a net reduction of **£13.2 million** from LifeArc Ventures direct and indirect investments as a limited partner. This is made up of losses of **£8.8 million** from revaluation of multiple investments, and **£4.4 million** loss due to the reduction in the fair value of a carrying asset following a distribution of income.

Early ventures investments during 2023

In addition to expenditure, LifeArc made investments into early-stage life science companies totalling **£32.7 million** (2022: £17.7 million). This includes both direct investments and indirect limited partnership investments.

Grants and funding

LifeArc provides funding through grants and other funding arrangements to partner organisations to further our charitable objectives to support translational research in our focus areas and beyond. Approval for funding calls follows our scheme of delegation and the award of individual projects is typically vetted by an expert panel with input from our internal opportunity assessment group. We oversee the award process and the monitoring of projects through our partnerships team with support from our project management office. Grants awarded in the period are detailed on pg 58.



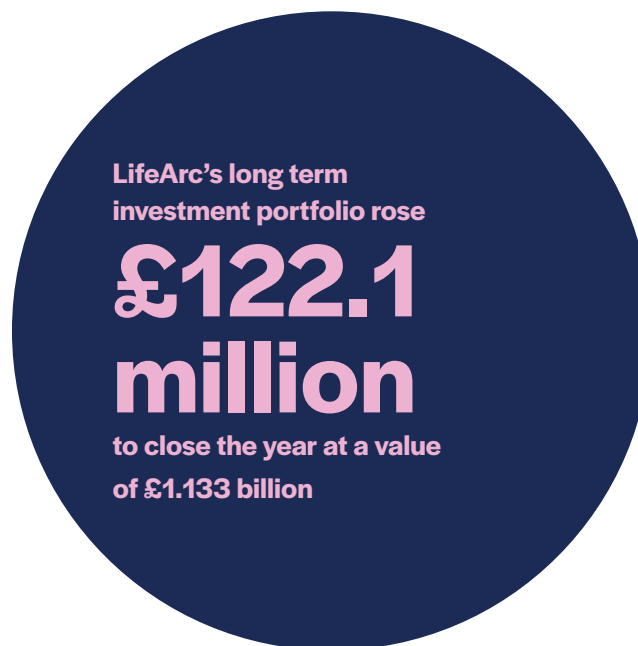
Investment portfolio review

With plenty of forces for investors to navigate, 2023 was another eventful year in markets.

LifeArc manages its investments in line with its investment and ESG policies which set the framework for the assets and funds we invest in and our long-term return target of 3.5% plus UK average wage inflation. To guide risk tolerance, our policy is for the portfolio to comprise an 80% equities + 20% bonds equivalent strategic asset allocation and we take advantage of our long-term horizon by investing in illiquid assets such as private equity and venture capital. We have an ESG policy which guides our fund manager selection and sets out exclusions relating to tobacco, alcohol, gambling, pornography and arms. Our investment and ESG policy is periodically reviewed by the Investment Committee who recommend it for board approval.

In March, there was significant turmoil following the collapse of Silicon Valley Bank, leading to some of the biggest bond market moves in decades. In May, we saw growing excitement about the potential growth impact from AI, leading to a major outperformance from big tech stocks. Then from the summer, the prospect of interest rates remaining higher for longer led to a major bond selloff, which briefly pushed the 10-year Treasury yield above 5% for the first time since the Global Financial Crisis of 2008. Geopolitical events remained in focus too, particularly after continued conflict in the Middle East. From late October onwards, there was a significant rally across several asset classes, as declining inflation led investors to grow increasingly excited about a soft economic landing.

Against this backdrop, LifeArc's long-term investment portfolio rose **£122.1 million** to close the year at a



value of **£1.133 billion**, an increase of 12.1% in 2023. In relative terms, the portfolio performed reasonably well. This is partly due to having more than half of the portfolio invested in public market equities, which was a strongly performing asset class.

It was another challenging year for active public equity funds managers, who in the main, struggled to keep up with passively managed index funds. The situation was exacerbated by the narrow leadership of the USA equity market – witness the surge in what has been labelled the 'Magnificent Seven' stocks, namely, Microsoft, Apple, Nvidia, Alphabet (Google), Amazon, Meta and Tesla. These 7 stocks account for around 30% of the S&P 500 Index.

We have built exposure to global bonds during 2023, funding additional positions from our money market holdings. In the hedge fund space, we incrementally added to our portfolio of managers. In the private markets arena, we committed to 3 more funds, bringing a total of 18 to date. At the end of the year, we had only 1.4% of the overall portfolio deployed by our funds across private equity, venture capital, infrastructure, private credit and real estate.

Reserves policy

All of LifeArc's reserves are held in pursuance of our charitable objectives. Our policy, reviewed by the trustees annually, is to hold reserves which, along with anticipated future income, will enable the organisation to fund our operations and be sustainable in the long term to drive patient impact. Reserves are not restricted and are expendable.

The board considers 2 definitions when measuring reserves:

1. Total cash and invested reserves, which was £1,270.9 million as of 31 December 2023 (2022: £1,177.2 million).
2. Liquid and readily available cash and investments excluding any planned allocation to illiquid private investments, which was £899.7 million as of 31 December 2023 (2022: £839.2 million).

LifeArc, in accordance with the reserves policy, will not make commitments in excess of our liquid reserves and are compliant with this position at 31 December 2023.

Financial sustainability

LifeArc considers impact and financial sustainability to be compatible and critically co-dependent elements of our strategy.

Our long-term financial plan is evaluated at least once a year by the board and has 4 key elements: invested reserves through our investment office, venture investments through our Early Ventures team, revenue from operations (e.g. royalties and milestones) and expenditure.

The board ensures that, given current reserves and certain assumptions about future investment returns and income, the organisation's long-term plan is robust and positions LifeArc to maximise impact while maintaining financial sustainability.

A goal of the trustees' financial planning is that in periods of high financial stress 50% of our investments across the balance sheet will remain in liquid assets. This is to ensure we are positioned to fulfil our commitments and obligations.



Carbon report



Carbon report

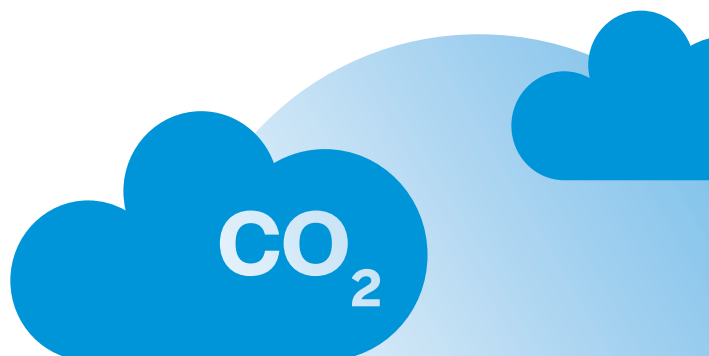
We are committed to reducing our energy use and greenhouse gas emissions. Here, we summarise LifeArc's consumption and emissions for 2023 and how we are approaching our responsibility to reduce our environmental impact.

Greenhouse gas emissions and energy use from LifeArc's activities during 2023 and previous year

	2022	2023	Change (%)
Energy consumption used to calculate emissions (kWh)	2,266,941	2,084,863	-8%
Energy consumption break down (kWh):			
• Gas (Scope 1)	0	0	
• Electricity (Scope 2)	2,242,612	2,054,807	-8%
• Transport Fuel* (Scope 3)	24,329	30,056	24%
Scope 1: Direct emissions from owned or controlled sources (such as fuel combustion or company vehicles), in metric tonnes CO ₂ e			
Total	0	0	
Scope 2: Indirect emissions from the generation of purchased electricity, in metric tonnes CO ₂ e**			
Total	434	421	-3%
Scope 3: Business travel in employee-owned vehicles, in metric tonnes CO ₂ e**			
Total	6	7	17%
Total gross emissions in metric tonnes CO ₂ e	440	428	-3%
Intensity ratio: Tonnes CO ₂ e per FTE	1.8	1.5	-17%
Intensity ratio: Purchased electricity tonnes CO ₂ 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





In 2023, we saw

**8% lower
electricity
usage**

than the previous year...

...contributing to a

3%

emissions reduction

In 2023, heating and cooling of our offices and laboratories remained the largest source of carbon emissions for our on-site activities. We have worked with our building managers to understand our electricity consumption in more detail and have started exploring further efficiency gains concerning heating and cooling systems, which we expect to benefit from by mid-2024.

Our electricity consumption in 2023 decreased by 8%, bringing with it a decrease of 13 tonnes of carbon dioxide equivalents. Our environmental impact has benefitted from continuing decarbonisation of the UK's National Grid which will supplement further successes we have on building efficiency in the years to come.

During 2023 we updated our carbon footprint, voluntarily measuring a wider range of carbon emissions than previous years and more than regulations require.

Measurements were made using the guidelines recommended by the Science Based Targets Initiative (SBTi), which is aligned with the UNFCCC Paris Agreement to restrict global average temperature increase to 1.5°C above a pre-industrial baseline. We measured carbon emissions associated with our suppliers and investment managers for the first time, highlighting key hotspots for engagement to encourage decarbonisation in 2024.

We celebrated success on improving laboratory sustainability at our Edinburgh labs, who were awarded a Platinum certificate by external assessors My Green Lab. We have also begun Green Laboratory Certification at our Stevenage site, which will be completed in 2024.



Future priorities for sustainability

In our ongoing commitment to sustainability and aligning closely with the UN Sustainable Development Goals, we have prioritised 5 focus areas:

- champion our people
- patient impact
- responsible business practices
- ethics and governance
- protect our planet

The publication of our first sustainability report in May 2024 is a significant milestone, detailing the progress we have made so far.

This report not only highlights our achievements in implementing robust policies and practices, such

as the Investment ESG policy, but also underscores our dedication to embedding diversity and inclusion principles across all operations, including procurement and partnerships.

By strengthening these areas, we reinforce our dedication to creating a sustainable future and demonstrate the positive impact our organisation strives to make on both local and global communities.



Structure, governance and management



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 16).

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. 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 organisational performance and oversees risk management, as well as planning for trustee and management succession, overseeing any changes to the constitution and upholding our culture and values.

The board delegates oversight and assurance for key business functions to 5 board committees: the Audit and Risk Management Committee, Investment Committee, Nominations Committee, Remuneration Committee and the Board Financial Approvals Committee, which was established in 2023.

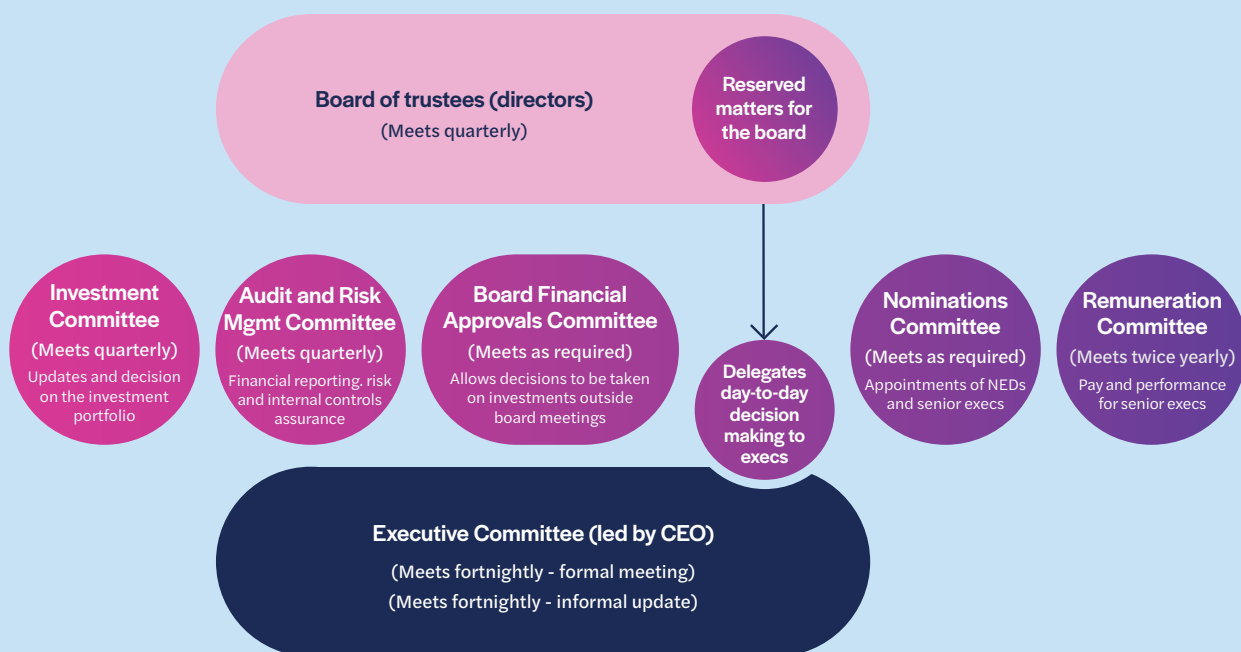
In December, the board also dissolved the Strategic Advisory Council after its initial 3-year term was completed. This occurred as the organisational governance has matured and each strategic focus area now has its own scientific advisory board with oversight, including facilitating engagement and input from the wider life sciences ecosystem.

The past year saw several changes to the executive team and board. Dr Melanie Lee stepped down after nearly 5 years as CEO, leading the organisation through a critical period of growth and firmly establishing our reputation as a leading medical research charity. The organisation thanks Melanie for her focus, commitment and leadership and wish her every success in the future. Stéphane Maikovsky, LifeArc's Chief Financial Officer, has stepped up as interim CEO and we are grateful for his smooth continued delivery of our objectives while we recruit a new leader.

We also welcomed Dr Terri Cooper, Dr Rima Makarem and Dr Sameer Mistry as trustees, bringing a new depth and breadth of experience, skills and expertise to the board.

Structure of LifeArc's board of trustees and board committees

Executive committees (with a focus on science, finance, health and safety and early ventures) are not included in this report.



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, decisions about property 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 7 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.

LifeArc executive management team (as of 31 Dec 2023)

The executive management team is responsible for the day-to-day running of the charity under authority delegated by the board.

Over the past 12 months, changes to senior management have given us the opportunity to reevaluate and reshape the skills and capabilities of our leadership.

At the executive level, as outlined above, Dr Melanie Lee has stepped down after nearly 5 years as CEO and we have initiated a thoughtful recruitment process to find her replacement. In the interim, Chief Financial Officer Stéphane Maikovsky has stepped up as interim CEO to ensure the continued smooth delivery of our strategy.

Dr Jason Slingsby joined the executive team this year as Chief Business Officer to enhance our leadership skillset. Other members of the team are currently serving in interim roles while we recruit for leaders with the skills and experience necessary to deliver on our ambitions.



Stéphane Maikovsky

Interim Chief Executive Officer
(from September 2023)
Chief Financial Officer



Rachael Davidson

Interim General Counsel and
Company Secretary



Graham Duce

Chief Investment Officer



Dr Dave Powell

Chief Scientific Officer



Dr Karen Skinner

Chief Project and Portfolio Officer



Dr Jason Slingsby

Chief Business Officer



Anna Tomlinson

Chief Communications Officer



Amanda Wooding

Interim Chief People Officer



LifeArc board of trustees

The board is normally composed of 12 trustees, including the Chief Executive Officer (CEO) and Chief Financial Officer (CFO), who are paid employees of LifeArc. There are currently 11 trustees on the board while the CFO serves as interim CEO.

The trustees fulfil the legally defined roles of members and directors of the charitable company. They have broad and varied backgrounds, bringing not only the requisite governance experience, but also the diverse range of skills the organisation requires, including biomedical sciences, investment fund management, finance, risk management and law.

All trustees (those who are not paid employees of LifeArc) are not remunerated for their role at LifeArc but are reimbursed for any direct expenses they incur in carrying out their trustee duties. Trustees and members of the leadership team benefit from indemnity insurance as allowed by section 234 of the Companies Act 2006.

The board typically meets each year for 4 board meetings and one strategy day. In 2023, an additional sustainability day was added to its calendar of meetings.

Recruitment and election of LifeArc trustees

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 3 years and are eligible to stand for re-election for a maximum of 3 consecutive terms.

We recruited 3 new non-executive trustees in 2023: Dr Terri Cooper, Dr Rima Makarem and Dr Sameer Mistry. We consider the board's range of skills and diversity when appointing non-executive trustees, and these highly qualified individuals bring valuable skills in the areas of health care, life science and governance experience. New trustees joined in June and as such attended 3 of 2023's 5 board meetings, plus one strategy day.

As outlined previously, Dr Melanie Lee stepped down from the board and as LifeArc's CEO on 1 October, and Dr Mike Romanos stepped down as a non-executive trustee in March.

Please see the table on page 38 for a detailed summary of changes to the board.



LifeArc trustees



Dr Ian Gilham

Chair of the Board
Chair of the Nominations and
Board Financial Approvals
Committees

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 as a leader in mergers and acquisitions and has strong fund manager, investor relations and advisor networks in the City of London and globally. Ian is currently non-executive chair of Genedrive plc, RevoNa Bio and Pelago BioScience. He previously held various global management roles at Celltech, Amersham International, Abbott Laboratories and GSK and was CEO of Axis-Shield plc, leading to its successful sale to Alere. Subsequently, he became Executive Chair at Horizon Discovery, leading the sale of the company to Perkin-Elmer.



Stéphane Maikovsky

Interim Chief Executive
Officer (from Sept 2023)
Chief Financial Officer

Stéphane joined LifeArc as Chief Financial Officer (CFO) and trustee in June 2022, heading up the Finance, Investment, LifeArc Ventures, Information Technology and Operational Effectiveness teams. He stepped up as interim CEO in 2023 to ensure the continued effectiveness and running of the organisation. Stéphane was previously CFO at the Francis Crick Institute and has held senior financial, commercial and strategic roles in global biotechnology and business, including 16 years at Amgen.



Lynne Robb

Vice Chair of the Board
Chair of the Audit and Risk
Management Committee

Lynne joined the LifeArc board as a trustee in June 2020, bringing significant experience as a Chief Financial Officer (CFO) in both the charity and life sciences sectors. This includes 11 years as CFO at Cancer Research UK, where she oversaw the merger of the Cancer Research Campaign and the Imperial Cancer Research Fund and was involved in several major developments, including the establishment of the Francis Crick Institute. Lynne is a trustee and vice chair of Prostate Cancer UK, and a non-executive director of the Medicines Discovery Catapult. She is also a director of the Tate and Lyle pension scheme.



Dr Terri Cooper

Member of the
Investment Committee
and the Nominations
Committee

Terri is a recognised life sciences healthcare expert, with more than 35 years' experience working globally across public and private sectors with complex industry, business, technology, DEI, brand-building and regulatory imperatives. This includes leading Deloitte's global healthcare sector and building the firm's Life Sciences R&D practice. Terri is the board chair for Verso Biosense, the vice board chair for the Classical Theatre of Harlem and sits on the advisory boards of the USTA Foundation and EnrichedHQ. She holds a PhD in pharmacology from the University of London.

LifeArc trustees (cont.)



Dr Rima Makarem

Member of the Nominations Committee and the Remuneration Committee

Rima has 15 years' experience working at board level within the NHS and has an in-depth understanding of patient engagement. She has also held senior roles within the global pharmaceutical sector, including at GSK. She currently sits as chair of Sue Ryder and of the Bedfordshire, Luton and Milton Keynes Integrated Care System and of Queen Square Enterprises Ltd and is a member for the General Pharmaceutical Council. She holds a PhD in biochemistry from the University of Manchester and an MBA from INSEAD.



Dr Sameer Mistry

Member of the Audit and Risk Management Committee and the Investment Committee

Sameer is a senior industry physician leader with more than 18 years' experience in pharmaceuticals, medical devices and consumer healthcare across multiple disease areas. He is currently Global Medical Lead, Early Drug Development at GSK, prior to which he held other senior roles at GSK and at Johnson & Johnson. Before joining the industry, Sameer was a doctor in the UK NHS and a qualified member of the Royal College of Surgeons of Edinburgh.



Daniel Morgan

Member of the Audit and Risk Management Committee and the Board Financial Approvals Committee

Dan has over 20 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.



Ian Nicholson

Chair of the Remuneration Committee; Member of the Investment Committee and the Board Financial Approvals Committee

Ian has over 35 years' international experience in management and transactions within the life sciences sector including as chairman of Bioventix plc, as operating partner at London-based Advent Life Sciences LLP, and 8 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 USA.



Jo Pisani

Member of the
Remuneration
Committee

Following 30 years in industry and consulting, including leading PwC's UK Pharmaceutical and Life Sciences practice, Jo is now focused on supporting charities, universities and business start-ups. She is on the board of several organisations and groups, including Bioventix plc, London & Partners and Beacon for Rare Diseases (FindACure), and chairs both the MedCity advisory board and Birmingham's Precision Health Technology Accelerator. She is a passionate supporter of critical public health issues, such as tackling dementia and addressing antimicrobial resistance.



Susan Wallcraft

Member of the Audit and Risk
Management Committee
and the Remuneration
Committee

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



David Zahn

Chair of the Investment
Committee

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





Induction and training of LifeArc trustees

New trustees receive a tailored induction to ensure that they understand our 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. Trustees meet regularly with members of the Executive Management team to discuss all areas of the business.

We are implementing a calendar of training and development options for trustees in 2024, including financial management, charity governance and exposure to different areas of the organisation through site visits and observation of executive committees.

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

A board effectiveness review was delivered in June 2023, conducted by independent firm SCT Consultants and led by Margaret Exley CBE. The review praised work done to strengthen the organisation since the last review conducted in 2019. It also made recommendations for further improvements, which we have reviewed and are working toward implementing.





Committees of the board

A summary of the responsibilities of each committee can be found below. Membership of the committees as of December 2023 is shown on page 38. All 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 available to the board.

Audit and Risk Management Committee

The Audit and 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

The 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 Environmental, Social and Governance Policy.



Nominations Committee

The 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 team, 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, until December 2023, the now dissolved Strategic Advisory Council. It also oversees LifeArc's equity, diversity and inclusion approach.

Remuneration Committee

The 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 sets remuneration levels for members of the executive management team with the aim of attracting, retaining

and motivating senior leaders who can 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 other executives. All bonus payments for the executive team are approved by the committee, as well as reviewing the organisation recommendations overall for the general employee pool. Annual performance payments for the CEO and CFO are further ratified by the board.

Board Financial Approvals Committee

Established in February 2023, the Board Financial Approvals Committee supports effective governance of investment decisions that are outside of the remit of the Early Ventures Investments Committee and the Investments Committee, to ensure life sciences investments further LifeArc's strategy and social investments meet LifeArc's stated charitable purpose. It provides access to the board to facilitate swift decision-making outside of scheduled meetings and without needing to call a full board meeting at short notice.



Composition of the board and committees in 2023

Below shows the composition of the board, their membership to each board committee and the number of meetings they attended in 2023.

Trustee Number of attendances	Date of appointment	End date	Committees					
			Number of times meeting in 2023					
			Board	Audit and risk management	Investment	Nominations	Remuneration	Board financial approvals
			6 (5 + 1 strategy day)	5	5	4	4	3
Dr Ian Gilham Chair	Oct 2021		◆◆◆◆◆◆			◆◆◆◆		◆◆◆
Lynne Robb Vice Chair	Jun 2020		●●●●●●	◆◆◆◆◆◆				
Dr Melanie Lee CBE (Former CEO of LifeArc)	Nov 2019	Oct 2023	●●●●— Stepped down Oct 2023	Invited to attend	Invited to attend	Invited to attend	Invited to attend	●●— Member until Oct 2023
Stéphane Maikovsky Interim CEO and CFO of LifeArc	Jun 2022		●●●●●●	Invited to attend	Invited to attend	Invited to attend	Invited to attend	●●●
Dr Terri Cooper	Jun 2023		—●●●●● Joined Jun 2023		—●●● Member from Jun 2023	—●●● Member from Jun 2023		
Dr Rima Makarem	Jun 2023		—●●●●● Joined Jun 2023			—●●● Member from Jun 2023	—● Member from Jun 2023	
Dr Sameer Mistry	Jun 2023		—●●●●● Joined Jun 2023	—●●●○ Member from Jun 2023	—●●● Member from Jun 2023			
Dan Morgan	Nov 2017		●●●●○●	●●●●○				○●●
Ian Nicholson	Oct 2021		○●●●●●		●○●●●	●●— Member until Jun 2023	◆◆◆◆	●●●
Jo Pisani	Dec 2020		●●●●●●				●●●●	
Dr Mike Romanos	Mar 2016	Mar 2023	●●— Stepped down Mar 2023					
Susan Wallcraft	Oct 2021		●●●●●●	●●●●●	●●— Member until Jun 2023		●●●●	
David Zahn	Aug 2019		○●●○●●		◆◆◆◆◆◆			

Key ◆ Chair ● Attended ○ Not attended — Not applicable



Conflicts of interest

LifeArc's policy on conflicts of interest applies to the board 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 to identify and manage any areas of potential conflict.

The board does not publish the registers of gifts, hospitality and interests owing to potential data privacy implications, though this is available as required to meet any regulatory review.

Statement of board responsibilities

The board of 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 board 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 board is 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

The board is 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 board is 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 board. The board's 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 and 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
- 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

The Audit Risk and Management Committee reviewed the proposed delivery of the audit in November 2023 and noted that external auditors PFK Littlejohn LLP had confirmed that they remained independent and able to meet the requirements to exercise suitable objectivity in relation to the carrying out the audit.

Approval

The trustees’ report incorporating the strategic report and trustees’ report was approved by the board of trustees of LifeArc on:

Date:

0 5 - 0 7 - 2 4

Signature:



Signed on its behalf by: Dr Ian Gilham, Chair



2023 accounts



Independent auditor's report to the board and members of LifeArc

Opinion

We have audited the financial statements of LifeArc (the 'charitable company') for the year ended 31 December 2023 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 2023, 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
- 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 board 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 board is 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
- 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
- the financial statements are not in agreement with the accounting records and returns
- certain disclosures of trustees' remuneration specified by law are not made
- 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 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.

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: 5 July 2024

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 and expenditure account)

For the year ended 31 December 2023

	Notes	Unrestricted funds £000s	Restricted £000s	Total funds 2023 £000s	Total funds 2022 £000s
Income and endowments from					
Charitable activities	1	142,576	478	143,054	3,321
Investments	2	26,459	–	26,459	19,536
Other income	3	66	–	66	22
Total income and endowments	–	169,101	478	169,579	22,879
Expenditure on					
Raising funds	4	1,943	–	1,943	1,526
Charitable activities	5	71,018	478	71,496	58,765
Provisions	19	50	–	50	11
Total expenditure	–	73,011	478	73,489	60,302
Net gains /(losses) on investments	14/15	87,187	–	87,187	(90,991)
Net gains on FX hedges	–	15,842	–	15,842	851
Net income /(expenditure)	–	199,119	–	199,119	(127,563)
Net movement in funds	21	199,119	–	199,119	(127,563)
Reconciliation of funds:					
Total funds brought forward	21	1,186,359	–	1,186,359	1,313,922
Total funds carried forward	21	1,385,478	–	1,385,478	1,186,359

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 49 to 69 form part of the financial statements.



Balance sheet

For the year ended 31 December 2023

Company number: 2698321

	Notes	2023 £000s	2022 £000s
Fixed assets			
Tangible fixed assets	12	10,174	8,743
Intangible assets	13	8,980	11,248
Investments	14	1,196,056	1,053,688
		1,215,210	1,073,679
Current assets			
Investments	15	68,010	110,016
Debtors	16	117,356	5,288
Cash	-	6,815	13,472
		192,181	128,776
Creditors: amounts falling (due within one year)	17	(21,117)	(15,350)
Net current assets	-	171,064	113,426
Total assets (less current liabilities)	-	1,386,274	1,187,105
Provision for liabilities	19	(796)	(746)
Net assets	-	1,385,478	1,186,359
Charity funds			
Unrestricted funds	21	1,385,478	1,186,359
Total charity funds		1,385,478	1,186,359

The accounting policies and notes on pages 49 to 69 form part of the financial statements.

The financial statements were approved and authorised for issue by the board on 5 July 2024.

Signed on behalf of the LifeArc board of trustees.

Dr Ian Gilham - Chairman

Statement of cash flows

For the year ended 31 December 2023

	Notes	2023 £000s	2022 £000s
Cash flow from operating activities	23	(13,564)	(54,146)
Cash flow from investing activities			
Payments to acquire tangible fixed assets	-	(4,449)	(963)
Payments to acquire intangible assets	-	5	(5)
Payments to acquire investments	-	(293,484)	(35,725)
Receipts from sale of investments	-	208,140	49,852
Dividends, interest and rents received from investments	-	26,549	19,536
Decrease in current asset investments	-	42,006	52,968
Decrease /(increase) in cash held for investment	-	28,230	(22,748)
Net cash flow provided by investing activities	-	6,907	62,915
Change in cash and cash equivalents in the year	-	(6,657)	8,769
Cash and cash equivalents at 1 January	-	13,472	4,703
Cash and cash equivalents at 31 December	-	6,815	13,472
Cash and cash equivalents consist of:			
Cash at bank and in hand	-	6,815	13,472
Short-term deposits	-	-	-
Cash and cash equivalents at 31 December		6,815	13,472

The accounting policies and notes on pages 49 to 69 form part of the financial statements.



Accounting policies

For the year ended 31 December 2023

General information and 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 board considers 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 UK Dementia Research Institute (UK 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 board in furtherance of the general objectives of LifeArc and which has not been designated for other 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:

Plant and machinery	10 years
Laboratory equipment	5 to 10 years
Furniture, fixtures and fittings and office equipment	5 years
Computers	3 to 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 and 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 contribution 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

	2023 £000s	2022 £000s
Research contracts and royalty income	141,321	1,665
IP management and technology transfer services	1,255	1,255
Grants	478	401
Total	143,054	3,321

02. Income from investments

	2023 £000s	2022 £000s
Dividends – equities	7,250	944
Interest – fixed interest securities	2,053	17,221
Interest – deposits	311	82
Income from alternative investments	16,845	1,289
Total	26,459	19,536

03. Other income

	2023 £000s	2022 £000s
Miscellaneous	66	22
Total	66	22

04. Raising funds

	2023 £000s	2022 £000s
Investment office costs	634	381
Investment manager and consultancy fees	1,309	1,145
Total	1,943	1,526

05. Analysis of expenditure on charitable activities

	2023			2022
	Activities undertaken directly £000s	Support costs £000s	Total £000s	Total £000s
Respiratory health	4,081	2,569	6,650	2,920
Neurodegeneration healthcare	4,260	2,705	6,965	1,517
Global health infection	6,095	3,861	9,956	4,144
Rare disease	5,870	3,436	9,306	14,240
Childhood cancer	547	309	856	-
Other Translational Challenges	356	226	582	1,142
LifeArc Ventures	2,190	1,397	3,587	2,892
Scientific portfolio	16,408	10,137	26,545	24,869
Other	4,194	2,855	7,049	7,041
Total	44,001	27,495	71,496	58,765





Grants

LifeArc has awarded grants to the following institutions during the year

Institution	2023 £000s	2022 £000s
Medical Research Council (UKRI)	2,219	2,507
University College London	1,578	1,395
KQ Labs	876	-
Department of Health and Social Care	760	570
Francis Crick Institute	725	533
University of Ghana	503	-
University of Edinburgh	483	496
University of Glasgow	465	532
Kings College London	455	447
University of Sheffield	452	1,078
Stellenbosch University	444	-
Action Medical Research	421	258
UK Dementia Research Institute	412	-
University of Oxford	361	187
Great Ormond Street Hospital	338	369
University of Cambridge	308	134
University of Dundee	285	-
DEBRA Austria	250	-
Queen Mary University London	220	49
University of Aberdeen	214	-
University of AIBST: Pan Africa DMPK Centre of Excellence	166	-
University of Sussex	149	-
Chelsea and Westminster Hospital NHS Foundation Trust	137	-
Liverpool School of Tropical Medicine	100	-
University of Chile	100	-
Cambridge Science Centre	100	-
University of Cape Town H3D Foundation	98	-
University of Birmingham	85	627
University of Buea	82	-
Newcastle University	63	500
AUTM Foundation	57	40
Royal Holloway University London	43	42

Institution (cont.)	2023 £000s	2022 £000s
Gene People	30	43
The Institute of Cancer Research Royal Cancer Hospital	23	-
Drugs & Diagnostics for Tropical Diseases (DDTD)	20	-
University of Manchester	-	500
University Health Network	-	123
Trozon X17	-	220
Intelligent Lab on Fiber Limited	-	20
University of Dundee	-	80
Beacon for Rare Diseases	-	47

06. Allocation of support costs

	Governance £000s	Corporate resources £000s	2023 £000s	2022 £000s
Respiratory health	119	2,450	2,569	1,140
Neurodegeneration healthcare	125	2,580	2,705	576
Global health infection	178	3,682	3,860	1,692
Rare disease	159	3,277	3,436	5,874
Childhood cancer	14	295	309	-
Other Translational Challenges	10	215	225	388
LifeArc Ventures	64	1,333	1,397	1,162
Scientific portfolio	468	9,668	10,136	10,191
Other	140	2,718	2,858	2,669
Total	1,277	26,218	27,495	23,692

Governance costs are detailed further in note 7.



07. Governance costs

	2023 £000s	2022 £000s
Staff costs	517	553
Direct costs		
Other legal and professional charges	178	38
Audit fees	40	38
Other fees	181	53
Bank charges	8	7
Insurance	210	177
Other governance costs	143	52
Total	1,277	918

08. Net income for the year

Net income is stated after charging/(crediting):

	2023 £000s	2022 £000s
Depreciation of tangible fixed assets	3,018	2,607
Amortisation of intangible fixed assets	2,263	2,812
Operating leases – property	1,367	1,349
Auditor's remuneration	40	38
Fees payable to internal auditor	181	69
Net losses/(gains) on foreign exchange	262	(225)

09. Auditor's remuneration

	2023 £000s	2022 £000s
Fees payable to the charity's auditor for the audit of the charity's annual accounts	40	38
Fees payable to the charity's auditor for other services:		
Other services	9	8
Total	49	46

10. Board and key management personnel remuneration and 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 £225,125 (2022 – £288,375), 5% flex allowance of £11,256 (2022 – £14,419), bonus of £73,200 (2022 – £104,580), pension contributions £22,512 (2022 – £28,837), and other benefits £5,262 (2022 – £9,054). Melanie Lee resigned from LifeArc as an employee on 30 September 2023 and as a director on 1 October 2023 and received loss of office payments of £241,964 (2022 – £nil). Stéphane Maikovsky was appointed as a 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 £245,875 (2022 – £125,481), 5% flex allowance of £12,294 (2022 – £6,274), bonus of £124,810 (2022 – £39,000),

pension contributions £29,505 (2022 – £10,904), and other benefits £5,030 (2022 – £5,493). This includes basic pay of £12,437, 5% flex allowance of £622, and pension contributions of £1,492 in respect of acting up as the CEO of LifeArc from 1 October 2023. Bonus was awarded in relation to his role as both CFO and interim CEO during the year.

In respect of services provided to LifeArc for the LifeArc Ventures Fund, Ian Nicholson invoiced LifeArc £6,500 for consultancy through Casewell Consulting Limited.

All other trustees neither received nor waived any remuneration during the year (Dec 2022 – £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, PILON, severance payments and other benefits) was £3,517,000 (2022 – £3,033,000). The board considers its key management personnel to comprise the Chief Executive Officer and executive management team.

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

	2023 number of trustees	2022 number of trustees	2023 £000s	2022 £000s
Travel and subsistence	11	10	13	6
Total	11	10	13	6

Included above is £7,961 (2022 – £1,588) which has been paid directly to third parties.



11. Staff costs and employee benefits

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

	2023	2022
Executive	8	8
Translational science and Translational Challenge leadership	144	125
Partnerships	37	32
LifeArc Ventures	6	7
Enabling functions*	77	60
Investment office	3	2
Agency/contract staff	15	13
Total	290	247

*Enabling functions includes Corporate Affairs, Finance, Facilities, Human Resources, IT, Legal and Project Management.

The total staff costs and employee benefits were as follows:

	2023 £000s	2022 £000s
Wages and salaries	22,291	18,201
Social security	2,560	2,143
Defined contribution pension costs	1,682	1,326
Agency/contract staff	2,174	1,753
Redundancy payments	398	588
Total	29,105	24,011

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

	2023	2022
£60,001 – £70,000	29	33
£70,001 – £80,000	26	11
£80,001 – £90,000	15	13
£90,001 – £100,000	18	16
£100,001 – £110,000	11	8
£110,001 – £120,000	10	5
£120,001 – £130,000	1	3
£130,001 – £140,000	3	2
£140,001 – £150,000	1	3
£150,001 – £160,000	3	-
£160,001 – £170,000	3	1
£170,001 – £180,000	-	1
£180,001 – £190,000	1	-
£190,001 – £200,000	-	1
£200,001 – £210,000	1	2
£210,001 – £220,000	-	1
£220,001 – £230,000	4	1
£230,001 – £240,000	1	1
£240,001 – £250,000	2	1
£250,001 – £260,000	1	-
£280,001 – £290,000	1	-
£290,001 – £300,000	-	1
£320,001 – £330,000	1	-
£330,001 – £340,000	-	1
£350,001 – £360,000	1	-
£380,001 – £390,000	1	-
£430,001 – £440,000	-	1
£480,001 – £490,000	1	-
Total	135	106

PILON totalling £282,275 (2022 – £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 135 (December 2022 – 106) members of staff amounted to £1,142,691 (2022 – £840,387).

The redundancy and termination payments in the year totalled £398,382 (2022 – £588,422), of which £335,382 (2022 – £588,422) had been paid during the year with £63,000 (2022 – £nil) accrued at the year end.

12. Tangible fixed assets

	Assets under construction £000s	Leasehold improvements £000s	Laboratory equipment and plant £000s	Fixtures, fittings and computers £000s	Total £000s
Cost					
At 1 January 2023	6	9,860	11,522	3,737	25,125
Additions	2,355	50	1,580	464	4,449
Disposals	-	-	(272)	-	(272)
Reclassification	(1,610)	-	1,598	12	-
At 31 December 2023	751	9,910	14,428	4,213	29,302
Accumulated depreciation					
At 1 January 2023	-	5,355	8,291	2,736	16,382
Charge for year	-	922	1,609	487	3,018
Disposals	-	-	(272)	-	(272)
At 31 December 2023	-	6,277	9,628	3,223	19,128
Net book value					
At 31 December 2023	751	3,633	4,800	990	10,174
At 31 December 2022	6	4,505	3,231	1,001	8,743

LifeArc had capital commitments of £nil at 31 December 2023 (December 2022 – £2.1 million).

13. Intangible assets

	Synergy antibody platform £000s	Software and licences £000s	Total £000s
Cost			
At 1 January 2023	16,149	566	16,715
Additions	-	(5)	(5)
At 31 December 2023	16,149	561	16,710
Accumulated depreciation			
At 1 January 2023	5,395	72	5,467
Charge for year	2,151	112	2,263
At 31 December 2023	7,546	184	7,730
Net book value			
At 31 December 2023	8,603	377	8,980
At 31 December 2022	10,754	494	11,248

14. Fixed asset investments

	Note	2023 £000s	2022 £000s
Investments at cost		38	54
Unlisted investments in LifeArc Ventures Fund held at fair value	14a	64,471	44,675
Listed investments	14b	1,128,061	977,243
Cash held for investment purposes		3,486	31,716
Total		1,196,056	1,053,688

Included within investments at cost is £10,000 in relation to 100% of the shares in LifeArc Innovations Limited.

Listed investments includes investments held by LifeArc investment office 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.



14a. Unlisted investments held at fair value

	2023 £000s	2022 £000s
Fair value at 1 January	44,675	19,679
Investments in the year	32,721	17,546
Disposals in the year	(1,012)	(26,084)
Realised gain during the year	100	23,327
Unrealised gain /(loss) during the year	(12,271)	9,225
Interest accrued	298	390
Foreign exchange gains /(losses)	(40)	592
Fair value at 31 December	64,471	44,675

At the year end LifeArc was committed to investing £72.7 million (2022 £51.3 million) through LifeArc Ventures and as a Limited Partner, and £76.8 million (2022 £72.3 million) from other unrestricted funds.

14b. Listed investments held at fair value

	2023 £000s	2022 £000s
Market value at 1 January	977,243	1,100,377
Acquisitions	260,733	18,179
Sale proceeds	(207,084)	(23,768)
Unrealised gain /(loss)	94,832	(138,759)
Realised gain	2,215	21,214
Foreign exchange gains	122	-
Market value at 31 December	1,128,061	977,243
Historical cost at 31 December	1,090,212	1,061,591

Portfolio analysis

		2023 £000s	2022 £000s
Equities	within the UK	113,225	45,414
	overseas	700,129	677,908
Fixed interest securities	within the UK	-	-
	overseas	165,291	121,189
Alternative investment incl. private equity		149,416	132,732
		1,128,061	977,243
Cash		3,486	31,716
Total		1,131,547	1,008,959

15. Current asset investments

	2023 £000s	2022 £000s
LifeArc Ventures		
At 1 January	110,016	162,983
Net investment /(withdrawals)	(3,209)	275
Acquisitions	84,421	13,086
Sale proceeds	(125,358)	(61,200)
Realised gains	3,656	124
Unrealised (losses)	(1,346)	(6,142)
Interest received	24	12
Foreign exchange gain /(loss)	(194)	878
As at 31 December	68,010	110,016
Historical Cost At 31 December	71,466	111,932

Portfolio analysis

	2023 £000s	2022 £000s
Equities overseas	3,100	4,434
Fixed interest securities overseas	64,590	101,749
Total	67,690	106,183
Cash	320	3,833
Total	68,010	110,016

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

	2023 £000s	2022 £000s
Trade debtors	41	507
Prepayments and accrued income	103,176	1,938
Tax debtor – VAT	976	979
Other debtors	115	295
Hedge/derivative asset	13,048	1,569
Total	117,356	5,288

17. Creditors: amounts falling due within one year

	2023 £000s	2022 £000s
Trade creditors	3,174	2,039
Grant creditors	1,238	385
Accruals and deferred income	12,185	7,739
Other creditors	3,558	4,430
PAYE and NI creditor	962	757
Total	21,117	15,350

18. Leases

	2023 £000s	2022 £000s
Operating leases – leasee		
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than 1 year	1,441	1,404
Later than 1 and not later than 5 year	2,068	2,109
Later than 5 years	-	-
Total	3,509	3,513

19. Provisions for liabilities and charges

	Provision for dilapidations £000s
At 31 December 2022	746
Additions during the year	50
Amounts charged against the provision	-
Unused amounts reversed	-
At 31 December 2023	796

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 and Philanthropic Fund	11,827	46,478	58,305
Neurodegeneration healthcare	5,672	28,982	34,654
Global health	5,236	17,773	23,009
Respiratory health	3,924	3,538	7,462
Childhood cancer	1,064	-	1,064
COVID	1,072	94	1,166
Other	110	100	210
Total	28,905	96,965	125,870

21. Fund reconciliation

	Balance at 1 Jan 2023 £000s	Income £000s	Expenditure £000s	Transfers £000s	Gains (losses) £000s	Balance 31 Dec 2023 £000s
Unrestricted	1,186,359	169,101	(73,011)	-	103,029	1,385,478
Restricted	-	478	(478)	-	-	-
Total	1,186,359	169,579	(73,489)	-	103,029	1,385,478

Fund descriptions

01. Unrestricted funds

The unrestricted fund is a general unrestricted fund which is available for use at the discretion of the board 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 £478,000 (December 2022 – £401,000) from GSK Services and the Royal Commission for the Exhibition of 1851.



22. Analysis of net assets between funds

	Unrestricted funds £000s	Total 2023 £000s
Fixed assets	1,215,210	1,215,210
Cash and current investments	74,825	74,825
Other current assets/liabilities	96,239	96,239
Provisions	(796)	(796)
Total	1,385,478	1,385,478

	Unrestricted funds £000s	Total 2022 £000s
Fixed assets	1,073,679	1,073,679
Cash and current investments	123,488	123,488
Other current assets/liabilities	(10,062)	(10,062)
Provisions	(746)	(746)
Total	1,186,359	1,186,359

23. Reconciliation of net income to net cash flow from operating activities

	2023 £000s	2022 £000s
Net income for year	199,119	(127,563)
Dividends, interest and rents from investments	(26,459)	(19,536)
Accrued income on LifeArc Ventures investments	(298)	(390)
Revaluation (gain)/loss on investments	(81)	(572)
Depreciation and impairment of tangible fixed assets	3,018	2,607
Amortisation of intangible fixed assets	2,263	2,812
(Gains)/losses on investments	(84,875)	84,973
Loss on disposal of intangible fixed assets	-	245
(Increase)/decrease in debtors	(112,068)	(2,524)
Increase/(decrease) in creditors	5,817	5,802
Net cash flow from operating activities	(13,564)	(54,146)

24. Pensions and 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 £1,682,000 (12 months to December 2022 – £1,326,000).

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 £5,081 (December 2022 – £6,399) were made to 5 non-executive trustees (December 2022 – 10 non-executive trustees). These transactions were carried out on normal commercial terms.

Trustee indemnity insurance was purchased in the year at a cost of £14,500 including insurance premium tax (2022 – £16,692).

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

	Income £000s	Expenditure £000s	Creditor £000s
Medicine Discovery Catapult¹			
At end date 31 December 2023	-	211	-
At end date 31 December 2022	-	177	-
Dementia Research Institute²			
At end date 31 December 2023	55	412	-
At end date 31 December 2022	55	-	-
RQ Biotechnology Limited³			
At end date 31 December 2023	1,985	-	-
At end date 31 December 2022	21	-	-
Casewell Consulting⁴			
At end date 31 December 2023	-	7	-
At end date 31 December 2022	-	7	-
Beacon For Rare Diseases⁵			-
At end date 31 December 2023	-	10	-
At end date 31 December 2022	-	47	-

¹ Lynne Robb and Sue Wallcraft are on the board of trustees. During the year LifeArc had expenditure of £211,000 on outsource fees (2022 – £177,000).

² Dementia Research Institute: Melanie Lee and Jo Pisani are on the board of trustees. During the year LifeArc funded awards of £412,000 (2022 – £nil) and had SLA income of £55,000 (2022 – £55,000).

³ Clare Terlouw (Head of LifeArc Ventures) is on the board of trustees. During the year LifeArc received £1,970,000 dividend investment income (2022 – £nil), and £15,000 service income (2022 – £21,000).

⁴ Ian Nicholson (trustee) is an owner of Casewell Consulting. During the year LifeArc had expenditure of £6,500 on consultancy fees (2022 – £7,000).

⁵ Jo Pisani is on the board of trustees. During the year LifeArc had expenditure of £10,000 on sponsorship (2022 – £nil). In 2022 LifeArc funded awards of £47,000.



26. Post balance sheet events

Since 31 December 2023 the value of LifeArc's investment portfolio (excluding early ventures) has increased by £117.4 million as at 31 May 2024 as a result of £52.7 million gains and income, and £64.7 million of net additions.

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 2023 was 11 (31 December 2022 – 10).

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 2022 £000s	Total funds 2021 £000s
Income and endowments from					
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
Total income and endowments	-	22,478	401	22,879	17,877
Expenditure on					
Raising funds	4	1,526	-	1,526	1,911
Charitable activities	5	58,364	401	58,765	54,599
Provisions	19	11	-	11	-
Total expenditure	-	59,901	401	60,302	56,510
Net gains /(losses) on investments	14/15	(90,991)	-	(90,991)	133,614
Net gains on FX hedges	-	851	-	851	-
Net income /(expenditure)	-	(127,563)	-	(127,563)	94,981
Net movement in funds	21	(127,563)	-	(127,563)	94,981
Reconciliation of funds					
Total funds brought forward	21	1,313,922	-	1,313,922	1,218,941
Total funds carried forward	21	1,186,359	-	1,186,359	1,313,922

Advisors

Statutory auditors	PKF Littlejohn LLP	15 Westferry Circus, Canary Wharf, London E14 4HD
Bankers	Lloyds Bank Plc	3 rd Floor, 25 Gresham Street, London EC2V 7HN
Charity law advisors	Bates Wells	10 Queen Street Place, London EC4R 1BE
Internal auditor	Grant Thornton UK LLP	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 and Wales No. 2698321

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

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

Registered address and principal place of business

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lifearc.org

LIFEARC

England & Wales - Charity number 1015243

Accounts

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.



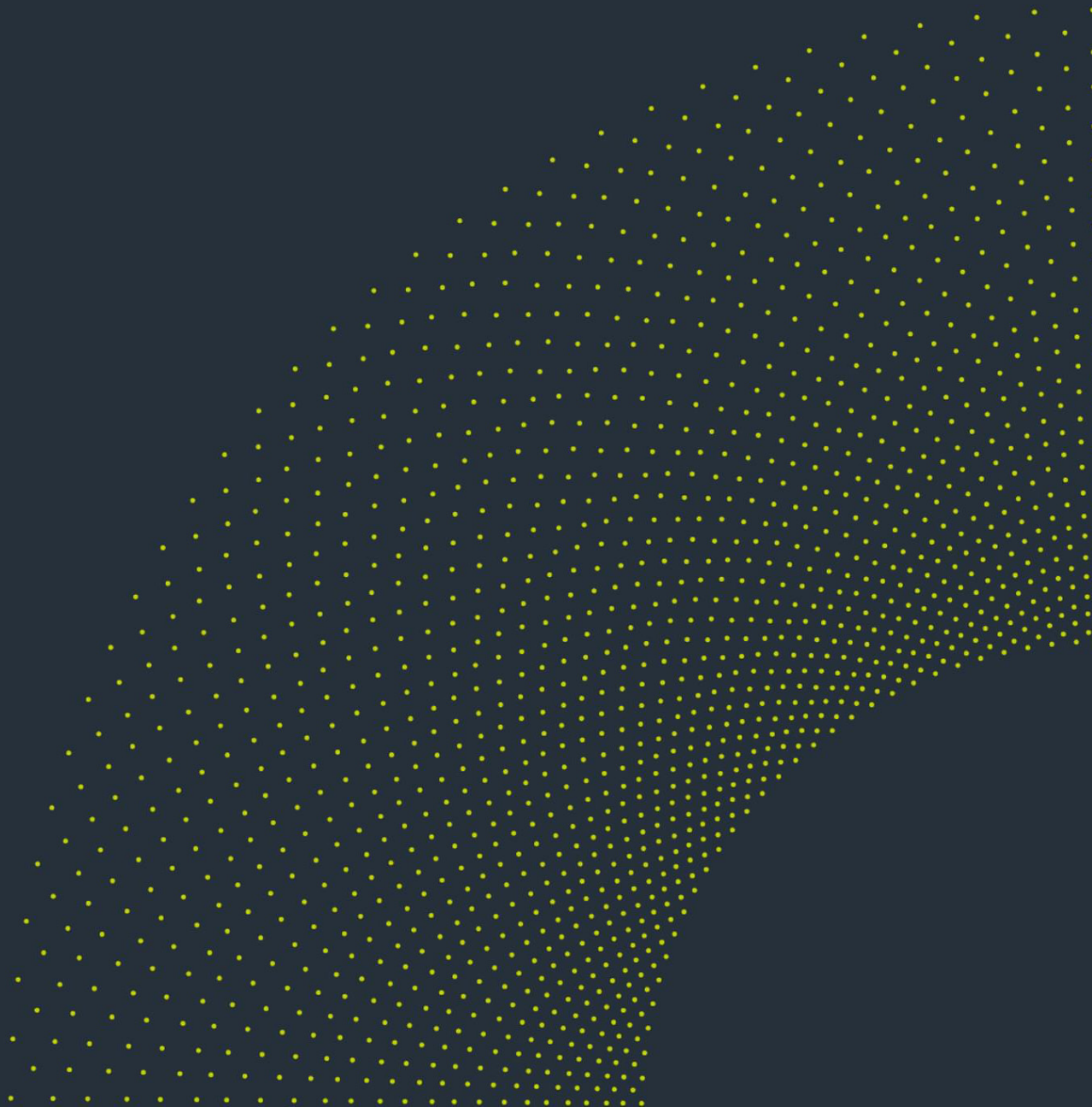
Dr Melanie Lee
Chief Executive Officer



Dr Ian Gilham
Chair

LifeArc

Trustees' Report



Objectives & Activities

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
Scope 1: Direct emissions from owned or controlled sources (such as fuel combustion or company vehicles) in metric tonnes CO₂e		
Total	0	0
Scope 2: Indirect emissions from the generation of purchased electricity, in metric tonnes CO₂e**		
Total	525	434
Scope 3: Business travel in employee-owned vehicles, in metric tonnes CO₂e**		
Total	4	6
Total gross emissions in metric tonnes CO₂e	528	440
Intensity Ratio: Tonnes CO ₂ e per FTE	2	2
Intensity Ratio: Purchased electricity tonnes CO ₂ 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	Delivering Impact: 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	Third Party and External Partnerships: 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
Financial Risk	Financial Sustainability: 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.	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. 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.
Operational Risk	Platform Technology: 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.	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.
Operational Risk	Management of Change: 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.	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.
Operational Risk	Recruitment and Retention of Employees: 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.	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.
Operational Risk	Supply Chain Resilience: 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.	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.

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
Net Movement In Funds	(127.6)	95
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

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



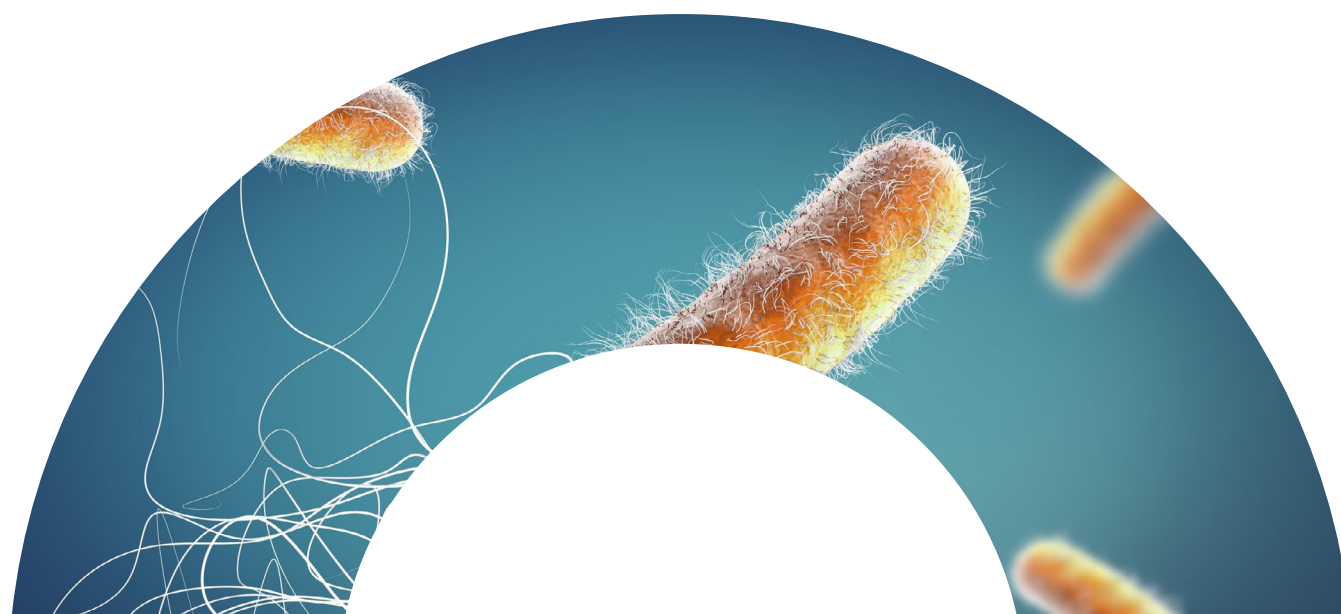
Dr David Powell
Chief Scientific
Officer
From Jan 2022



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
Dr Ian Gilham Chair from 4 th Apr 2022	Oct 2021				Chair	
Lynne Robb Vice Chair from 25 th Apr 2022	Jun 2020		Chair			
Dr Melanie Lee CBE CEO of LifeArc	Nov 2019					
Stéphane Maikovsky CFO of LifeArc	Jun 2022					
Dan Morgan	Nov 2017		Member			
Ian Nicholson	Oct 2021			Member	Member	Chair
Jo Pisani	Dec 2020					Member
Dr Mike Romanos	Mar 2016	Mar 2023				
Susan Wallcraft	Oct 2021		Member	Member		Member
David Zahn	Aug 2019			Chair		
Dr John Stageman	Nov 2014	Apr 2022				
Aisling Burnand	Nov 2017	Nov 2022				
Dr Les Hughes	Mar 2016	Nov 2022				

Co-opted Members

Jonathan Marriott	Jan 2020			Member		
Simon Gibson	Oct 2016			Member		
Cindy Rose	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.

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.

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

LifeArc

2022

Accounts



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
Income and Endowments from:					
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
Total Income and Endowments	–	22,478	401	22,879	17,877
Expenditure On:					
Raising Funds	4	1,526	–	1,526	1,911
Charitable Activities	5	58,364	401	58,765	54,599
Provisions	19	11	–	11	–
Total Expenditure	–	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	–
Net (Expenditure)/Income	–	(127,563)	–	(127,563)	94,981
Net Movement in Funds	21	(127,563)	–	(127,563)	94,981
Reconciliation of Funds:					
Total Funds Brought Forward	21	1,313,922	–	1,313,922	1,218,941
Total Funds Carried Forward	21	1,186,359	–	1,186,359	1,313,922

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
Fixed Assets			
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
Current Assets			
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
Creditors: Amounts Falling (Due Within One Year)	17	(15,350)	(9,559)
Net Current Assets	–	113,426	160,892
Total Assets (Less Current Liabilities)	–	1,187,105	1,314,657
Provision For Liabilities	19	(746)	(735)
Net Assets	–	1,186,359	1,313,922
Charity Funds			
Unrestricted Funds	21	1,186,359	1,073,878
Designated Funds	21	–	240,044
Restricted Funds	21	–	–
Total Charity Funds		1,186,359	1,313,922

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
Cash Flow From Operating Activities	23	(54,146)	(49,300)
Net Cash Flow Provided By/(Used In) Operating Activities	–	(54,146)	(49,300)
Cash Flow From Investing Activities			
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)
Net Cash Flow Provided By/(Used In) Investing Activities	–	62,916	41,444
Change In Cash & Cash Equivalents In The Year	–	8,769	(7,856)
Cash & Cash Equivalents At 1 January	–	4,703	12,559
Cash & Cash Equivalents At 31 December	–	13,472	4,703
Cash & Cash Equivalents Consist Of:			
Cash At Bank And In Hand	–	13,472	4,703
Short-Term Deposits	–	–	–
Cash & Cash Equivalents At 31 December	–	13,472	4,703

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

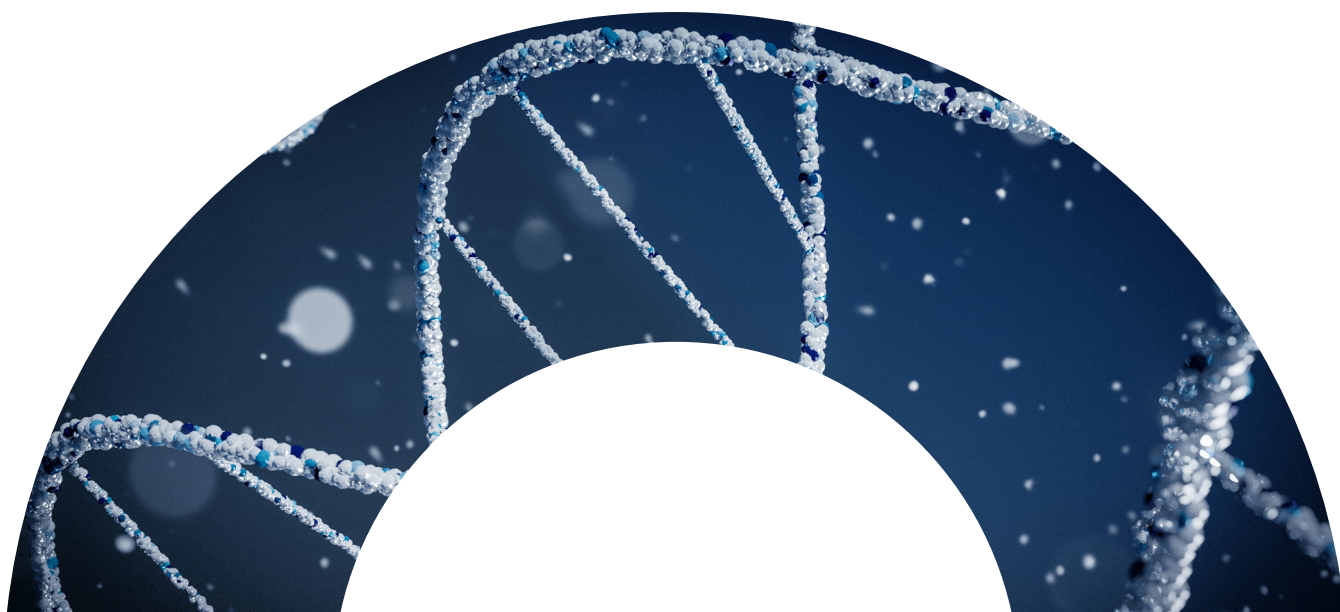
Material items are items which derive from events or transactions that fall within the ordinary activities of LifeArc and which individually need to be disclosed by virtue of their size or incidence if the financial statements are to give a true and fair view. The separate reporting of material items 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
Total	3,321	2,343

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
Total	19,536	15,448

03. Other Income	Dec 2022 £000s	Dec 2021 £000s
Miscellaneous	22	86
Total	22	86

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

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
Total	35,073	23,692	58,765	54,599

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
Total	918	22,774	23,692	17,718

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
Direct Costs		
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
Total	918	721

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
Fees Payable To The Charity's Auditor For Other Services:		
Other Services	8	5
Total	46	41

10. Trustees' & Key Management Personnel Remuneration & 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
Total	10	3	6	1

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
Total	247	229

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
Total	25,011	20,364

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
Total	106	73

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
Cost					
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
Accumulated Depreciation					
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
Net Book Value					
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
Cost			
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
Accumulated Depreciation			
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
Net Book Value			
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
Total	1,053,688	1,129,078

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
Fair Value At 31 December	44,675	19,679

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
Historical Cost At 31 December	1,061,591	1,023,492

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
Total		1,008,959	1,109,345

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
Total		110,016	162,984

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	–
Total	5,288	2,764

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
Total	15,350	9,559

18. Leases

	Dec 2022 £000s	Dec 2021 £000s
Operating Leases – Lessee		
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	–	–
Total	3,513	4,891

19. Provisions For Liabilities & 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
Total	13,207	10,428	23,635

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)	–	–
Total Designated Funds	240,044	844	(4,198)	(236,690)	–	–
Total Unrestricted	1,313,922	22,478	(59,901)	–	(90,140)	1,186,359
Restricted	–	401	(401)	–	–	–
Total	1,313,922	22,879	(60,302)	–	(90,140)	1,186,359

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
Total Designated Funds	53,814	332	(11,721)	197,000	619	240,044
Total Unrestricted	1,218,941	17,504	(56,137)	–	133,614	1,313,922
Restricted	–	373	(373)	–	–	–
Total	1,218,941	17,877	(56,510)	–	133,614	1,313,922

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)
Total	1,186,359	–	1,186,359

	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)
Total	1,073,878	240,044	1,313,922

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

26. Post Balance Sheet Events

Since 31st December 2022 the value of LifeArc's investment portfolio (excluding Early Ventures) has increased by **£27m** as at 31st 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
Income & Endowments From:				
Charitable Activities	1	1,970	373	2,343
Trading Activities				
Investments	2	15,448	–	15,448
Other Income	3	86	–	86
Total Income & Endowments		17,504	373	17,877
Expenditure On:				
Raising Funds	4	1,911	–	1,911
Charitable Activities	5	54,226	373	54,599
Provisions	19	–	–	–
Total Expenditure	–	56,137	373	56,510
Net Gains On Investments	14/15	133,614	–	133,614
Net Income	–	94,981	–	94,981
Net Movement In Funds	21	94,981	–	94,981
Reconciliation Of Funds:				
Total Funds Brought Forward	21	1,218,941	–	1,218,941
Cash Flow Hedge Reserve	21	–	–	–
Total Funds Carried Forward	21	1,313,922	–	1,313,922

Advisers

Statutory Auditors	PKF Littlejohn LLP	15 Westferry Circus, Canary Wharf, London E14 4HD
Bankers	Lloyds Bank Plc	3 rd 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

Lynton House 7-12 Tavistock Square

London WC1H 9LT UK

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LIFEARC

England & Wales - Charity number 1015243

Accounts

Unlocking the potential of life sciences

Annual Report and Audited Accounts

For the year ended 31 December 2021

We make life science life changing

We transform promising life science ideas into medical breakthroughs that change patients' lives.

Danny was diagnosed with Hunter syndrome when he was three years old. He has the most severe form of the disease, which has no cure and limited treatment options.

In partnership with children's charity Action Medical Research, we are funding a lab project at the University of Manchester to find out if an innovative stem cell gene therapy can help children like Danny.

For more information, visit AMR's website action.org.uk

→ Story of our year
pages 16-19

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Highlights

Operational highlights

In 2021 LifeArc launched its long-term strategy, built around three strategic pillars which are discussed on page 12. Here are some other highlights of our year:

18	Early-stage companies enabled to advance innovative research through Early Ventures funding, KQ Labs and Novartis Biome collaborations
3	COVID projects supported by LifeArc have reported results with the potential to change patient care
2	Joint research funding applications by Motor Neurone Disease community, facilitated by LifeArc
150	Sector experts and stakeholders participated in a workshop to address the issues of drug repurposing

Financial highlights

LifeArc's expenditure exceeded its income, but gains on investments are laying the foundations for long-term funding of innovative life science.

£56.5m	Total expenditure on charitable activities: an increase of 14% on 2020
£17.9m	Income from charitable activities and investments

In 2021 we shared our 2030 strategy

We have set out our strategy for long-term impact, spearheaded by three strategic pillars and supported by £1.3bn in funding by 2030.

Dr John Stageman, CBE

Chair – LifeArc

£1.3bn

To support life sciences innovation between now and 2030

The past year is a testament to the strength and resilience of our organisation and our people. We have adapted to the ongoing challenges of the COVID-19 pandemic while continuing to progress and support important translational research that has the potential to benefit patients. At the same time, we launched our 10-year strategy and brought through changes to implement our ambitious plans successfully.

Evolving our strategy

Our new strategic direction outlines how we will make life science life changing. It includes a target of committed spend of £1.3bn by 2030 so that patient-focused innovations from universities, medical research institutes and other organisations can progress and flourish. The strategy, which is outlined on page 12, sets out three strategic pillars that guide how we will achieve our ambition. These pillars are:

Impact with Partners

We work with partners in other medical research organisations to advance the innovative science and ideas being explored by academia, charities and patient groups. We will build on our legacy of creating successful partnerships to help ensure more innovations benefit patients and society, faster.

Translational Challenges

Our Translational Challenges will unite our collective strengths and resources with the expertise and funding of other life sciences partners to solve urgent, significant healthcare problems.

Early Ventures

By bridging the gap between academic innovation and commercial funding, our Early Ventures approach will provide a much-needed source of investment for young companies developing new products and technologies with the potential to transform patients' lives.

These strategic pillars reflect not only our determination to put patients at the core of what we do, but also our belief in the collective power of life science innovation.

Through the new collaborations we will be forming, we will unlock the vast potential of the research community to tackle complex healthcare challenges we face.

New expertise to guide our strategy

While the principal story of the year has been the launch of our long-term strategy, it has also seen changes in the Board of Trustees.

This year, we have welcomed three new Trustees: Dr Ian Gilham, Ian Nicholson and Susan Wallcraft. They bring vital skills and experience to help us implement our new strategy and are already helping us to shape the exciting future for our charity.

Long-serving Trustees Peter Keen, Dr Sally Burtles and Dr Paul Mussenden reached the end of their full terms and stepped down from the Board during 2021. I thank Peter and Sally most sincerely for their exceptional commitment and considerable expertise devoted to LifeArc over the past eight years, which have been invaluable. My deep gratitude also to Paul, who as my deputy chair and chair of the Audit Committee, has been my confidant and critical friend when times have been challenging. All three can be very proud of how far LifeArc has changed and progressed over the last eight years and of their own personal contribution to this journey.

During 2021, we also convened our Strategic Advisory Council for the first time. When we moved to a foundation model in 2020, the Board recognised that it would benefit from an advisory body to offer strategic, societal and patient insight. The council, which had its first meeting in 2021, is made up of highly knowledgeable, experienced and influential leaders in the life sciences world and beyond. I highly value the advice, challenge and support this august body is already providing to the LifeArc Board, guiding the charity on how we can maximise our ability to transform medical innovation for patients. I would like to thank them too for committing their time to us.

We are ready to deliver our vision for the future

This is my last report as chair of LifeArc as I will be retiring from the Board at the end of March.

I am pleased to announce that the Board has approved the appointment of Dr Ian Gilham as our new chair, to take office from 4 April 2022.

I would like to express my sincere gratitude to all employees of LifeArc and to my fellow Trustees, for the invaluable support you have given me during my term of office, and for the outstanding contribution you have made to LifeArc throughout times of great change and significant challenge.

I would like to wish Ian every success in leading LifeArc through the next phase of its journey. We have reached a critical juncture with so much potential and opportunity. Our next phase must be all about successful implementation and delivery.



Dr John Stageman CBE

Chair – LifeArc

22 March 2022



In a further year of challenge, LifeArc has started to implement its 10-year strategy to enhance human health by supporting and accelerating life science innovation.”

We unlock the life-changing potential of science

We advance promising life science ideas into medical treatments that can change patients' lives.

Who we are

LifeArc accelerates healthcare innovation by transforming promising life science ideas into life-changing medical breakthroughs for patients.

As a self-funded charity we are not dependent on external funding for our projects. However we have an excellent tradition of partnering with others involved in early-stage translation – advancing lab-based scientific discoveries to a point at which they can be developed into the next generation of diagnostics, treatments and cures.

We have an office in London and scientific research facilities in Stevenage and Edinburgh. We also have a specialist science team working at the Francis Crick Institute in London. Altogether over 200 people work for LifeArc.

219

employees at the end of 2021, with a range of expertise including R&D, technology transfer, patent protection, diagnostics, business development and life sciences investment

4

sites in the UK: including three state-of-the-art laboratories and a dedicated lab space in the Crick Institute

£1.3bn

committed by 2030 to support life sciences innovation

What we do

We specialise in translation. This is the process of advancing scientific ideas from their origins in the lab along the way to become the next generation of interventions that benefit patients. These interventions can include diagnostics and devices for monitoring or supporting patients, through to therapies that improve their lives.

We provide translational science, advice and funding to advance basic scientific discoveries. Spotting opportunities and knowing what to do with them requires specialised knowledge. Too few ideas make it out of the lab.

We have the knowledge and resources to support this area, acting as an independent partner for innovative researchers to reduce risk and add value by providing and sharing skills in translation and entrepreneurship.

LifeArc's translational role begins by seeking out innovation, primarily in universities, charities and start-ups, with significant potential to benefit patients. We then act as a trusted partner to help develop this science to a point where there is a clinical and commercial pathway for others to invest the time and money to take forward. We do this by providing a unique mix of advice, funding and conducting the research ourselves:

Translational advice

Our expert teams provide support on a wide range of translational issues, including managing intellectual property, evaluating the translational potential of research portfolios, advising on funding and identifying routes to market.

Translational science

We don't just help other scientists harness the power of their discoveries to transform lives, we also carry out our own research.

Our state-of-the-art laboratories in Stevenage are dedicated to drug discovery, while our scientists in Edinburgh are developing diagnostics.

Translational funding

Our Early Ventures funding provides a much-needed source of investment for young start-ups, intended to generate a financial return to support long-term patient impact.

The Philanthropic Fund provides grants and advice to academic researchers working on new treatments and diagnostics for rare diseases.

Lisa, (above right, with her mother) lives with Aplastic Anaemia: "Without research into disease management and cure, I wouldn't be here today".

LifeArc contributed £1.15m with the Aplastic Anaemia Trust to fund research by King's College London and King's College Hospital into a novel type of personalised cellular therapy. This research could give new hope to people living with a severe, life-limiting form of this condition.

How we are funded

As a self-funding charity, we don't rely on fundraising or external grants. We fund our work ourselves primarily through our investment portfolio.

At its core is a one-off payment of around £1bn we received from monetising a portion of our rights to royalties from the cancer drug *Keytruda* in 2019.

Our independent, charitable status gives us greater freedom to invest in areas where others are reluctant because of the high level of risk. This means we can channel resources into areas of high patient need where others may not be providing support.

Our ambition and strategic direction

At LifeArc, our ambition is to make life science life changing. We will achieve this through the three pillars of our strategy.

→ Our strategic direction is described in more detail on page 12

Our impact

You can see our impact in new companies and devices and medicines used to treat patients with a wide range of diseases, including multiple sclerosis, rheumatoid arthritis, ulcerative colitis, cancer and, most recently, COVID-19.

We also create opportunities for innovation by generating and disseminating science and health knowledge and by nurturing the research talent of tomorrow.

We develop expertise and skills in our own people through accredited training and project experience and help others through our fellowships and industrial placement schemes.

① Research translation

transforming promising research into potential treatments for patients

② Stimulating new research

leveraging partnerships and funding to support innovation in key areas of patient need

③ Knowledge generation

generating new science and health knowledge to stimulate future innovation

④ Developing future scientists

supporting a future generation of innovators by growing their capacity to carry out and enable future research

→ **How we measure our impact**
pages 20-22

Life science sector review: the trends informing our strategy

As the life sciences sector advances, we follow its development closely and identify the areas where we see the greatest opportunities to achieve our ambition.

Introduction

In the past two years, life science research has been front-page news. COVID-19 has highlighted the vital importance of the sector to worldwide health, as well as to the economy and society.

This is as true of the UK as it is anywhere else. From the development of the Oxford-AstraZeneca vaccine to the Recovery trial, which identified one of the first treatments for COVID-19, the contribution of UK life sciences to the pandemic response has helped save millions of lives around the world.

The pandemic – and the way organisations have responded – has also been a catalyst for new ways of working. Regulatory processes have been streamlined. Silos between scientists working in different fields have been broken down and new types of collaborations have sprung up between industry, academia and regulators.

The speed with which the life sciences community responded to the challenge illustrates the power of innovation and collaboration in life sciences and provides a blueprint for future research. Applied to other health issues, it offers a bright future for patients, their families and society. It also underlines the essential role of medical research translation in making that future a reality.

UK life sciences – investing for our future

The life sciences sector is one of the most valuable and strategically important segments of the UK economy. It employs 268,000 people across 6,330 businesses at 7,180 sites, generating a turnover of £88.9bn in 2020.¹

Employment in the sector has risen by 13% in the last decade. And while financing still lags behind the US, the UK life sciences and biotech sector secured a record £4.5bn in public and private financing in 2021 – £1.7bn more than in 2020.²

Despite this, there is more that can be done to stimulate early innovation. Investing more direct capital at early-stage research (where an academic has ideas and a discovery in basic science but needs funding to achieve scientific and technical milestones) will help stimulate this. This early investment to support emerging opportunities should also help retain entrepreneurial companies and create employment and other economic and social benefits for the UK.

The UK Government has pledged to increase public R&D investment to £20bn by 2024-25.³ The commitment, made in the 2021 Spending Review, represents a 33% increase on the current research budget of £15bn a year. However UK investment in research and development remains short of the government's medium-term target of 2.4% of GDP, and trails those of France, Germany and the USA.

£88.9bn

turnover of the life sciences sector in 2020

51%

of non-commercial medical research funded by charities

£4.5bn

public and private financing secured by the UK life sciences and biotech sector in 2021

An ongoing cause of concern is the lack of resolution around the UK's membership of the EU's £80bn research programme, Horizon Europe. UK-based researchers received 12.1% of the budget of its predecessor, Horizon 2020 – the second highest amount in the EU.⁴ And while the UK Government has reiterated its commitment to associate with Horizon Europe, the lack of a clear timeline for finalising this situation threatens current and future collaborations between UK and European scientists.⁵

The need for government investment has become more acute since the onset of COVID-19.

The Association of Medical Research Charities (AMRC) estimated that medical research charities lost 38% of their fundraising income between March and May 2020 and predicted a 27% loss in the 12 months from September 2020 to August 2021. As a result AMRC members predicted a shortfall in combined research spending of between £252m and £368m for 2020-21 alone. The British Heart Foundation was forced to halve its research budget for 2021, while Cancer Research UK cut £44m from its research budget.⁶

The lack of investment does not just impact current projects but means that the longer-term pipeline of innovation is compromised, as early-stage research is not progressed either. It also raises the risk of losing a future generation of scientists. A 2020 AMRC survey of more than 500 charity-funded early career researchers in the UK found that four in ten were considering leaving research due to funding concerns.

Innovation is central to the value of the UK life sciences sector; but innovation needs investment to thrive. While the charitable sector is looking to the UK Government to help address the shortfall, private sector funding remains essential as well. An organisation like LifeArc, with its proven capacity to co-fund innovation, has a key role to play.

The '4 Ds' continue to transform R&D

Many new promising areas of innovation are coming from developments in the '4 Ds' – diagnostics, drugs, devices and digital solutions, all underpinned by data. Taken together these will transform the way diseases are identified, treated and even prevented.

Drugs and new platforms

New approaches to drug development are opening up exciting options to treat and prevent disease. One of those is in cell and gene therapy, for example the replacement of missing cells or genes with healthy ones to restore normal function, or the use of a gene or cell with a new effect to address a particular condition (for instance CAR-T therapy).

The promise of these therapies is already starting to be realised. A number of therapies have passed the proof of concept or clinical stage and are now marketed, including antisense DNA, antibody drug conjugates, RNA aptamers, RNAi and CAR-T cells. However the clinical pipeline is limited, compared with traditional therapies, as manufacture is complex and expensive capacity is limited, while reimbursement of these therapies is still a challenge.

The pandemic has unlocked the power of RNA vaccines in particular. The platform, which allows for rapid mass-production, forms the basis of the Pfizer-BioNTech and Moderna COVID-19 vaccines and could form the foundations of a new generation of vaccines against conditions as diverse as malaria, flu and HIV.

Diagnostics and devices

Accurate and early diagnosis is central to survival in conditions such as cancer, cardiovascular disease and stroke. It provides time for earlier interventions and ways to monitor the efficacy of treatments.

In 2020, the Deloitte Centre for Healthcare Solutions estimated that 75% of clinical decisions are based on a diagnostic test.⁷ The demand for lateral flow and PCR tests for COVID has thrust diagnostics into the spotlight since then and has led to an unprecedented volume of new diagnostics hitting the market.

The growth in infrastructure and in public acceptance of at-home testing means that the diagnostics sector is ripe for further expansion.

Meanwhile, people are increasingly using wearable technology to inform their own healthcare decisions and to provide information to clinicians, enabling more personalised treatment.

Big data and digital transformation

Technology, from telemedicine to artificial intelligence (AI), continues to be a major disruptor in the sector.

From identifying new viral variants at pace, to the search for genetic variations that affect COVID risk, the pandemic has demonstrated the very real value of big data in healthcare. Examples of the potential of big data to drive innovation include the GenOMICC study, an international collaboration led by Genomics England, which has revealed fresh details about some of the mechanisms behind the severe form of the disease.

The GenOMICC study demonstrates the huge potential of genomics to understand the genetic variations that makes some people susceptible to particular conditions; this in turn opens up the potential to develop new treatments or modify existing treatment regimes.

Artificial Intelligence (AI) is another area where innovation could significantly benefit medical research, as demonstrated by Google's Deep Mind project. In 2021, as part of the CASP13 protein folding competition, DeepMind AI system AlphaFold successfully predicted the 3D structure of a protein from its genetic sequence.

Protein folding is a complex problem, consisting of three closely related puzzles: the folding code, the folding mechanism and the ability to predict the native structure of a protein from its amino acid sequence.

As DeepMind founder and CEO Demis Hassabis explained: "Proteins are essential to life. Predicting their 3D structure is a major unsolved challenge in biology and could impact disease understanding and drug discovery." Unlocking these puzzles could help us understand the disease mechanisms of some of today's most intractable diseases, such as Alzheimer's disease and Amyotrophic Lateral Sclerosis (ALS).

There are still limitations in the sector's ability to harness the power of big data, such as gaps in datasets and high competition for talent available to analyse these. These gaps require investment and collaboration between industry, academia, patient charities and the NHS to address. The opportunity to explore large datasets such as the NHS medical records will also require significant attention to address privacy and confidence concerns that have been raised by others.

UK Government's Life Sciences Vision

The UK Government's UK Life Sciences Vision, which was published in July 2021, aims to build on the successes of the 2017 Life Sciences Industrial Strategy, as well as the new ways of working that were established during COVID, to make the UK a life sciences superpower.

The 10-year Vision outlines seven critical healthcare missions that government, industry, the NHS, academia and medical research charities will work together on at speed to solve – from cancer treatment to tackling dementia – areas in which LifeArc is active.

These missions will focus on preventing, diagnosing, monitoring and treating disease early, using innovative clinical trials to develop breakthrough products and treatments quickly to help save lives, and accelerating the development and adoption of new drugs, diagnostics, medical technology and digital tools.

As the Vision states, the race is on to determine which countries will lead the sector over the next decade. The prize, in terms of both economic growth and human health, is large and, as the work of the Oxford COVID-19 vaccine team and the GenOMICC consortium illustrates, the UK can more than hold its own on the world stage.

Scientists across the UK have the imagination, determination and knowledge to transform healthcare but too few of their ideas even make it out of the university lab. With the right support, more of these ideas could be turned into diagnostics, drugs and devices that change patients' lives.

However, to address the challenges laid out in the Vision, and achieve long-term success, it is crucial that many of the key players in the UK life sciences sector begin to work in new ways.

We at LifeArc see ourselves as playing a key role in that solution. This is why we have challenged ourselves and our partners, existing and new, to embrace change, to work together in new ways and to find new solutions to intractable problems. In this way, addressing the challenges and opportunities that our sector presents, we believe we can make life science life changing.

GenOMICC study reveals gene faults underpinning severe COVID-19

LifeArc has allocated £27m to COVID research, including £5m committed to the GenOMICC study – the world's largest study into the genetics of severe COVID-19.

COVID-19 continues to cause thousands of deaths and put healthcare systems under strain worldwide. One of the biggest mysteries of the virus is why people respond so differently to infection. Although most people experience mild or no symptoms, some develop severe disease that needs hospital treatment. While environmental factors – such as age, sex and pre-existing health conditions – play their part, genetics may also hold the key.

In May 2020, researchers from the GenOMICC consortium launched the GenOMICC study in partnership with Genomics England. It aimed to identify key genetic variants involved in determining COVID-19 severity. This would uncover vital new information to identify people most at risk of developing life-threatening symptoms and investigate existing drugs with the potential to treat them.

£5m
provided by LifeArc
to increase understanding of the
role of genetic risk factors in
patient response to COVID-19

1 UK Government, Bioscience and Health Technology Sector statistics 2020.

2 BIA Finance Report 2021.

3 UK Government, Life Sciences Vision, 2021.

4 EU Q&A on UK participation in Horizon programme, 2021 (figures).

5 Submission of Guild of European research-intensive Universities to the president of the EU Council, November 2021 (reference to concerns re timeline).

6 AMRC Spending Review submission, September 2021.

7 Global Sciences Outlook, 2020.

In March 2021, the team reported their findings in the journal Nature Genetics. By studying the genomes of over 57,000 people, they had discovered 16 new gene changes linked with the risk of developing severe COVID-19, including some related to blood clotting, immune response and inflammation. They also confirmed some of their earlier discoveries regarding seven other gene variations.

Dr Dave Powell, LifeArc's Chief Scientific Officer said: "Studies like this reveal important genetic factors that drive severe disease and could highlight potential future treatment options for COVID-19, either new drugs or existing drugs that can be repurposed. We are proud to support the programme by helping the team decide which drugs to investigate and take forward. We'll watch with interest as these discoveries advance the therapeutic pipeline towards the clinic, where they could ultimately help patients."

Dr Kenneth Baillie, who led the study at the University of Edinburgh, said: "We now understand the mechanisms of COVID-19 better than the other syndromes we treat in intensive care in normal times – sepsis, flu, and other forms of critical illness. COVID-19 is showing us the way to tackle those problems in the future."



This support from LifeArc is a great boost for the GenOMICC consortium. Our work on COVID-19 has already shown the potential of genetics to guide us about which drugs to test next. LifeArc's focus on translating scientific findings into real world impact fits perfectly with this.

Dr Kenneth Baillie

Chief Investigator of the GenOMICC study

Our strategy

Our new strategic direction outlines how we will make life science life changing. It includes a target of committed spend of £1.3bn by 2030.

Our strategy is available on our website as an online booklet

→ Read more
lifearc.org/about/our-strategy

LifeArc's 2030 strategy:

Our strategy is built on three strategic pillars: here is how we see those pillars evolving:

Impact with Partners

Forming partnerships with others to realise the potential of their innovations

As the early-stage translation experts we are uniquely placed to accelerate innovation as a trusted partner to academia, industry, charities and patient groups.

Our mission

Our ambition is to create meaningful shift in how life science innovators access technology transfer expertise, translational pathways and funding.

Our priorities

- We will intensify our understanding of the needs of patients with rare and untreated diseases
- We will identify and scope out areas where we can have the greatest impact for patient benefit
- We aim to have a network of partnerships and funding initiatives in place by 2030

£200m

Spending by 2030 to support our partners in new ways of working

Translational Challenges

Mobilising around Translational Challenges to solve urgent healthcare problems

We unite strengths across LifeArc and the life sciences sector to accelerate new research to address patient needs.

Our mission

Working with others to connect and unlock scientific innovations that can solve complex healthcare problems.

Our priorities

- Long-term programmes around specific patient interventions that can be developed over the short, medium or long term.
- Collaborative programmes with multiple partners
- Shaped by what patients tell us they need
- Look at the entire pathway, and consider range of interventions – from diagnostics to devices, drugs and digital.
- Expect to initiate three challenges by 2023

6

Translational Challenges planned to be operational by the end of 2030

Early Ventures

Targeting investments in Early Ventures

We bridge the gap between academic innovation and venture funding.

Our mission

We will invest in early life science ventures, providing a much needed source of investment for young companies developing products and technologies with the potential to transform patients' lives.

Our priorities

- Funding to help companies carry out early-stage translational research into areas of high patient need to deliver:
 - Benefits for patients
 - Financial return to LifeArc
- Investing early to bridge the gap between academic innovation and mainstream venture funding, helping companies to achieve progress and proof of concept.
- Focusing on innovative new technologies, modalities, and research, therapeutics, digital, data driven solutions, devices and diagnostics.

10-15

New Early Venture investments by the end of 2030

A year of transformation

As a charity, we are here to improve the lives of patients. This year has seen us make great progress in advancing medical research and in setting out how we can work with others to transform the way diseases are diagnosed, treated and potentially prevented.

Dr Melanie Lee, CBE

CEO – LifeArc

£8m

Invested by LifeArc in gene therapy innovation hubs

£27m

Made available to combat COVID-19

£1.3bn

to underpin long-term impact to support life sciences innovation

In 2021 we shared our vision for the future with the publication of our long-term strategy (opposite).

We have also continued to play a key role in unlocking that potential. Through our work, we have contributed to new understandings of SARS-CoV-2, motor neurone disease (MND) and Alzheimer's, as well as helping to accelerate the promise of gene therapy research.

We have managed to achieve this in the most testing of circumstances, while supporting each other through the impact of the pandemic on our personal and working lives. So I would like to begin my review of the year by thanking LifeArc colleagues for their unremitting focus, support and adaptability during such a challenging year. The talent, dedication and determination of our people made possible our achievements in 2021. It will also be vital as we work together to realise our 2030 ambition.

A year of achievement

For all its disruption, the pandemic has demonstrated the value that the life sector creates, and how when we work together, we can achieve so much more. It is because of the close collaboration between academia, medical research businesses, charities, the NHS and government that there are vaccines and medicines in place to tackle COVID-19.

One of the keys to realising this potential has been the role of medical translation – the process of advancing scientific ideas from their origins in the lab along the way to become the next generation of interventions that benefit patients.

Many of LifeArc's most significant achievements in 2021 were achieved by harnessing the power of partnership to make life science life changing. Our review of the year on pages 16 to 19 illustrates our achievements. But there are some noteworthy highlights.

One of these is the role we are playing in unlocking the potential of advanced therapeutics. The network of Innovation Hubs in Gene Therapies, established through a unique partnership, is designed to enable academic-led clinical trials of novel therapies. These hubs will provide the clinical grade materials, facilities and expertise to accelerate the development of new genetic treatments. They, in their turn, have the potential to transform the care of patients, including those with rare and life-threatening genetic diseases.

Secondly we have begun working closely with patient groups to understand their needs and how this should shape our work. We are determined to make a difference for patients, who are increasingly well informed and involved in their treatments. We have worked with the Cystic Fibrosis Trust and other patient groups to explore the life-limiting impact of repeated lung infections, known as exacerbations, and understand how to improve the quality of patients' lives (for more on this see page 18). This is helping to direct our work in this area.

Through our relationship with the MND Association, My Name's Doddie and MND Scotland, we have started two joint initiatives to accelerate research into this life-shortening illness. Patients like David (opposite) tell us that they need this kind of collaborative approach to bring meaningful treatments closer.

We have also harnessed the power of collaboration to address barriers to progress, as we identified in our workshop for charities on drug repurposing (see page 16). This meeting led to the creation of our guide for researchers and charities, soon to be followed by a toolkit – developed in association with the Medical Research Council – to help others navigate a path through the challenges of repurposing, and potentially find new uses for medicines that have already been through the clinical trial and licensing process.

We have also continued to play a role in the fight against COVID, supporting and conducting research into potential new therapies and infrastructure to ensure we are better prepared for future pandemics. Many studies from our original call in 2020 have published results that have changed clinical practice or led on to the next stage of clinical trial. The GenoMICC project – in collaboration with the Genomics Consortium, led by Genomics England – has revealed important genetic factors that could lead to new ways to treat COVID-19 (featured on page 10).

Our collaboration with Scottish universities has helped the STOPCOVID project to attract further funding to establish a Pandemic Sciences Hub, while the CRUSH project (a collaboration with the University of Dundee Drug Discovery Unit and the MRC-University of Glasgow Centre for Virus Research) has created a national resource for screening antiviral drugs and a fully integrated hub for pre-clinical drug screening.

Investing in the future

This level of activity would not be possible without the funds we received from monetising a portion of our royalty rights in *Keytruda* back in 2019. Our guiding aim is to invest these funds responsibly and ensure LifeArc's long-term financial ability to translate science for the benefit of patients.

Building out our roadmap for 2030

This year, we published our new strategic direction, setting out how we will change the way diseases are identified, treated and potentially cured. We want to transform patients' lives and we are ambitious to do so on an entirely new scale. We are not being conservative with our spending; we want to invest significant and unprecedented resource – £1.3bn by 2030 – so that patient-focused life science innovations in the UK can truly flourish.

Our Translational Challenges have evolved from the concept of missions, which we have been investigating and progressing for the past year. As we did so we realised that the term 'mission' was too broad to represent what we had in mind. The concept of a translational challenge is about bringing a range of skills and resources together to focus on a particular, complex area of healthcare need. We aim to start on small projects within key themes such as neuronal health and rare diseases or underserved patient groups. We will then build on our incremental knowledge and findings to mature this work into a Translational Challenge.

Our goal is to make an impact for patients in the short, medium and longer term and to demonstrate through example how integrating technology and data early on in translation can focus and improve the success of research and development for products in healthcare.



This is a key point for MND research. Dialogue helps accelerate our efforts towards meaningful treatments and ultimately a cure.”

David, living with MND
(pictured below)

Evolution not revolution

Our organisation is evolving to meet the challenges of the present and the opportunities of the future.

This year, we brought our diagnostics and therapeutics teams together into a single team, to maximise synergies and opportunities for collaboration. We have brought exciting new skills and experience into the organisation, with key new appointments to the senior leadership team and the recruitment of a new Early Ventures team.

At an executive level, we have also experienced change. During the year we said goodbye to Mike Dalrymple, our Executive Director, Diagnostics and Science Foresight, Andrew Mercieca, our Chief Financial Officer, and Ian Campbell, our Chief Business Officer. I would like to thank all of them for their key contributions to LifeArc, as they have all played a significant role in our success.

In 2022 we recruited Dave Powell into the new role of Chief Scientific Officer (CSO). Dave is an experienced scientist and leader, with exceptional translational knowledge and a fresh perspective. Under his leadership, we will move with pace to integrate new thinking and technologies, accelerate innovation with partners, and drive new ideas and discoveries out of the lab towards the clinic to benefit patients.

As an organisation, we will be shaping our response to the rapid rise of emerging modalities with extraordinary therapeutic potential – in some cases to prevent and cure disease. These developments are transforming the life sciences landscape and what it requires from LifeArc as a translator. They require us to work in a highly collaborative manner with technology experts to move new scientific findings forward and develop the very best therapeutic solutions for intractable diseases.

As a first step in this process, our scientists last year contributed their time and commitment to a comprehensive, scientific review, identifying key strengths across the team and how they map against future challenges. Reviewed and commended by an external panel of experts, our scientific review will help guide which platforms and areas we focus on and where we may want to access external support.

Our interest in new ideas and technologies extends beyond our scientific teams into our funding and advisory activities. Our new Ventures team has already begun to invest in innovative approaches to medical research, taking part in a £13m funding round to invest in Closed Loop Medicine and an \$80m Series A funding round for pioneering gene therapy company AviadoBio (formerly Neurogeneus). We anticipate investing in two or three exciting life sciences companies a year, developing new products and technologies with significant, potential patient impact.

A positive future

Our ambition, underpinned by a commitment to invest £1.3bn in innovation by 2030, sets the direction for us to really transform the way diseases are diagnosed, treated and potentially prevented. By keeping what matters to patients and their families front and centre, and coalescing the collective power of the life sciences sector, we will change lives for the better.

Dr Melanie Lee, CBE

CEO – LifeArc
22 March 2022

Reflecting on 2021 – a year of progress

While we continued to play a role in the fight against COVID-19, we also worked with our partners to support innovation in other areas.

We set out our ten-year ambition and launched the strategic pillars to take us there. These strategies (which you can read about on page 12) will build on the scientific, advisory and funding skills we offer and the partnerships we have been developing across our sector.

Here's a snapshot of what we have achieved with our partners during the year.

A busy start – drug screening, a new trustee and lots of investment

In January, we joined with the Medical Research Council (MRC) to fund a new COVID-19 drug screening and resistance hub (CRUSH) in Glasgow. The facility has been helping support the global scientific effort, with pre-clinical drug screening and resistance assays for SARS-CoV-2, as well for other dangerous and deadly viruses.

In February, we provided £5m in funding to the GenOMICC COVID-19 study led by the GenOMICC consortium in partnership with Genomics England. The study, launched in May 2020, is using genomics to investigate why some people are affected more severely by COVID-19, and will increase our understanding about the disease.

→ **GenOMICC COVID-19 study**
pages 10-11

We also announced our £10m investment in Cambridge's Illumina Accelerator, which provides selected start-ups with seed investment and access to Illumina sequencing systems and reagents. It also brings business guidance, genomics expertise and fully operational lab space adjacent to Illumina's campuses in Cambridge or the San Francisco Bay Area.

We joined the MRC and the Biotechnology and Biological Sciences Research Council (BBSRC) to create an £18m network of three innovation hubs for gene therapies, to advance promising research into new treatments for patients. Later in the year construction began on the new centre in Sheffield and the new NHS Blood and Transplant site in Bristol, while the King's College London/Royal Free/UCL Hub is already able to manufacture clinical grade viral vectors.

Forward-thinking collaboration and investment

In April, we hosted a panel of experts to discuss the opportunities and challenges faced by charities and researchers aiming to find new uses for old medicines. We then published the findings in our report, Repurposing medicines: the opportunity and the challenges. This provides information to support charities and researchers to develop strategies to treat diseases which currently have few effective therapies. Read more about this ground-breaking work opposite.

As part of our support for start-ups, we took part in a £6m financing round into Cumulus Neuroscience, a company advancing a state-of-the-art platform that can capture physiological and digital biomarkers of disease progression and treatment response in patients. The funding supports the delivery of clinical trial data and artificial intelligence-powered insights to develop life changing central nervous system therapies, faster.

Also in May, we joined forces with the MND Association to commit £1m to boost the search for new treatments for motor neurone disease, matching the amount raised by Leeds Rhinos' rugby coach Kevin Sinfield and the MND Association to create the fund dedicated to stimulating research into practical treatments. The fund was later joined by the My Name's 5 Dottie Foundation's contribution, bringing the total funding available to £1.5m. Applications have just been peer reviewed and we will reveal the successful projects in 2022.

£6m

financing round
into Cumulus Neuroscience

£500,000

committed by LifeArc
as part of initial, joint funding
call to accelerate development
of treatments for motor
neurone disease

“

Tom died just before his fourth birthday. I would have given anything at all for even a five percent improvement in his strength, as that might have been just enough for him to survive. It might have made all the difference.”

Anne Lennox

Founding Trustee of Myotubular Trust

Overcoming the challenges of drug repurposing

LifeArc partnered with Pinsent Masons – a leading global law firm – to host a virtual seminar on drug repurposing. The aim of the seminar, which was attended by over 150 people, was to help charities and researchers devise strategies to repurpose drugs and examine the path to treatment.

The value of drug repurposing has been demonstrated during the COVID-19 pandemic; tocilizumab, originally an arthritis drug, has proved to be an effective treatment for hospitalised COVID-19 patients (typically in addition to dexamethasone, another repurposed drug shown to have life-saving benefits).

Academics, patient groups and charities have become more interested in drug repurposing as it offers a shorter timeframe, proven safety profile and lower cost. However there are a range of complex commercial and regulatory challenges, exacerbated by a lack of financial incentive for industry or regulatory awareness among academic researchers.

LifeArc CEO Melanie Lee notes that, “improving awareness of the challenges and finding ways to overcome them will help improve the likelihood of potentially life-changing medicines reaching patients in the clinic”.

LifeArc Trustee Jo Pisani presented an inspiring case study on how the outlook for women with a rare progressive lung disease was changed by a repurposed medicine. She also stressed the importance of partnering with a range of stakeholders and putting the patient voice at the heart of it all. Anne Lennox, founding trustee of Myotubular Trust, echoed this point, explaining that “Disease-specific organisations can really play a part in getting these therapies over the line”.

150+

people attended
virtual seminar on
drug repurposing

She also highlighted the importance of patient input in determining outcomes and measuring success. Dan O'Connor of the Medicines & Healthcare Products Regulatory Agency (MHRA) stressed the value of seeking regulatory advice from the outset.

Since the seminar LifeArc has published an overview of the challenges of repurposing. Launched at Findacure's annual Drug Repurposing for Rare Diseases conference 2021, the publication is designed to help researchers to understand and address the challenges, smoothing the progress of repurposing applications.

The LifeArc team are also working on a toolkit, to be launched in 2022. The toolkit will give charities and researchers practical ideas and processes to navigate their way through the complexities of drug repurposing and enhance their chances of delivering life-changing benefits to patients who really need them.

An innovative gene therapy programme, which we helped sponsor, could pave the way for new treatments for neurodegenerative diseases. Experts at the University of Sheffield will test if it could help treat motor neurone disease (MND) and frontotemporal dementia (FTD) patients who have faults in a gene called C9orf72.

In September we said a fond farewell to our 2020 cohort of industrial placement students. Industrial placements are just part of our involvement in developing future scientists; other key programmes that we manage or participate in are the CASE PhD programme the AUTM fellowship and our own Technology Transfer fellowship.

→ **People report**
pages 22-24



Without the involvement of people living with these conditions their voices wouldn't be considered or at the forefront of decision making. As a result what gets developed doesn't work for the complexities of life."

Kieran

Cystic Fibrosis Trust member

Autumn – a time for scientific discoveries and new partnerships

The ATTRACT study – a phase 2 trial which we helped to fund – found an investigational treatment may reduce the need for a ventilator for hospitalised COVID-19 patients. These findings, published in *EClinicalMedicine*, have led to a larger trial to evaluate the safety and efficacy of the new treatment in 600 patients.

In November, we announced our new strategy which sets our direction and priorities until 2030.

Our scientists, in collaboration with researchers in the UK and Germany, developed a promising new approach to potentially treat Alzheimer's disease, and also vaccinate against it. The study, published in *Molecular Psychiatry*, found that both the antibody-based treatment and the protein-based vaccine developed by the team reduced Alzheimer's symptoms in mouse models of the disease. We are now working hard to fund a commercial partner to take this work forward.

Together with researchers in Italy we created a screening test that could help speed up the discovery of potential medicines to treat brain and spinal cord diseases amyotrophic lateral sclerosis (ALS) and frontotemporal dementia (FTD).

As part of our Early Ventures strategy we joined a syndicate of investors to support Closed Loop Medicine. The £13m financing deal will allow the company to advance their personalised drug and digital therapy combination products using their proprietary platform. This approach will enable doctors to better use data to optimise drug doses alongside providing non-drug therapies such as behavioural support. For patients this means receiving more personalised care.

Asking patients what matters to them

A key pillar of our strategy is to solve complex healthcare problems through the creation of Translational Challenges. Patient engagement is crucial to help us decide on and then shape what a challenge might address. We've begun by working with patients with motor neurone disease and people with chronic respiratory conditions who experience infections.

We are investigating ways to prevent, diagnose and treat infections in vulnerable patients with underlying chronic respiratory conditions. People who need hospital treatment or have chronic conditions are more likely to be seriously ill or die if they have these infections. Treatments can have severe and potentially life-changing side effects, and sometimes don't work at all.

To define our challenge, we wanted to understand how respiratory infections experienced by people with cystic fibrosis and bronchiectasis (and how they are managed) affect the people living with them. We reached out to several charities, including the Cystic Fibrosis (CF) Trust. Like many medical charities, the CF Trust has a strong model of patient and carer involvement, and people with CF help to shape projects, proposals and relationships with external bodies. With the Trust, we set up a workshop with patients, the clinicians who support them and researchers in June 2021.

Patients, many of whom have experienced infections linked to their condition for decades, told us about their experience.

They described the impact of exacerbations – repeated flare-ups which can have a severe impact – on their health and their ability to live a normal life. We don't understand what causes these exacerbations and it is often difficult to gauge the right level of treatment for each patient. Treatments often don't work; patients may not respond well and may also suffer severe and sometimes permanent side effects from the antibiotics, such as deafness.

Patients told us the following areas would make the biggest difference to them:

- 1 To be able to detect exacerbations earlier and at home, and collect information on likely severity and duration
- 2 To improve diagnostics, enabling clinicians to monitor patients' condition and personalise the treatment
- 3 To have safer, more effective treatments for exacerbations, with shorter treatment courses and better ways to administer therapies

This insight has told us patients need us to work to address the side effects of treatment earlier, develop more accurate diagnostics and devices to improve treatment delivery, and reduce the need for long hospital stays.

We will continue to work closely with patients, via the CF Trust and the Asthma and Lung UK, to ensure our work always has patients at the heart and we are bringing the change they tell us they need.

Bringing the year to a successful close

In December, we welcomed partners, patients, clinicians and scientists to a kick-off meeting for a joint initiative with the MND Association, My Name's Doddie, the Medical Research Council and National Institute for Health Research (NIHR). On the day, the MND community came together with patients to plan a joint application to accelerate translational MND research.

Our Ventures team continued to make its mark, as we took part in an \$80m Series A funding round for AviadoBio (see opposite) to develop pioneering new gene therapies for neurodegenerative diseases. The funds will be used to advance AviadoBio's lead programme in frontotemporal dementia (FTD) into the clinic, progress its preclinical assets, including a form of MND called amyotrophic lateral sclerosis (ALS), and continue to expand its industry-leading team.

\$80m

Series A funding
round for AviadoBio



Our Early Ventures investing strategy enables us to invest in promising translational research and innovative life sciences companies. LifeArc is pleased to be an investor in Aviado, and we look forward to supporting the company through its next phase of growth.”

Clare Terlouw

Head of LifeArc Ventures

AviadoBio – progressing gene therapy innovation

In November 2021 LifeArc participated in a successful \$80m Series A funding round for AviadoBio, a company developing pioneering new gene therapies for neurodegenerative diseases.

The funding will be used to progress the company's innovative gene therapy platform targeting therapy to the right areas of the nervous system, taking potential gene therapies from the lab bench to the clinic to help patients with incurable and debilitating illnesses affecting the brain or nervous system.

AviadoBio is pioneering delivery of gene-based medicines into patients' cells. It is targeting specific molecular causes of neurodegenerative diseases that mean nerve cells are slowly lost.

The Series A funding will be used to advance AviadoBio's lead programme in frontotemporal dementia (FTD), where nerve cells in the brain die, causing personality, behavioural and language difficulties. The company will also work on amyotrophic lateral sclerosis (ALS), the most common type of motor neurone disease, where motor neurones gradually stop sending messages to the muscles, which significantly shortens life expectancy.

The new funding was a significant investment milestone and will help AviadoBio to take a new gene therapy for FTD into an early-stage clinical trial. A subset of FTD patients have a faulty GRN gene, which leads to insufficient levels of a protein called progranulin in the brain. The therapy aims to deliver a functional copy of the GRN gene into the patient's brain cells, to slow or reverse disease progression. If successful in clinical development, this could transform treatment for patients with FTD.

LifeArc helped provide the original seed funding for AviadoBio and was one of eight organisations, led by New Enterprise Associates and Monograph Capital, involved in raising this later round of Series A funding. As Early Ventures investment principal Enrique Millan explained, “We are impressed with the transformational prospects of AviadoBio, particularly given the lack of effective treatments currently available for patients with ALS, FTD or other neurodegenerative diseases”.

LifeArc has also taken a Board Observer role.

Measuring our impact

We have set out four categories for measuring our impact. These reflect not just our strategic priorities but the breadth of our work in translational science, advice and funding.

Impact areas

① Research translation

② Stimulating new research

③ Knowledge generation

④ Developing future scientists

Key projects and activities

- Translational support provided to MRC, including contract negotiation, patent and trademark management, support in setting up licensing agreements
 - Alzheimer's therapy project in partnership with researchers in the UK and Germany has published results and is looking for a commercial partner to progress to clinical trials
 - Advise and Connect service set up to provide advice and networking service to companies:
 - 53 internal advisers registered across the whole of LifeArc plus eight external advisers
 - Two partnerships set up with MedCity and Academy of Medical Sciences
-
- Five companies received funding from Early Ventures including Closed Loop Medicine (new start-up) and AviadoBio (formerly Neurogeneous)
 - 10 start-up companies provided with translational/business mentoring and coaching support as part of Francis Crick Institute's KQ Labs accelerator, in which LifeArc is a partner
 - Three start-up companies supported through Novartis BIOME HealthHub, to which LifeArc contributes as a partner
 - Initial £1.5m funding call set up with MND Association, My Name's Doddie, MRC and NIHR to fund research in the MND space
-
- The Philanthropic team in partnership with solicitors Pinsent Mason, convened a workshop on drug repurposing, leading to the production of a report on addressing the barriers in drug repurposing
 - Several COVID projects supported by LifeArc have published results, including the GenOMICC COVID-19 study, while the ATTRACT project is moving into phase III study
 - Outline of potential diagnostic tool for neurodegenerative disease published in Neurobiology of Disease as part of the Dementia Consortium, of which LifeArc is a member
-
- LifeArc continues to play a key role in developing future scientists, through industrial placement programmes; involvement in the CASE programme for PhD students; support for the AUTM fellowship; and offering its own Technology Transfer fellowships

Examples of our work

→ **Cystic Fibrosis collaboration**
page 18

→ **AviadoBio**
page 19

→ **Drug repurposing**
page 16

→ **Megan's experience**
page 24

Measurable impact in 2021

① Research translation

4	patents and one trademark filed	7	technology disclosures managed
17	new hybridomas deposited	19	new licence agreements filed
71	% of patent families established to date have been commercialised	14	applications received, 10 advice sessions completed by Advise and Connect team

② Stimulating new research

18	start-up companies enabled to advance innovative research	2	joint research funding applications by MND community, facilitated by LifeArc
3	funded COVID projects reported results that could change patient treatment	1	Series A funding round in which LifeArc participated, has enabled an early-stage company to pursue further innovation

③ Knowledge generation

1	guide to drug repurposing launched	18	presentations and nine posters presented
20	papers published and LifeArc referenced in more than 10 peer-reviewed publications	5	papers produced by LifeArc-supported projects during 2021 in Nature, The Lancet, New England Journal of Medicine and Neurobiology of Disease

④ Developing future scientists

9	life sciences university students started their industrial placement in 2021 (and 12 finished)	4	CASE PhD students finished their placement during 2021, with a possible six more to finish in 2022
15	researchers joined the AUTM and Technology Transfer translational fellowship programmes	93	% of AUTM fellows from the first four years of LifeArc's involvement achieved a role in technology transfer before the completion of their fellowship

Our people make LifeArc successful

Their skills, enthusiasm and dedication will turn our ambitions into reality.

At the end of 2021 we had 219 employees. We value the contribution they make to our work in developing new treatments, diagnostics and interventions to improve patients' lives.

In 2021, like many organisations responding to the pandemic, our people and our ways of working continued to face significant challenges. We have evolved how we work and have focused on the safety and wellbeing of our people. At all times, we have been guided by our principles of purpose, commitment, innovation, collaboration and excellence.

Our strategy and our people

At the same time as we adapted to the second year of COVID-19, the organisation itself has needed to change. Our Board approved our new 10-year strategy in July, and this has brought with it the need to consider how we are organised to implement that strategy.

We have begun to make some significant organisation changes. We have integrated our diagnostics team in Edinburgh and our therapeutics team in Stevenage into a single, translational science department, maximising our capability to find new solutions using the 4 Ds: drugs, diagnostics, devices and digital solutions, underpinned by data. By bringing these elements together we can make significant improvements to the diagnosis, prevention and treatment of disease as well as providing supportive information and life-enhancing products for patients and their carers.

Being one team also opens up greater opportunities for collaboration and supports the development of multi-disciplinary Translational Challenges. The translational science department has set up a team to encourage integration between Edinburgh and Stevenage.

We have also recruited a new Ventures team to deliver our Early Ventures strategic pillar. This team has settled in quickly and by the end of 2021 it had already delivered its first two investments.

Developing our people and expertise in translation

During 2021 we have continued to focus on developing our people. A focus for the year has been to build the knowledge and understanding of key subjects such as use of data in the life sciences field and the techniques required to keep that data safe from cyber-criminals.

We have also built on the development of LifeArc principles in 2020, to help colleagues embed those principles in their working lives. This included the sharing of a booklet setting out the organisation's key principles (shared purpose, innovation, collaboration, commitment and excellence). This helps our people keep these 'front of mind' while considering how they will apply these principles to their own day-to-day work to enhance their performance.

LifeArc is a proactive player in the development of future researchers and technology transfer specialists. We offer a range of development opportunities including an industrial placement scheme, which provides students with a year of paid, hands-on experience of working in drug discovery. The scheme is a powerful tool for encouraging young people to consider a career in life sciences.

We participate in the CASE programme (a PhD studentship that enhances the student's practical knowledge and skills by working closely with a non-academic partner in the development of their research project). Our AUTM and Technology Transfer fellowships, which offer researchers a year-long opportunity to experience technology transfer at first hand and develop their understanding of the discipline, are always over-subscribed. Of those fellows who have completed the course, 100% have gone on to technology transfer roles, while 93% of our AUTM fellows have found posts even before their fellowships have finished.

Our commitment to equity, diversity and inclusion

We recognise the importance and value that a diverse and inclusive environment can create.

We are determined to foster a collaborative, inclusive culture where people can be themselves, feel that their contributions are valued and have a personal stake in LifeArc's long-term ambition.

This year we made significant progress on beginning to look at bringing aspects of ED&I (Equity, Diversity and Inclusion) into the work that we do.

In beginning our ED&I work, we held a series of feedback sessions with employees to understand the opportunities we have both internally and in our external partnerships. This identified a desire for benchmarking where we are now; transparent communication of themes and progress; employee involvement in progressing opportunities; and building knowledge and awareness. Establishing a task force with volunteers was a positive first step, and they have made early impact through leading events to raise awareness about Black History Month and Pride.

Our ED&I Strategy will begin to focus on four thematic areas: Inclusive culture; Inclusive advice and funding; Inclusive science and research; and Inclusive engagement. The task force has set up working groups to support development of each area and work is underway.

To address inclusivity, employees at all levels in the organisation have been encouraged to enrol in unconscious bias training. While we appreciate that training on its own will not create a more inclusive environment, feedback has shown that colleagues have found the courses thought-provoking and an excellent way to raise awareness of how we can make change happen. Nearly 200 people had attended the training by the end of the year.

We are reviewing our HR policies to ensure they embody the principles of ED&I. That includes our approach to recruitment; we are actively encouraging applications to our industrial placement programme from a breadth of universities. We have also taken steps to encourage and support our people to seek opportunities for development outside the organisation; an example of this is the election of LifeArc's co-ordinator for the AUTM fellowship to the AUTM Board.

In terms of diversity of our employees, we are in the process of calculating our gender pay gap and identifying how we will address any gaps over the coming years. We will share our plans with all colleagues during 2022. Gender pay data will be published in future annual reports. We are also beginning to collect data on the ethnicity pay distribution to understand the opportunities this brings to create a more diverse environment for our people.

During 2022, we will identify tangible ED&I outcomes and the actions needed to achieve them. We will also track our progress and provide employees and key stakeholders with regular updates.

Our culture

Following input from our people at all levels, together with engagement from external partners, we have refined the principles and behaviours we aim to live by. These are defined as:

- We are driven by our **purpose**, to put patients at the centre of all we do
- We foster **innovation**
- We are powered by **collaboration**
- We act with **commitment**
- When we get it right, we achieve **excellence**

To reinforce and further embed these during 2021 we introduced an online recognition portal, enabling colleagues to share openly their appreciation of others' contribution or support. With many colleagues still working remotely the portal has helped bridge the gap between working alone and feeling a valued part of the team.

Supporting our people through the pandemic

The pandemic has challenged traditional approaches to working; the challenge has been particularly acute within the medical research industry as organisations look to balance the need for onsite laboratory-based research with the focus on employee safety.

When the lockdown started in early 2020, LifeArc set up a project team to ensure that colleagues had the materials (including IT supplies and office furniture) and the practical and wellbeing support to work safely and effectively from home. The team also oversaw the reopening of our sites and ensured there were effective measures in place to keep them safe. It continues to oversee the risk management of our sites and to ensure they remain a safe environment for our people to work in.

During the latter part of 2021 we introduced a new, hybrid working approach. Using our learning from the coronavirus pandemic, hybrid working is a key strand in the development of a collaborative, inclusive culture. While LifeArc employees have demonstrated that working remotely can be a productive alternative to working in the office, we recognise that face to face contact gives people a sense of belonging and team spirit. Our hybrid working approach, began in September 2021 across our sites, combines the flexibility of remote working with the social and cultural benefits of working onsite. We will capture learnings in the coming months and adapt as required.

Meanwhile, online information sites and news items continue to keep colleagues up to date with government advice and LifeArc safety policies, while a regular drumbeat of town halls (online update sessions to which all employees are invited) has helped keep them in touch with the bigger picture. Senior leaders have played a key role too in keeping up regular dialogue with their teams, both in terms of adapting the hybrid working model to the team's needs and in supporting individuals with any COVID-related issues.

Example of our work:

iCASE: Megan's experience

Megan Sambrook is completing a PhD in Interdisciplinary Biomedical Research at the University of Warwick, a program run by the Medical Research Council doctoral training partnership. Her studies have been supported by LifeArc through an industry CASE (Cooperative Award in Science and Technology) which aims to provide an integrated research training experience between industry and academia. Megan has recently completed her three-month placement at LifeArc.

"Completing a PhD during the COVID-19 pandemic has been extremely challenging, mainly due to the reduced lab time," explains Megan. "Before arriving at LifeArc, my protein of interest was inactive, which stopped me doing further experimentation or assay development. I was fortunate to meet with the Target Delivery Group in my first week at LifeArc to brainstorm ideas, which helped me come up with a solution.

In the end, I was able to screen LifeArc's kinase inhibitor library of over 12,000 compounds against my protein, which led to some interesting results."

"I found my LifeArc colleagues knowledgeable, helpful, and kind. They listened, shared their experience and ideas, teaching me the foundations of enzyme kinetics and drug discovery. They taught me how to use specialist liquid handling equipment that we don't have at Warwick, which allowed me to undertake high throughput screening and complete assay validation experiments in a short time frame. Lorenzo, the senior scientist who supervised me, gave me invaluable support and guidance, stayed positive throughout and was always approachable even though he was also mentoring an undergraduate student alongside his own projects."

“

My time at LifeArc reminded me why I love scientific research! Completing a PhD can be very solitary and being able to work with a group of people who were happy to share their time and discuss ideas was highly enjoyable. It improved my knowledge of technology transfer, and the drug discovery process, which I know will help me when it comes to the next step in my career."

Understanding our stakeholders

Engaging with our wide range of stakeholders improves our understanding of our sector, of stakeholders' needs and of how we can positively impact patients' lives.

We partner and collaborate with academics, industry, charities, patient groups and other stakeholders to unlock the potential of early-stage science. We also seek out partners who have the commercial resources to take new products further towards the patient.

The nature of these partnerships varies, from service provision to collaborative partnerships focusing on a specific task, such as our partnership with Cancer Research UK and Japanese group Ono Pharmaceutical to advance new immunotherapy drug targets for cancer.

Other traditional relationships have included providing technical support and guidance to charities about their research portfolio, investing (independently or with co-investors) in start-ups and grant-making to progress clinical research. As we develop our strategic pillars however, our stakeholders are increasingly vital to us as a network of current or potential partners, offering the expertise and technology to help us deliver new treatments to improve people's lives.

What our stakeholders need:

Patients

Listening to patients helps us understand their needs and ultimately influences the direction of projects to address those needs.

Patients we have spoken to are particularly keen for us, as scientists, to understand the experience of living with a disease, and for us to set goals for our research that will not just address the source of symptoms of the disease but help to improve patients' lives as a whole.

How we engage with them:

This year, we have begun to work more closely with patient groups. This is particularly important as we plan our Translational Challenges.

An example of this is a 2021 workshop run in collaboration with the Cystic Fibrosis Trust, to help improve our understanding of respiratory infection and its impact on patients. This provided a wealth of information on how cystic fibrosis (CF), a genetic condition which causes mucus to build up in the lungs and digestive system, affects people's lives – and how life sciences research could make a real difference to those living with the disease. Our conversations with doctors, scientists and patients clarified the need for more research into pulmonary exacerbations; as a result we are exploring ways of better predicting the onset of these exacerbations and of improving treatment when they occur.

We have taken a similar approach in partnering with the MND Association, MND Scotland, My Name's Dottie, the MRC and NIHR to launch a call for applications to accelerate translational MND research. Between us we have committed £4m to support a single, collaborative application that will address a major block to translation in the MND space. Working closely with both patient associations and clinicians in the MND area helps us to understand more clearly, the experience of living with MND and their needs or expectations for research in this area; it is also helping us to develop an integrated approach to the future treatment of this life-altering disease.

Medical research charities

Medical research charities provide insight into patient need and advocacy for their chosen area. They are also leading funders of early-stage research and a source of innovation.

As charities recover from the financial impact of the pandemic they are increasingly looking to collaborate with organisations such as LifeArc.

LifeArc has an established network of charity partners and an enviable reputation for excellence as experts and an "honest broker" in this sector on a variety of issues ranging from research translation to IP to strategic initiatives.

We also have excellent relationships with umbrella organisations such as the AMRC with whom we have collaborated to explore and develop strategic projects related to data/AI. In Quarter 1 2021 we funded a workshop, hosted by AMRC, on opportunities and challenges for the sector in the data/AI space.

Our charity networks have already definitively demonstrated their value through their contribution to the Expression of Interest (EOI) exercise carried out in Quarter 2 2021 aimed at identifying strategic Translational Challenges.

Our relationships with stakeholders vary from service provision to long-term collaboration, but as we develop our strategic pillars, these stakeholders will become increasingly vital as a network of current or potential partners.

What our stakeholders need:

How we engage with them:

Commercial organisations

Commercial organisations influence our own research and our support for others, by helping us understand what is needed to make a product viable. They also inform where we take this work for further development.

Commercial organisations recognise the problems of being commercially focused in a sector where many projects fail.

They potentially see LifeArc as a strong, strategic collaborator, offering valuable funding and expertise.

Our industry stakeholders include a wide range of organisations and companies including those working in pharmaceuticals, diagnostics, biotechnology and start-ups. We have looked to larger organisations for their ability to help us develop innovation into commercially viable product and to make that product available to patients. Our relationships with these groups will evolve as we form new alliances as part of our Translational Challenges.

Working closely with commercial organisations also gives us access to a wider range of scientific platforms to explore new interventions. Taken alongside the results of our science review, these considerations give us a clearer picture where and how we can impact key areas of patient need.

We engage with a wide range of commercial organisations to understand common interests and priorities, enabling us to develop our networks and collaborations. We are also members and/or supporters of a wide range of industry representative bodies including the UK BioIndustry Association and British In Vitro Diagnostics Association. It is through our membership with the BIA that we were involved in the BIA's COVID-19 therapeutic antibody task force in 2021.

Research and clinical research communities

Research and clinical research communities are beneficiaries of our scientific, funding and advisory collaborations.

Researchers are concerned about lack of funding, particularly as COVID has both reduced sources of funding and prioritised COVID treatment at the expense of other areas.

They value LifeArc's funding, IP and commercialisation support, and our knowledge and experience in translating scientific ideas. They are open to collaboration.

The life sciences research community is a broad group, which spans the public and private sector including universities, medical researchers, technology transfer offices and technology transfer membership groups.

We are members and/or supporters of a wide range of professional bodies involved in representing and promoting the life sciences sector.

Our employees sit on committees or boards for groups like the European Laboratory Research & Innovation Group (ELRIG), the British Society for Gene and Cell Therapy and the Association of Medical Research Charities. Our commitment to supporting gene and cell therapeutic research has led to our work with the British Society for Gene and Cell Therapy, on whose advisory board we have a seat.

We also collaborate with the AUTM Foundation (where our AUTM co-ordinator has been elected to the board), ASTP and Praxis Unico, relationships which have shaped our approach to knowledge sharing and to developing the next generation of life scientists.

LifeArc recently surveyed stakeholders in both the research and industry sectors, to understand their concerns, priorities and how they would like us to interact with them. The survey identified a widespread concern around lack of long-term funding and a gap in skills and knowledge – both areas in which LifeArc is equipped to provide support. COVID is seen as an opportunity, demonstrating what can be done through a more collaborative and nimble approach; and a challenge, making it even more difficult to find funding or support for non-COVID research.

The survey will help us to identify where we can have most impact, where we can leverage shared interests to foster future partnerships and how we can broaden stakeholders' understanding of the support we can provide.

What our stakeholders need:**How we engage with them:****Policy makers and opinion leaders**

Policy makers and opinion leaders help us understand key healthcare trends and policies, improving our capacity to impact positively in these areas.

As set out in the life sciences industry vision, the UK government is looking to coalesce UK life sciences research round a number of key healthcare challenges.

We work with the National Institute for Health Research (NIHR) and The Chief Scientist Office of the Scottish Government. Our close involvement with these bodies gives us insight into the key themes and priorities driving life sciences research in the UK, which in turn help to drive our translational challenge strategy.

The UK Medicines and Healthcare products Regulatory Agency, which approves vaccines, diagnostics and therapeutics devices, presented at our drug repurposing workshop and are helping us to build our drug repurposing toolkit.

We have created a Strategic Advisory Council to help us connect us to expand our awareness of developments and perspectives in life sciences research. This group brings together a wealth of strategic and leadership experience from across the life sciences sector, to advise our Board on future strategy.

Employees

Employee engagement is central to LifeArc's success and will be crucial to realising our new strategic direction.

Our employees benefit from understanding our purpose and priorities, and the part they play in our success. Employees tell us they are looking for an environment where their work is valued, where their voices are heard and where they have opportunities to develop and further their careers.

LifeArc maintains an active Employee Forum, which acts as a source of feedback on changes and concerns affecting employees. Forum members are elected by their colleagues. We seek employee views through surveys, focusing on particular topics such as hybrid working.

We communicate with employees through a variety of channels, including an intranet carrying regular news and useful information; the intranet is continuously being developed with feedback from users, to address their needs and build an online community. We hold regular town halls to keep employees up to date with our strategy and to facilitate dialogue with our leadership. We also hold local site and/or department meetings on a more informal basis. Alongside all of these we seek employee feedback through surveys and focus groups.

Our Equity, Diversity and Inclusion (EDI) strategy is being supported by a team of volunteers from across the organisation to identify opportunities, develop awareness of ED&I issues and shape plans for improving inclusion across LifeArc. This team has taken a lead in engaging employees in learning sessions on everything from Black History Month to unconscious bias.

Suppliers

LifeArc engages a range of third parties to supply products or services. In some cases we may also be providing grants or exchange expertise and ideas with suppliers.

Suppliers need to understand our strategy, receive feedback on performance and be kept informed as things change.

LifeArc is further developing our dedicated procurement strategy and investing in a procurement team to increase focus on our engagement with suppliers throughout the lifecycle of our relationship.

At the selection and onboarding stage, we are broadening our evaluation to include risk attitude and management, strategic alignment and accountability.

We have started categorising suppliers as primary, secondary or tertiary, which will help direct our existing engagement with them. Together with the procurement team, stakeholders will meet primary suppliers to manage and review service level agreements and key performance indicators; also conducting regular questionnaires to ensure the relationship is working well for both parties.

For secondary suppliers, our focus will be more reactive, where we or they raise an issue or when a category is due for review. Our relationships with tertiary suppliers are primarily process-driven, with scope for either LifeArc or the supplier to discuss issues or opportunities should they arise.

Sustainability and carbon reporting 2021

We are committed to reducing our energy use and greenhouse gas emissions. Below we set out our energy use and carbon emissions for 2021, and how we are approaching our responsibilities to reduce our environmental impact.

Reporting period

We are reporting on energy usage and emissions from 1 January to 31 December 2021. 2021 was another year of considerable disruption, with many colleagues working from home, so data recorded for LifeArc sites do not fully represent the energy usage and carbon footprint of all our activities. As a result, we are not in a position to set out a comprehensive programme of energy efficiency improvement at this stage. We are, however, taking steps to understand our energy usage and identify priorities for emissions reduction (see pull-out box opposite).

Methodology

We have followed the GHG Reporting Protocol – Corporate Standard for company reporting to identify and report relevant energy and greenhouse gas (GHG) emissions over which we have operational control. This includes owned assets where LifeArc is directly responsible for electricity and/or gas supplies across its three sites (Stevenage, London and Edinburgh). We have also considered the seven main GHGs covered by the Kyoto protocol, converting to tonnes of CO₂ equivalents (CO₂e).

We have considered the impact on our environment arising from our operations and identified GHG emissions generated via energy use to be the most significant. We based our assessment on financial spend and the opportunity for LifeArc to control impacts.

The sources used for energy are actual billing data, with no estimates being used. Business travel mileage includes staff driving their own vehicles for LifeArc business. For business mileage, actual mileage claims were used.

In completing this summary, we have followed the 2019 HM Government Environmental Reporting Guidelines and the 2020 UK Government's Conversion Factors for Company Reporting.

This report has been prepared in compliance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, also referred to as Streamlined Energy and Carbon Reporting (SECR).

UK Greenhouse gas emissions and energy use data

	2021	2020
Energy consumption used to calculate emissions (kWh)	2,486,290.68	2,554,256.07
Energy consumption break down (kWh):		
– gas	0.00	0.00
– electricity	2,471,565.00	2,541,999.00
– transport fuel	14,725.68	12,257.07
Scope 1 emissions in metric tonnes CO ₂ e		
Gas consumption	0.00	0.00
Total Scope 1	0.00	0.00
Scope 2 emissions in metric tonnes CO ₂ e		
Purchased electricity	524.79	592.64
Scope 3 emissions in metric tonnes CO ₂ e		
Business travel in employee-owned vehicles	3.62	3.04
Total gross emissions in metric tonnes CO ₂ e	528.41	595.68
Intensity ratio tonnes CO ₂ e per FTE	2.31	2.77
Intensity ratio purchased electricity Tonnes CO ₂ e per 1,000 sq m floor area	0.125	0.142

1 Based on average number of employees, which for 2021 was 228 (for 2020 – this was 215 employees).

2 Based on 4,188 sq m total floor area (London, Stevenage, Edinburgh).

Voluntary disclosures

We have considered our overall operational emissions impact to support a full baseline year analysis.

Our carbon footprint assessment (described opposite) has widened our reporting scope to support a full baseline analysis. We have considered emissions from water, waste and material use, plus the impacts from employee commuting in 2020 (data from 2021 was not yet available at the time of review).

Impacts from material use and freight were minimal and below a reasonable materiality threshold, based on the data that we were able to collect. Employee commuting, waste and business travel on the other hand, were significant. Water usage has been reported on account of its broader environmental impact.

This work has enabled us to explore our impacts fully and to develop a reasonable baseline year emissions summary, from which future targets and reduction pathways can be considered and developed.

Energy-saving actions undertaken during 2021

We are still at an early stage in our reporting, but our increasingly detailed analysis of our energy usage will help us to identify our reduction priorities and develop a reduction roadmap. In the short term, this will focus on the main electricity impacts of LifeArc, including an immediate feasibility assessment for deploying renewable energy on site and procuring renewable sources of energy supply. This will support a wider reduction plan, taking in other key emissions sources. This focus alongside any accompanying targets will be on both gross emissions and emissions-to-revenue intensity level.

Priorities for action – 2022 onwards

In 2022, we will continue to deepen our understanding of how we use energy, particularly electricity, so we can identify ways of reducing our overall footprint. With this information, we will set carbon targets for future years and plan the corresponding actions, and track progress towards our targets. We will also consider including more sources of carbon footprint where feasible, as our operations adjust to the changing COVID-19 situation.

Carbon footprint assessment

During 2021, as part of our commitment to measure and reduce our environmental impact, we commissioned a carbon footprint assessment. This provides more granular data than our regulatory reporting provides, to help us identify suitable carbon reduction targets and initiatives to achieve them.

The footprint assessment here includes a wider range of significant emissions sources than are included in the statutory report, including water usage, waste disposal, business travel and employee commuting.

Data is from 2020 as there was insufficient scope of data available for 2021, at the time of reporting. The ongoing COVID pandemic caused significant disruption to our operations in 2020 and as such we will use 2021 data, once available, to re-baseline our data for future reporting.

The granular data confirms that the major material contributors to our reported footprint are electricity consumption at our sites (and the emissions associated with distribution of that electricity to LifeArc) followed by employee commuting. Business travel is close to the materiality threshold we set at 5% of the overall footprint. Our Stevenage R&D site is the largest consumer of electricity, followed by our Edinburgh R&D site and London head office. (We intend to include our presence on the Crick site in future reports.)

In future we will be able to use intensity metrics (which, unlike gross emissions figures, will not require re-baselining) to understand progress with carbon reductions, even as more emission sources are included in footprint assessments. These metrics may include carbon footprint per employee or per site floor area.

Granular data – 2020

Emissions source	2020 metric tonnes CO ₂ e
Re-evaluated 2020 Scope 2 electricity mandatory disclosure ¹	594.58
Electricity distribution ²	51.13 (12,267 kWh)
Water usage	1.04
Waste	18.88
Business travel and accommodation	35.93
Employee commuting	127.50
Total gross emissions (mandatory and voluntary)	832.09

¹ 2020 disclosure for electricity consumption was re-evaluated to include previously unavailable data.

² Emissions associated with distribution of electricity to LifeArc for consumption.

Financial review

We have focused on investment planning and allocations as we prepare to implement our ambitious strategy.

Key financial metrics

£133.6m £15.4m

£56.5m

- Gains on investments £133.6m
- Investment income £15.4m
- 2021 expenditure £56.5m

	2021 £m	2020 £m
Total incoming resources	17.9	9.1
Total resources expended	56.5	49.7
Net gains on investments	133.6	54.8
Net movement in funds	95	14.3
Funds balance carried forward	1,313.9	1,218.9

Overview

In 2021 LifeArc spent £56.5m to further our public benefits objective to improve human health by advancing the progress of life sciences research through translation. This is an increase of £7.0m (14%) on 2020. The spend went primarily into our laboratory-based research and the funding support and investments we are making into promising translational science.

Total returns on investment totalled £149.1m, including investment income of £15.4m and gains from investments of £133.6m. This compares with £60.8m in 2020 and has helped strengthen our balance sheet with a net increase in funds for the year of £94.7m.

Income

Our income is now predominantly made up of investment income and gains on investments which will fund the expenditure required to successfully implement our strategy and achieve our objectives.

Total incoming resources of £17.9m (Dec 2020 – £9.1m) was made up of £2.4m (Dec 2020 – £3.1m) income from charitable activities and £15.4m (Dec 2020 – £6m) investment income. Income from charitable activities includes £0.7m (Dec 2020 – £1.5m) of contract and royalty income, and £1.3m (Dec 2020 – £1.2m) received for intellectual property management and technology transfer services.

Following the successful completion of the part monetisation of our royalties from *Keytruda* in May 2019, our income from *Keytruda* fell to £nil as of 2020. LifeArc has retained the contractual right to receive a share of future royalties in the event that *Keytruda* royalties exceed an agreed level, which is not anticipated until 2023.

LifeArc generated investment income during the year of £15.4m (Dec 2020 – £6m) as we transitioned from low-risk, low-return money market funds held in 2020 to our long-term strategic asset allocation by Dec 2021.

LifeArc generated gains on investments during the year of £133.6m (Dec 2020 – £54.8m). This includes £127.7m from our investment portfolio, £1.5m from Eliem Therapeutics Inc (IPO completed in August 2021), and £0.7m from early venture investments.

This investment income and gains supports the charity's long-term aim to continue advancing promising life science ideas into medical breakthroughs.

Expenditure

Total resources expended during the year were £56.5m, an increase of 14% (Dec 2020 – £49.7m). These cover activities that directly relate to our public benefit objective. This includes the cost of generating funds, corporate and governance costs and general support costs that are not directly attributable to charitable activities.

This expenditure includes ongoing funding commitments, diagnostics and therapeutics discovery projects throughout the year. (See opposite for an overview of some of these initiatives.)

It also includes our ongoing commitment to tackle COVID-19. LifeArc has committed up to £27m to address the coronavirus pandemic. In the year, we spent a total of £9.2m (2020 – £9m) to help tackle COVID-19, including £8.3m (2020 – £5.6m) in funding for external projects to identify and support clinical trials that offered the best chance of finding treatments for COVID-19. This also included £5m to the GenOMICC COVID-19 Study led by the GenOMICC consortium in partnership with Genomics England.

As part of our focus to stimulate and support the progress of early start-ups, we have made a range of investments including:

- £5.9m in five early-stage companies within the UK through our Early Ventures focus. LifeArc aims to bridge the funding gap for start-ups to a point where they could attract later stage funding.
- £650k into four data-driven health companies as part of the KQ Labs accelerator programme for start-up companies with high growth potential.
- A £10m commitment in 2020 in the Illumina Accelerator with £0.4m invested at December 2021, which provides selected genomic-focused start-ups with seed capital and access to sequencing systems and reagents.

As we seek to support the academic research community to translate their research we also spent an initial £1.2m of our £7.6m commitment towards the creation of innovation hubs for gene therapies shared with the Medical Research Council and the Biotechnology and Biological Sciences Research Council.

Additional commitments made during the year include:

- A £15m commitment in a Life Sciences Fund investing in novel science seeking breakthroughs that address critical unmet medical needs, which have the potential to change the practice of medicine.
- A commitment of £1.5m to research into motor neurone disease (MND). In May 2021 we contributed £0.5m, matched by the MND Association and My Name's Dottie, to create a fund dedicated to stimulating research into practical treatments. We have since contributed £1m to a six-way initiative, launched in December, for a joint application to accelerate translational MND research.

Significant recent funding allocations

In addition to expenditure on our own translational science projects and on advising and supporting our partners, we made significant additions to our funding work in 2021.

COVID Fund	Spent in 2021	Allocated fund
	£9.2m	£27m
Early Ventures	Investments in 2021	Early stage companies
	£5.9m	12
Illumina Accelerator Cambridge	Commitment made at Dec 21	Spend in 2021
	£10m	£0.4m
S.V. Health	Commitment made at Dec 21	
	£15m	
Philanthropic Fund	Committed by Dec 21	Committed by Dec 20
	£8.4m	£6.5m
Crick Fund	Contracts awarded at Dec 21	Contracts awarded at Dec 20
	£1.6m	£1.2m
Innovation Hubs for Gene Therapies	Commitment made at Dec 21	Spend in 2021
	£7.6m	£1.2m
MND	Commitment made at Dec 21	
	£1.5m	

Investment review

2021 was another eventful year in markets, dominated by a number of themes including higher-than-expected inflation and the persistence of the COVID-19 pandemic. With a backdrop of very accommodative monetary and fiscal policies around the world, risk assets continued to be in demand. This environment has been conducive to the further improvement in the overall value of LifeArc's investment portfolio.

At the start of 2021, we began to transition all the monies from our legacy asset managers into our target portfolio. We divided the portfolio into two parts: the Long-Term Investment Portfolio and the Operational Portfolio. At the outset, the Long-Term Portfolio was £953.9m and the Operational Portfolio £200m. The aim of the former is to generate returns in excess of the UK Wage Inflation Index plus 3.5% over the long term for the sustainability of LifeArc. The purpose of the Operational Portfolio is to cover expected running costs and funding requirements over the next few years. Considering the shorter-term time horizon of the Operational Portfolio, it is currently invested in low-risk vehicles, such as money market funds.

By the end of June 2021, the Long-Term Investment Portfolio was fully weighted to the Strategic Asset Allocation target of 52% for public equities. This was achieved by investing in a number of passive global equity funds with a bias toward Environmental, Social and Governance (ESG) factors. In the first half of the year, we made an allocation to global bonds, global index linked bonds and credit. The overall weighting to public fixed income at the end of the year was 11%. We embarked on our long-term plan to invest 20% of the portfolio into private markets, making three commitments during the year. It is expected to take at least five years to fully commit to our private markets allocation, therefore we have invested the monies earmarked for these investments into two ESG-orientated global equity passive funds. These passive equity funds will be the source for funding future private market capital requirements. In the latter part of the year, we made our first investment into a hedge fund. We aim to construct a hedge fund portfolio of at least 10 funds within the overall Long Term Investment Portfolio.

Having gained market exposure to global equities via low cost and easily transacted passive funds, we embarked on the search for a number of actively managed equity funds. LifeArc's Investment Committee considers that by adopting a diligent approach to manager selection, outperformance of passive funds can be achieved net of fees. In the fourth quarter of 2021, we reduced our exposure to passive funds and invested with two global equity managers, while maintaining the strategic asset allocation (SAA) target to equities. In December, seven active equity managers were approved by the Investment Committee for investment.

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 charity 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, but this work is extremely risky, 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 charity to:

- meet our expected spending plans over the next 10 years and achieve our strategic objectives; and
- ensure that there is a balance of reserves available at the end of the 10 years for subsequent plans.

The Board considers that the most appropriate measure for the charity's reserve policy is our liquid and readily realisable investments which excludes our planned allocations to illiquid private investments which will be held for a long-term time horizon. The level of these reserves as at 31 December 2021 was £954.2m (Dec 2020 – £929.0m). In setting the reserves policy the Board of Trustees have considered the Charity Commission guidance CC19.

Auditors

PKF Littlejohn LLP has signified its willingness to continue in office as auditors.

Disclosure of information to auditors

So far as each Trustee is aware at the time of the approval of this Board report:

- there is no relevant audit information of which LifeArc's auditors are unaware
- the Trustees of the Board have taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

How we identify and manage risk

Risk management is vital to LifeArc's strategy. It supports informed decision-making on the risks and opportunities that could impact our ability to implement our strategy.

Risk management is one of the key foundations for our long-term success, particularly as LifeArc embarks on a period of significant change. At LifeArc, risk management is a shared responsibility backed by a robust risk framework.

Roles and responsibilities

Responsibility for the overall management of risk lies with the Board of Trustees. The Board decides our risk appetite (the degree of risk we are prepared to accept in pursuit of our strategy) for key areas of activity, in line with our strategic aims. The Audit & Risk Management Committee (ARMC) is responsible for ensuring there is an appropriate framework in place to manage risks and keep them within our agreed appetite. The ARMC ensures there are robust assurance frameworks to support strategy delivery and that good governance is embedded in everything we do. The Committee also provides assurance to the Board itself.

The Executive Management Team, led by the Chief Executive Officer (CEO) is responsible for allocating appropriate resources to implement risk management strategy, processes and culture. Individual Executive Directors have responsibility within their area for ensuring employees and line managers play their part in identifying and managing risk.

The risk manager ensures there is an effective framework for identifying, assessing and mitigating risks in line with our strategy. The internal audit function co-ordinates with the risk manager to independently assess LifeArc's risk framework and ensure it is continually improving.

LifeArc's risk framework

LifeArc's risk management policy aims to minimise threats to the delivery of our corporate strategy. It does so within appropriate limits of practicability and cost.

Through an active risk management process we aim to ensure that managers have measures in place to mitigate our principal risks, in line with our risk appetite. We take an agile approach, adapting quickly to changes (whether external or internal) and to the evolution of our strategy. This includes identifying new risks and agreeing how to mitigate them.

Risk management process



Reporting and assurance

Board of Trustees

- Establishing the risk appetite of the charity as part of the strategic planning process, keeping this under review and validating it at least annually

Audit and Risk Management Committee

- Overseeing the effectiveness of risk management
- Regular review of key risks
- Overseeing the reporting of risk to the Board and to external stakeholders

Executive

- Overall collective responsibility for supporting risk management
- Sets the tone and influences the culture of risk management across LifeArc
- Owning the process for identifying, analysing, responding to threats and opportunities within LifeArc's internal and external environments
- Maintaining an effective system of internal control that supports the achievement of LifeArc's objectives
- Monitoring the effectiveness of risk identification, risk assessment and risk management strategies

Employees

- Embrace and incorporate a risk management culture into working practices

Our goal is not to eliminate all risks but to keep them to a level that is acceptable to the Board. Some aspects of our strategy carry inherent risk, including Translational Challenges and investing in new, unproven scientific projects. Other risks are not cost-effective or practical to eliminate entirely. However, whatever the level of risk associated with an activity, we aim to ensure we have good oversight and appropriate mitigation in place.

Progress is regularly reviewed; risks are assigned owners and the risk manager conducts regular reviews with them. The ARMC conducts a corporate review every quarter and the Board does so at least twice a year, using a risk heat map to help prioritise their discussions. There are also periodical 'deep dives' into key risk areas with the risk owner, carried out by the ARMC.

The CEO, Chief Financial Officer, General Counsel and Company Secretary routinely attend meetings, together with internal and external audit teams and other individuals with responsibility for risk oversight. A watch list is also maintained to keep emerging risks under observation.

During 2021 we made progress in reducing our key risks. We reviewed the governance around LifeArc venture investment activity and made further improvements in the area of IT/cyber risk. We also increased the role of the Portfolio Review Board, assessing the appropriate LifeArc projects as a combined portfolio. This portfolio will include our Translational Challenges as they get under way. Our investment portfolio has been aligned with our strategic asset allocation and is guided by an Environmental, Social and Governance (ESG) policy.

Linking risk management to our strategic pillars

In 2021, as the 2030 strategy was set, we evolved our risk management framework to ensure it focuses on risks affecting our 2030 strategy. In 2022 LifeArc managers will continue to focus on this evolution. Our strategic plans are ambitious and entail activities in rare diseases and other areas of underserved patient need, which of their nature carry a high risk.

Our people will be key to the delivery of our strategy. We have introduced a number of structural and cultural initiatives to help people understand their role in doing so. Our aim is that risk management becomes an integral part of our day-to-day operations and culture. We have also recognised the key role played by third parties and are working with our procurement function to ensure we select and manage partners appropriately.

Identifying principal risks

Risks to our strategy will come from a variety of sources. Those that the Board considers to be the most relevant are summarised below and explained in more detail opposite. Risks are measured in relation to two parameters:

- Likelihood of occurrence, from highly unlikely to highly likely
- Impact if the risk materialises, ranging from insignificant to severe

The third parameter is our risk appetite, indicating the level of risk which we are prepared to tolerate; this will vary depending on the nature of the risk and the activity.

Risk management is a dynamic concept and organisations often actively improve their control environments to further mitigate key risks. This is particularly relevant to LifeArc as, in the light of our evolving current strategy, we have defined some current risks as beyond our tolerance and therefore needing further action. People risks, management of change and our newly defined strategic risks fall into this category.

Other risks may be viewed with a more tolerant attitude as a necessary feature of future activity; these include risks around investment, where our horizons have become longer than they were. Where we have identified action to be taken, plans have been developed with risk owners and appropriate timelines agreed for implementation. As our strategy continues to evolve, so will our risk management.

Principal risk analysis

Risk*	Likelihood	Impact	Current net risk position	Risk appetite
Strategic risks				
1 Translational Challenges	● Medium/High	● Medium/High	Medium/High	Medium/High
2 Early Ventures	● Medium	● Medium/High	Medium/High	Medium/High
3 Third parties	● Medium	● Medium/High	Medium/High	Medium
Financial risks				
4 Investment reserve returns	● Medium	● Medium	Medium	Medium
Operational risks				
5 Cyber-attack/IT security	● Medium	● Medium	Medium	Low/Medium
6 Platform technology	● Medium	● Medium	Medium	Medium/High
7 People capability and capacity	● Medium	● Medium	Medium	Low
8 Management of material change	● Medium	● Medium	Medium	Low
9 COVID-19 – impact of further restrictions	● Low	● Medium	Low	Low
10 Major health and safety incident	● Low	● Medium/High	Low	Low

* Actions are in place to ensure alignment between the risk score and the risk appetite

Our principal risks and how we mitigate them

We identify and mitigate risks arising from our activities and those of our partners, as well as the evolving environment in which we operate.

The corporate risk register

Risk area	Key mitigation or in-progress actions	Links
1. Translational Challenges (TCs) To deliver our TCs effectively we need to: — develop a strategy that aligns to our goals — Establish effective operational plans to deliver the strategy — Maintain effective relationships with our people and partners If we don't there is a risk that we won't achieve the intended patient impact.	In place: — Board of Trustees approves strategy and spending envelope — Scientific Committee endorses TC project portfolio from a scientific perspective — Portfolio Review Board oversees progress and decision-making in line with LifeArc's strategy — Initial review of risk and mitigations — Agreed objectives for 2022 for the TC Portfolio In progress: — New organisation structure for the delivery of the TCs — Develop leadership and resource to deliver the expanded TC portfolio. — Establish streamlined internal governance through TC leadership teams, including appropriate performance metrics	Change in risk profile vs 2020 New risk Risk assessment Medium/High
2. Early Ventures Our venture capability is a key element of our translational funding strategy. As with any investment there is a risk that we will not achieve impact for patients or financial returns. If we don't achieve financial returns, it may impact the financial sustainability of the Charity.	In place: — Early Ventures Investment Committee (EVIC) with 50% independent membership oversees investments and disposals in line with the Board approved investment strategy — EVIC provides assurance to the Board on effectiveness of processes and controls — Deep scientific diligence provided by the LifeArc Opportunity Assessment Group supports the team's understanding of scientific and translational risks — Strategy is to diversify portfolio of investments and co-invest with like-minded investors — Documented investment processes with defined team roles and responsibilities In progress: — Continuing to monitor changes in the regulatory environment such as the National Security and Investment Act	Change in risk profile vs 2020 Reduced Risk assessment Medium/High
3. Third parties Successful relationships with third party innovators, licensees and other partners will be critical to our strategy. If we fail to select, deliver or manage these relationships effectively we risk reduced impact, unsuccessful outcomes and damage to our reputation.	In place: — Risk based authority levels — Financial and reputation diligence on new parties — Ongoing monitoring of suppliers and partners — Contract review and approval process — Monitoring of contracts to ensure partnering obligations have been met In progress: — New alliance management process being developed — Enhanced procurement function being implemented — Organisation and systems to be realigned with new process — Third party risk and assurance assessment underway	Change in risk profile vs 2020 Increased Risk assessment Medium/High

Risk area	Key mitigation or in-progress actions	Links
4. Investment portfolio which supports LifeArc financial sustainability If we do not achieve the required investment performance over a 10-year horizon, we may not be able to fund the delivery of the LifeArc strategy.	In place: — Top-tier global custodian and respected external investment consultant in place — Board approved investment policy, risk appetite and investment parameters — Investment Committee supplemented by co-opted members sets strategy and monitors performance of the investment portfolio — Environmental, Social and Governance policy — Monthly monitoring of investment performance In progress: — Operating model governing interaction with the global custodian and investment consultant — Processes and controls documented — Internal audit in Q2 2022	Change in risk profile vs 2020 No change Risk assessment Medium
5. Cyber-attack and IT security Loss of data, for example due to unauthorised system access or a cyber-attack, would damage our reputation and restrict our activities.	In place: — Cyber security awareness training for all employees and ongoing awareness activities — Cyber-attack response plans — Key preventative measures including perimeter firewalls, two factor authentication for key systems, anti-virus and anti-ransomware software, and vulnerability detection and responses — Engagement of specialists to regularly assess the IT security control environment — 24-hour security operations centre — Data recovery systems in place and reviewed for resilience In progress: — Assessment of how an IT and cyber assurance system could further improve control environment	Change in risk profile vs 2020 No change Risk assessment Medium
6. Platform technology Development of platform technologies and offerings is a key part of LifeArc's strategy. We need to identify, understand and secure appropriate platforms to meet our strategic needs. If we don't we may not be able to deliver the targeted patient impact.	In place: — New role of Chief Scientific Officer recruited — External review of current platform capabilities (to determine a RAG status and then determine course of action for Green and Amber) complete In progress: — Evolve the platforms we need to support our Translational Challenges — Establish Data workstream to define the data platforms we need — Consideration of devices for Therapeutics and Diagnostic uses — Evolve a scientific resource base to ensure translational sciences are fit for purpose — Progress cultural project to improve empowerment, decisiveness and accountability	Change in risk profile vs 2020 Slightly reduced Risk assessment Medium

Risk area	Key mitigation or in-progress actions	Links
7. People capability and capacity If we are unable to recruit, develop, and retain appropriately skilled employees and Trustees it may impact our ability to deliver our strategy.	In place: — Principles framework based on LifeArc's purpose — Appointment of new Trustees and new Chair of Board of Trustees to further shape and guide organisational direction — Remuneration Committee oversight to ensure that LifeArc has appropriate reward practices — Nominations Committee responsible for succession planning for the Board and Executive — Progressed key areas of our organisation model to ensure we can deliver future strategy In progress: — Focus on developing a culture that supports our ambitions — Systems to drive data-driven insights and an improved employee experience — Building improved capability to deliver strong leadership up and down the organisation — Refresh reward and recognition strategy to drive high performance — Talent mapping and succession conversations	Change in risk profile vs 2020 No change Risk assessment Medium
8. Management of material change The organisation will need to make targeted changes, to realise its long-term ambition. If we do not deliver the desired change we may miss significant opportunities for patient impact.	In place: — Specific role (Head of Culture and Change) to support management of change — Change framework and associated tools in place to create change capability and resilience — Launch of the LifeArc Principles framework — Announcement of the high level LifeArc 2030 Strategy In progress: — Further embed capability framework and tools to improve our ability to manage change — Continuing the roll out of our Principles to support culture change during 2022 — Continued evolution of the operating model and leadership to deliver an effective organisation	Change in risk profile vs 2020 No change Risk assessment Medium
9. COVID-19 – impact of further restrictions Potential future COVID-19 restrictions mean a risk of further disruption to the scientific portfolio. This may impact the delivery of patient benefit while a further lockdown could well impact employee morale.	In place: — Steering Group to oversee our ongoing response, including guidance for colleagues, provision of wellbeing resources and regular communications — Site based governance and oversight teams with site policies and procedures	Change in risk profile vs 2020 Reduced Risk assessment Low
10. Major health and safety incident Failure to maintain the health and safety of employees could harm our people, have a significant reputational impact, or lead to disruption of our activities. It may also have serious legal consequences.	In place: — Laboratory facilities managed in accordance with regulatory standards (COSHH), and NEBOSH qualified laboratory manager — LifeArc Health and Safety Committee meets quarterly — Health and safety risk assessments (per activity) — Monthly reporting to the Executive Director meetings and quarterly to the Board — Peer reviews to ensure compliance	Change in risk profile vs 2020 No change Risk assessment Low

Governance report

Governance report

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Chair's governance review

The past year was notable for the clear articulation of our long-term strategy which should transform the way diseases are treated and the quality of patients' lives. That we were able to reach this point while continuing to address the challenges of COVID-19 and support innovation in key areas of life sciences research owes so much to our people, our culture and the governance frameworks that we now have in place.

This year we have updated those frameworks in line with changes to the Charity Governance Code. We have also revisited our approach to risk management and control to reflect our longer-term strategy and the greater deployment of funds. We have also completed our move to a foundation governing model by establishing our Strategic Advisory Council as an independent source of constructive challenge and advice to both the Board and the Executive.

The importance of governance

Good governance is fundamental to LifeArc's long-term success. This includes the rigorous scrutiny and oversight of our objectives and strategy for achieving them, as well as ensuring that we have the right structures, people, processes and controls to implement that strategy effectively.

The Trustees refer to the Charity Commission's general guidance on public benefit when reviewing the charity's aims and objects and in setting our strategy and planning future initiatives. This ensures LifeArc's activities are in line with our charitable objectives set out in our Articles of Association. Our Investment, Nominations, Remuneration, Scientific and Audit and Risk Management Committees play key roles in overseeing strategic activities and actively managing risk.

Charity Governance Code

The Trustees are guided by the principles of the Charity Governance Code for Larger Charities ('the Code') and the Charity Commission's guidance. The Code was updated in December 2020 and sets out seven principles of good governance practice for charities in England and Wales.

The Integrity principle has been strengthened to emphasise the importance of charities reflecting their ethics and values in everything they do, including decision-making.



Our Strategic Advisory Council acts as a sounding board for the Trustees and Executive and allows us to compare our plans and progress with those elsewhere in the sector."

Dr John Stageman CBE

Chair – LifeArc

A new ED&I (Equity, Diversity and Inclusion) principle sets out best practice for charities and recognises the need to treat this work as a continuing journey. Boards are encouraged to think about why equity, diversity and inclusion are important to their charity. They should also assess the current level of understanding on ED&I and monitor, measure and be transparent about progress.

LifeArc Trustees have taken part in a training programme this year to give them a practical grounding in ED&I principles and how these are reflected in LifeArc's strategy. The terms of reference of the Remuneration and Nominations Committees also include explicit responsibility for overseeing ED&I aspects of changes to strategy and policy.

Other significant developments include the establishment of an Environmental, Social and Governance (ESG) investment policy, to guide our investment team in their deployment of funds across our portfolio. Non-executive Trustees who are not on the Remuneration and Nominations Committees can attend meetings of these committees as observers if they wish, to make discussion and decision-making as transparent as possible.

Assessing the Board's effectiveness

To realise our long-term strategy, we need strong foundations. This means ensuring the right range of skills and the right leadership in each key area.

In January 2021, we commissioned an external skills audit of the Trustees to build a picture of the breadth of skills and experience within the current Board and identify future opportunities. The results fed into a review of committee membership and has also informed recruitment to the Board, with appointments building the range of experience needed to deliver our long-term strategy.

Our three new Trustees, Sue Wallcraft, Ian Nicholson and Dr Ian Gilham, bring vital skills and experience, particularly in the areas of financial management and research commercialisation. Sue Wallcraft is an experienced general counsel and company secretary with over 25 years' experience in the pharmaceutical industry and health charities. Ian Nicholson has over 35 years of international experience in management and venture financing within the life sciences sector, while Ian Gilham brings significant international experience in research, development and commercialisation of diagnostic and pharmaceutical products.

We said goodbye to four Trustees over the course of the year – Peter Keen, Dr Sally Birtles, Paul Mussenden and Andrew Mercieca (our Chief Financial Officer). I would like to thank them for their commitment to effective governance and the valuable leadership roles they have played, and their contribution to the evolution of our strategy.

Strategic Advisory Council

Our Strategic Advisory Council met for the first time in October 2021. It acts as a sounding board for the Trustees and Executive and also allows us to compare our plans and progress with those elsewhere in the sector.

The membership, which is drawn from key life sciences stakeholder groups (including academic, research charities, pharma, biotech, digital, policy and patient care), brings a wider scientific, industry and patient perspective to the Board's strategic thinking.

Realigning our attitude to risk

The Board is evolving its approach to risk management. This is reflected in LifeArc's investment strategy, which allows for a higher level of short-term risk to enable us to finance our ten-year plan to transform patients' lives.

The charity will, however, retain a strong risk management structure, including updated delegation of authorities to committees and the Chief Investment Officer, to allow them to take appropriate risks.

LifeArc's greater investment in young companies, through our new Early Ventures funding, will be closely monitored. Melanie Lee, our CEO, will sit on the Early Ventures Investment Committee and one other Board member will be present at its meetings.

Exercising good governance during COVID

The Board and committees convened regularly in 2021, with the option of meeting online, avoiding COVID-related disruption.

Trustee visibility increased despite the restrictions imposed by the pandemic, as several Board members took advantage of video conferencing to take part in employee town halls and partner seminars.

In November, members of the Board met with key stakeholders at LifeArc's annual reception – the first in two years – to launch our long-term strategy.

Conclusion

The governance changes we made in 2021, and those that are in the pipeline, will ensure our controls and structures have the strength and flexibility to guide LifeArc towards a new and exciting future, transforming the treatment of diseases and improving patients' lives.

I would like to thank the members of the Board, the Executive Management Team and all LifeArc employees for their hard work and support during 2021. This is my final report as chair of the Board as I complete my appointed term. The Trustees have selected Dr Ian Gilham to take the helm from April 2022 and I wish him every success in continuing the journey.



Dr John Stageman CBE

Chair – LifeArc
22 March 2022

Board of Trustees

By setting strategic direction, and overseeing risk management and governance, the Board supports the Chief Executive Officer and the Executive Management Team in achieving the charity's purpose.

At period end the following Trustees were in place:

Dr John Stageman CBE

Appointed: 29/09/14

Role: Chair of the Board

Skills: A pharmaceutical and biotechnology research specialist, John chaired the HealthTech and Medicines Knowledge Transfer Network for the Technology Strategy Board (TSB) and was a member of the Biotechnology and Biological Sciences Research Council (BBSRC). He became a CBE in 2022 for services to medical research.

Dr Melanie Lee CBE

Appointed: 14/11/19

Role: LifeArc CEO

Skills: Melanie has 30 years' experience in the biopharmaceutical industry and the medical research charity sector. She was previously Chief Scientific Officer at BTG and has held senior positions at GSK, Celltech and UCB. She is a former Trustee of Cancer Research Technology and Cancer Research UK and is currently a director of Sanofi.

Aisling Burnand MBE

Appointed: 20/11/17

Role: member of Nominations Committee

Skills: Aisling was formerly Chief Executive of AMRC and held a similar role at the BioIndustry Association, where she championed UK biosciences. She received an MBE in 2007 for services to science.

Dr Ian Gilham

Appointed: 21/10/21

Skills: Ian has a global track record in research, development and commercialisation of diagnostic and pharmaceutical products. He has managed mergers and acquisitions, both as CEO of Axis-Shield and as non-executive chair of Horizon Discovery plc. Ian is currently non-executive chairman of Aptamer Group genedrive plc, and Cytox Group.

Ian Nicholson

Appointed: 21/10/21

Role: Trustee

Skills: Ian has over 35 years' experience in licensing, mergers and acquisitions and market development in the UK, Europe and the US. He is chairman of Bioventix plc; a non-executive director at Clinigen Group plc, and an operating partner at Advent Life Sciences LLP.

Jo Pisani

Appointed: 17/12/20

Role: Trustee

Skills: A former leader of PwC's Pharmaceutical and Life Sciences practice, Jo has significant strategy, commercial and operations experience. She serves on the boards of the UK Dementia Research Institute, The RSAGroup, MedCity and Beacon. She is a member of the foresight advisory board for University of Birmingham.

Lynne Robb

Appointed: 08/06/20

Role: Chair of Audit and Risk Management Committee

Skills: A former CFO, Lynne's experience includes supporting the merger of the Cancer Research Campaign and Imperial Cancer Research Fund and the creation of the Francis Crick Institute. She is a Trustee of Prostate Cancer UK and a non-executive director of the Medicines Discovery Catapult.

Dr Mike Romanos

Appointed: 01/03/16

Role: member of Scientific Committee

Skills: Mike is an experienced biopharmaceutical industry leader with scientific breadth and extensive knowledge of translation. He is CEO of Microbiotica, previously CEO of Crescendo Biologics, global VP at GSK, Translator in Residence in Imperial College and Venture Partner in UK Innovation and Science Seed Fund.

Dr Les Hughes

Appointed: 01/03/16

Role: Chair of Scientific Committee

Skills: Over 30 years in the pharmaceutical industry, Les has worked as a manager and consultant in the US, Europe and Asia. At AstraZeneca he oversaw the delivery of c.50 oncology and infection projects into pre-clinical testing, of which three are now on the market. He was elected a Fellow of the Academy of Medical Sciences in 2003.

Dan Morgan

Appointed: 20/11/17

Role: member of Audit and Risk Management Committee

Skills: Dan has over 20 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.

Susan Wallcraft

Appointed: 21/10/21

Role: member of Audit and Risk Management Committee

Skills: Sue is an experienced general counsel and company secretary with over 25 years' experience in the pharmaceutical industry. She is currently general counsel and company secretary for Vernalis (R&D) Limited and previously held the same role at the Wellcome Trust.

David Zahn

Appointed: 15/08/19

Role: Chair of Investment Committee

Skills: A Chartered Financial Analyst and qualified Financial Risk Manager, David is Head of European Fixed Income at Franklin Templeton. He is a governor and chair of the investment committee at The Health Foundation, and a non-executive director at the Health Data Research UK and CFA Society of the UK.

Board tenure:



Board gender diversity:



Changes to the Board of Trustees:

Ian Gilham

joined 21 October 2021

Ian Nicholson

joined 21 October 2021

Susan Wallcraft

joined 21 October 2021

Peter Keen

served until 15 July 2021

Sally Burtles

served until 15 July 2021

Paul Mussenden

served until 14 December 2021

Andrew Mercieca

served until 31 December 2021

For more detailed Trustee biographies, please visit lifearc.org/governance

Governance structure and management 2021

Promoting the charity's success

The Trustees have a duty to promote the success of the charity 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 decisions in the long term;
- the interests of employees;
- the need to foster the charity's relationships with stakeholders;
- the impact of the charity's operations on the community and the environment;
- the desirability of the charity maintaining a reputation for high standards of business conduct and;
- the need to act fairly between members.

The people report on pages 22-24 explains how LifeArc protects and promotes the interests of its employees. The 'Understanding our stakeholders' report on pages 25-27 explains in more detail how LifeArc engages with its stakeholders to promote the long-term success of the organisation. The sustainability and carbon reporting review on pages 28-29 outlines the actions the organisation is taking to understand and improve its impact on the environment.

As a company limited by guarantee, LifeArc does not have any shareholders. With the move to a foundation model, serving Trustees are LifeArc's only members.

Charitable objectives

LifeArc is a company limited by guarantee and a registered charity, established in 2000. The charity's governing document is its Articles of Association, which sets out its charitable objectives as follows:

- 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.

Structure, governance and management

The Board is responsible for setting strategy, ensuring that there are the necessary financial, human and physical assets to meet the charity's strategic aims; monitoring the performance of the charity; and overseeing risk management. It is also responsible for Trustee and Executive Management succession planning, overseeing any changes to the charity's constitution and upholding its culture and values. The day-to-day running of the charity is delegated by the Trustees to the Executive Management Team.

Trustees

LifeArc's Board is comprised of 12 Trustees. One of these Trustees is an Executive member. The Trustees fulfil the legally defined roles of members and directors of the charitable company.

Non-Executive Trustees are recommended by the Nominations Committee and appointed by the Board through an open process. They have broad and varied backgrounds, bringing to LifeArc not only the requisite governance experience, but also the diverse range of skills the charity requires, including biomedical

sciences, investment fund management, charities, finance and law.

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. New Trustees are briefed on the charity's objectives as well as their duties and statutory obligations. They are also given relevant Charity Commission guidance. Trustees meet regularly with the Executive Management Team to discuss all areas of the business.

Trustees are not remunerated for their role at LifeArc. They are paid expenses. Other expenses incurred in the course of their duties are paid directly by the charity. Executive Trustees are remunerated in respect of their executive service.

Trustees as members

As a company limited by guarantee, LifeArc is required by company law to have members who act as nominal guarantors in the event that the company should ever be wound up. LifeArc has adopted a foundation model of governance where the membership is restricted to serving Trustees. The charity has recruited a Strategic Advisory Council to provide strategic advice and feedback to the Board from the charity's key stakeholders; the council had its first meeting on 4 October 2021.

Committees of the Board

The Board of Trustees delegates oversight and assurance for key business functions to the five dedicated Board committees: Audit and Risk Management Committee, Investment Committee, Nominations Committee, Remuneration Committee and Scientific Committee.

Most Trustees serve on one or more committees. The committees can co-opt non-trustees to provide additional expertise.

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.

Management Committee

Executive Management Team

The Executive Management Team is responsible for the day-to-day running of the charity under authority delegated by the Board of Trustees. The team, under the leadership of the CEO, proposes to the Board where the charity should invest its time, money and expertise. It proposes 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.

Melanie Lee
Chief Executive Officer

Edward Bliss
General Counsel & Company Secretary

Fiona French
Executive Director, Human Resources

Andrew Farquharson
Executive Director, Technology Transfer

Graham Duce
Chief Investment Officer

Richard Godfrey
Interim Chief Operating Officer

David Powell
Chief Scientific Officer

Andrew Mercieca, Chief Financial Officer, left LifeArc in December 2021
Ian Campbell, Chief Business Officer, left LifeArc in December 2021
Mike Dalrymple, Executive Director, Diagnostics and Scientific Foresight, left LifeArc in March 2021
Justin Bryans, Executive Director, Drug Discovery, left LifeArc post-year end, in February 2022

Board and committee attendance

Committee memberships

Member	Board meetings	Audit and Risk Management Committee meetings	Investment Committee meetings	Investment Committee Interim meetings	Nominations Committee meetings	Remuneration Committee meetings	Scientific Committee meetings
John Stageman (Chair)	● ● ● ○ ●		— — — ● ●	— —	● ●	● ●	● ● ● ●
Paul Mussenden (Deputy Chair)	● ● ● ● ●	● ● ● —	● ● ● ○ —	● ●	● ●	● —	
Aisling Burnand	○ ○ ● ● ●				● ●	— ●	
Sally Burtles	● ● — — —					● —	● ● — —
Ian Gilham	— — — ● ●						
Les Hughes	● ● ● ● ●				● ●		● ● ● ●
Peter Keen	● ● — — —	● ○ — —	● ● ● — —	● ●	● —		
Melanie Lee	● ● ● ● ●						
Andrew Mercieca	● ● ● ● ●						
Daniel Morgan	● ● ● ● ●	● ● ● ●					
Ian Nicholson	— — — ○ ●						
Jo Pisani	● ● ● ● ●					— ●	
Lynne Robb	● ● ○ ● ●	● ● ● ●			● ●		
Mike Romanos	● ● ● ● ○						● ● ● ●
Sue Wallcraft	— — — ○ ●	— — — ●					
David Zahn	● ● ● ● ●		● ● ● ● ●	● ●	● ●		
Co-opted members							
Simon Gibson			● ● ● ● ○	○ ●			
Jonathan Marriott			● ● ● ● ●	○ ●			
Cindy Rose			● ● ○ ● ●	○ ●			

Paul Mussenden stood down from the Committees on 13/10/21 and from the Board on 31/12/21
Sally Burtles and Peter Keen stood down from the Board at the July meeting
Ian Gilham, Ian Nicholson and Sue Wallcraft were appointed to the Board at the October meeting

Andrew Mercieca stood down from the Board at the December meeting
Sue Wallcraft joined the ARMC Committee and Aisling Burnand joined the Remuneration Committee on 15/11/21
John Stageman joined the IC Interim Committee and Jo Pisani joined the Remuneration Committee on 15/7/21

Key: ● Chair
● Attended
○ Not attended
— Not applicable

Committee Reports

Audit and Risk Management Committee Report

Committee members

Lynne Robb (chair), Susan Wallcraft, Dan Morgan

Priorities for 2021

- Deep dive reviews into key risk areas
- Finance improvement programme
- Risk evaluation in delivery of the longer-term LifeArc ambition
- Third-party risk evaluation

Key activities and decisions

A number of deep dive risk reviews were presented to the Committee during the year, focusing on: LifeArc's science portfolio, people and change management (in light of the charity's strategy for achieving its long-term ambition) and cyber risk (reflecting the increasing risk of cyber-criminals targeting organisations). The Committee also reviewed the progress and outcomes of internal audits. The cyber security audit recommendations were closely monitored and the Committee endorsed a number of recommendations to mitigate the risks identified. We will continue to monitor their implementation.

The Committee monitored the execution of a financial improvement programme and structural procurement review. These programmes have improved reporting and finance partnering within LifeArc. A centralised procurement function has been put in place along with a tiered system for suppliers.

The Committee has reviewed LifeArc's approach to risk appetite in delivering its long-term strategy and ambition, ensuring that our need for bold pursuit of long-term benefits is balanced by strong, appropriate governance.

The Committee oversaw the internal and external audit programme delivery, approved their 2022 plans, and recommended the 2020 annual report for approval by the Board.

Finally, Peter Keen and Paul Mussenden retired from the Committee during the year, and I would like to thank them for their significant contributions over the past several years. I am very pleased to welcome Susan Wallcraft as a new member of the Committee.

Priorities for 2022

In addition to the routine work to provide assurance to the Board of Trustees on financial planning, reporting, risk management, governance, assurance, and overseeing budget process, approving the internal audit programme and scrutinising the annual accounts, there are particular areas of focus:

- Ensure there is an appropriate level of assurance over execution of the strategy
- Monitor the continuing improvement of the management of cyber risk
- Review and monitor outcomes of key deep dive reviews and internal audits, ensuring delivery of improvements
- Support the implementation of a third-party risk management framework

Lynne Robb

Audit and Risk Management Committee Chair

Scientific Committee Report

Committee members

Les Hughes (chair), Mike Romanos, John Stageman

Priorities for 2021

Science review and update of science strategy; review of science team structure; oversight of translational science project portfolio.

Key activities and decisions in 2021

The Scientific Committee reviewed and commented on the evolution of a new science strategy for LifeArc. A key element of this has been a comprehensive science review, discussed with the Committee in both July and October, which identified the key capabilities that will be required by LifeArc to achieve its goal of delivering significant patient benefit. These findings, which have been validated by an external review board, were presented to the Board on 21 October and the outcomes will be used to guide key decisions on the platforms and areas LifeArc will focus on over the coming years for both its internal resources and external support.

As part of LifeArc's wider strategy the Committee also endorsed the reorganisation of the diagnostics and therapeutics departments into a single translational science team under a single Executive Director. This reorganisation, while retaining the specialisation and capacities of the diagnostic and therapeutic discovery teams, will increase opportunities for collaboration and realise synergies as LifeArc pursues its three strategic pillars.

The Scientific Committee, in its governance oversight role, has continued to receive the recommendations of the Portfolio Review Board on prioritisation and rationalisation of the current project portfolio. This process allows our resources to be focused on the existing projects most likely to deliver impact for patients as well as to free up vital resources for redeployment to current and future Translational Challenges. The review process is working well and has seen substantial resources moved to follow the strategic shift in the portfolio.

Priorities for 2022

- Consider LifeArc's plans to build and refine platform capabilities within Stevenage, Edinburgh and London (the Francis Crick Institute)
- Work with the Executive on the development of a portfolio of translational challenges
- Continue to monitor the evolution of LifeArc's project portfolio in line with strategic priorities

Les Hughes

Scientific Committee Chair

Investment Committee Report

Committee members

David Zahn (Chair), Peter Keen, Paul Mussenden, John Stageman, Jonathan Marriott, Cindy Rose

Priorities for 2021

- Approve LifeArc's strategic asset allocation (SAA) for Board approval
- Approve the investment policy statement (IPS) for the investment portfolio
- Track transition from existing asset managers to Investment Committee approved target portfolio in accordance with SAA
- Oversee search and selection of active fund managers
- Continue to evolve the ESG policy for the investment portfolio

Key activities during 2021

Sustainable investment is a key enabler for the realisation of LifeArc's long-term ambitions. In the wake of a new investment strategy, agreed by the Board in 2020, the Investment Committee endorsed a strategic asset allocation aimed at moving LifeArc's assets into a diversified portfolio. The proposal included a timeline and identification of a range of passive investment vehicles into which the investment team proposed to move more of our assets.

In addition to supporting the organisation's long-term ambition, the asset allocation aligns with the organisation's Environmental, Social and Governance investment policy, as well as ensuring a proportion of LifeArc's assets are available for drawdown to support ongoing strategic activity.

The strategic allocation was approved by the Board and actioned during the first half of 2021. The Investment Committee was kept informed of the transition from existing asset managers to the new portfolio. The Committee also endorsed a small allocation to fixed income vehicles.

Following the strategic allocation of assets, the investment function embarked on a search for active equity fund managers with a view to enhancing the performance of the investment portfolio. The Committee played a proactive role in reviewing potential candidates and approving the funds that were proposed. By the year end, eight active managers had been selected. One manager was funded in Q4 2021, with the remainder to be funded in early 2022.

ESG considerations were integral in the selection of the active managers. Indeed, all chosen managers adhere to our ESG investment policy. The committee remains closely involved in the development of the ESG policy for the investment portfolio.

Priorities for 2022

- Monitor performance of investment portfolio in line with the organisation's long-term goals
- Manage the investment portfolio in line with the investment policy statement
- Complete the transition from passive equity funds to active equity managers
- Continue to evolve the ESG investment policy
- Establish a small portfolio of hedge fund managers to further diversify the overall investment portfolio

David Zahn

Investment Committee Chair

Nominations Committee Report

Committee members

John Stageman (chair), Aisling Burnand, Les Hughes, David Zahn, Lynne Robb

Priorities for 2021

- Succession planning
- ED&I oversight in relation to succession planning
- Board and SAC membership
- Board performance review

Key activities and decisions during 2021

The terms of reference of the Nominations Committee were amended in 2021 to reflect the improvement and monitoring of LifeArc's approach to Equity, Diversity and Inclusion (ED&I). This includes staff development and recruitment and how the organisation selects members of its Board and Strategic Advisory Council.

Two Trustees retired and three new Trustees were recruited during the year. The Committee reviewed the membership of all committees and subcommittees of the Board to ensure each has the balance of skills and experience appropriate to its terms of reference. The Committee's recommendations were approved by the Board.

The Committee reviewed the Board's succession plans carefully, reflecting on the skills and experience that will be required for the best governance and strategic guidance of LifeArc's future strategy.

The Board supported the expansion of the Nominations Committee with the addition of Lynne Robb, David Zahn and Les Hughes to lead the external and internal search and appointment of a new Chair. A new appointment was concluded post-year end.

The formation of the new Strategic Advisory Council (SAC) was another key priority for 2021 and the Committee played a proactive role in recruiting members to the council. The SAC held its inaugural meeting in October 2021.

Priorities for 2022

- Agree and enact a refreshed Equity, Diversity and Inclusion strategy and plan for the whole of LifeArc
- Conclude appointment of new Chair
- Review the optimal size of the Board
- Appoint a new Chief Finance Officer
- Support executive appointments as the shape of the Executive Management Team evolves

John Stageman

Nominations Committee Chair

Remuneration Committee Report

Committee members

John Stageman (Chair), Aisling Burnand, Sally Burtles, Paul Mussenden, Jo Pisani

Priorities for 2021

- Reviewed LifeArc's reward strategy
- Continued to focus on enhancing the employee experience
- Broadened the Committee's terms of reference to review the reward system as a whole and how it helps to underpin a collaborative, diverse and inclusive organisational culture

Key activities during the year

Reward and remuneration are key elements of LifeArc's organisational transformation and culture, critical to engaging our people and delivering our strategy. During 2021 the committee has been closely involved in supporting the evolution of LifeArc's reward strategy. This strategy was originally set out in 2018 and has been a vital reference point for reward decisions to date.

However, the Committee recognises the need for remuneration strategy to align, not only with LifeArc's long-term strategic direction but with the organisation's ED&I (Equity, Diversity and Inclusion) strategy and its desire to foster a collaborative, inclusive culture. A review of the reward strategy began late in 2021, and the committee is being regularly briefed on progress. During the first half of 2022 we will finalise this and begin engagement of our people.

The Committee is keen to ensure that salaries at LifeArc remain competitive and benchmarked using external, sector-specific compensation data. During the year it has been briefed on the annual Willis Towers Watson and OBN benchmark data surveys, as well as advice from PwC on targeted incentive plans. The benefits package available to employees continues to match the upper quartile of the organisations surveyed, while offering the flexibility to allow employees to tailor their package. This was particularly important in 2021 as we worked to ensure our turnover rate did not cause undue pressure on our strategy delivery. Our benchmarking provides confidence in our market position.

The Committee also recognises the need for more transparency and understanding, supported in 2021 by initiatives such as a new reward portal and a series of pensions workshops to improve understanding of a key benefit. This will help ensure we keep pace with LifeArc's organisation transformation and ensure we can both attract and retain talent within a challenging sector. The Committee has also been briefed on gender pay gap data, and how these reflect a number of sector-wide themes. Plans were discussed for engaging employees around gender pay gap results in 2022 and creating an action plan as we seek to align our reward strategy with our broader ED&I strategy. Our results will be shared externally on our internet and be made available to employees, with regular updates.

Given the challenges of 2020 the Committee felt it would be inappropriate to base 2021 pay and bonus awards entirely on individual outputs. A decision was made not to award pay increases to LifeArc executive and senior leadership, although bonus awards were made to differentiate outstanding performance. This decision applied to senior leaders only. During 2022 we will review our executive reward philosophy, to ensure we can continue to attract and retain leaders of the calibre required to enable our ongoing transformation.

In November 2021 the Committee was updated about benchmarking completed on all roles, to understand where we are positioned against the market. This is key to attraction and retention as the talent landscape continues to remain competitive. Actions will be taken within the broader reward plan in 2022 to ensure we remain competitive.

The Committee has seen some significant personnel changes during the year. Sally Burtles and previous Committee Chair Paul Mussenden have stepped down; I would like to thank both Sally and Paul for their commitment and contribution to what has long been a key area of organisational policy. Jo Pisani and Aisling Burnand joined the Committee during 2021 and I am sure we will benefit from their insight and contribution in the coming year.

Priorities for 2022

- Continue to monitor how LifeArc's remuneration philosophy reflects the principles of equity, diversity and inclusion and support the reporting on diversity, including gender and ethnic pay reporting and action plans
- Input to and shape the reward strategy refresh and engagement plan

John Stageman

Remuneration Committee Chair

Responsibilities of the Trustees statement

Trustees' Annual Report 31 December 2021

Statement of Trustees' responsibilities

The Trustees (who are the directors for the purpose 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 Trustees to prepare financial statements, for each financial year, which give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of those resources, including its income and expenditure for the period. 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.

The members of the Board are responsible for keeping proper accounting records that are sufficient to show and to explain the charitable company's transactions and to disclose, with reasonable accuracy, at any time, the financial position of the charitable company 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. The Board met five times during the reporting period (16 March 2021, 15 July 2021, 23 September 2021, 21 October 2021 and 14 December 2021). NB: there was no separate membership AGM as the membership is coterminous with the Board.

This Annual Report was approved by the LifeArc Board on 22 March 2022 and signed on its behalf by



Dr John Stageman CBE
Chairman

Financial statements

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Independent auditor's report to the trustees and members of LifeArc

Opinion

We have audited the financial statements of LifeArc (the 'charitable company') for the year ended 31 December 2021 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 2021, 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. 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: 22 March 2022

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

Statement of financial activities

For the year ended 31 December 2021

	Notes	Unrestricted funds £000s	Restricted £000s	Total funds December 2021 £000s	Total funds December 2020 £000s
Income and endowments from:					
Charitable activities	1	1,970	373	2,343	3,124
Trading activities					–
Investments	2	15,448	–	15,448	6,004
Other income	3	86	–	86	20
Total income and endowments		17,504	373	17,877	9,148
Expenditure on:					
Raising funds	4	1,911	–	1,911	1,938
Charitable activities	5	54,226	373	54,599	47,721
Provisions	19	–	–	–	–
Total expenditure		56,137	373	56,510	49,659
Net gains on investments	14/15	133,614	–	133,614	54,802
Net income		94,981	–	94,981	14,291
Net movement in funds	21	94,981	–	94,981	14,291
Reconciliation of funds:					
Total funds brought forward	21	1,218,941	–	1,218,941	1,204,650
Cash flow hedge reserve	21	–	–	–	–
Total funds carried forward	21	1,313,922	–	1,313,922	1,218,941

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 57 to 74 form part of the financial statements

Balance sheet

As at 31 December 2021

Company number: 2698321

	Note	LifeArc 2021 £000s	LifeArc 2020 £000s
FIXED ASSETS			
Tangible fixed assets	12	10,797	12,234
Intangible assets	13	13,890	16,514
Investments	14	1,129,078	444,462
		1,153,765	473,210
CURRENT ASSETS			
Investments	15	162,984	740,410
Debtors	16	2,764	2,553
Cash at bank and in hand		4,703	12,559
		170,451	755,522
Creditors: amounts falling due within one year	17	(9,559)	(9,056)
Net current assets		160,892	746,466
Total assets less current liabilities		1,314,657	1,219,676
Provision for liabilities	19	(735)	(735)
Net assets		1,313,922	1,218,941
CHARITY FUNDS			
Unrestricted funds	21	1,073,878	1,165,127
Designated funds	21	240,044	53,814
Restricted funds	21	–	–
Total charity funds		1,313,922	1,218,941

The accounting policies and notes on pages 57 to 74 form part of the financial statements

The financial statements were approved and authorised for issue by the Board on 22 March 2022.

Signed on behalf of the Board of Trustees.



Dr John Stageman CBE
Chairman

Statement of cash flows

For the year ended 31 December 2021

	Note	Dec 2021 £000s	Dec 2020 £000s
Cash flow from operating activities	23	(49,300)	(25,616)
Net cash flow provided by/(used in) operating activities		(49,300)	(25,616)
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(1,363)	(2,704)
Payments to acquire intangible assets		(203)	(598)
Payments to acquire investments		(712,556)	(294,299)
Receipts from sale of investments		163,776	80,157
Dividends, interest and rents received from investments		15,448	3,010
Reclassification from fixed asset to current asset investment		2,032	24,914
Decrease in current asset investments		577,426	227,884
Increase in cash held for investment		(3,116)	(2,698)
Net cash flow provided by/(used in) investing activities		41,444	35,666
Change in cash and cash equivalents in the year		(7,856)	10,050
Cash and cash equivalents at 1 January		12,559	2,509
Cash and cash equivalents at 31 December		4,703	12,559
Cash and cash equivalents consist of:			
Cash at bank and in hand		4,703	2,525
Short-term deposits		–	10,034
Cash and cash equivalents at 31 December		4,703	12,559

The accounting policies and notes on pages 57 to 74 form part of the financial statements

Accounting policies

For the year ended 31 December 2021

General information and basis of preparation

LifeArc is a charitable company limited by guarantee in the United Kingdom. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given on the back cover of these financial statements. The nature of the charity'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.

The charity 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 charity, 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 the ability of the charity to continue as a going concern, and there is reasonable expectation that the charity has adequate reserves to continue in operational existence for the foreseeable future. The impact of COVID-19 has been considered when reviewing budgets and long-term plans, and is also not considered to impact the ability of the charity to continue as a going concern.

Incoming resources

Income is recognised when the Charity 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 the charity 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 charity 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 of 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; and
- IT infrastructure – 10 years

Accounting policies

continued

Accounting for intangible fixed assets

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

Amortisation of 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.

Employee benefits

When employees have rendered service to the charity, 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

The charitable company 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 the charitable company. The pension charge represents contributions payable by the charitable company for the year. The charitable company'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 the charitable company 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 the charitable company'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.

Notes to the financial statements

For the year ended 31 December 2021

1. Income from charitable activities

	Dec 2021 £000s	Dec 2020 £000s
Research contracts and royalty income	709	1,509
IP management and technology transfer services	1,261	1,200
Grants	373	415
	2,343	3,124

2. Income from investments

	Dec 2021 £000s	Dec 2020 £000s
Dividends – equities	2,226	2,454
Interest – fixed interest securities	12,527	3,360
Interest – deposits	4	190
Income from alternative investments	691	–
	15,448	6,004

3. Other income

	Dec 2021 £000s	Dec 2020 £000s
Miscellaneous	86	20
	86	20

4. Raising funds

	Dec 2021 £000s	Dec 2020 £000s
Investment office costs	300	516
Investment manager fees	1,611	1,422
	1,911	1,938

Notes to the financial statements

continued

5. Analysis of expenditure on charitable activities

	Activities undertaken directly £000s	Support costs £000s	Dec 2021 £000s	Dec 2020 £000s
Translational science	21,699	13,842	35,541	30,653
Translational advice and grant funding	14,442	2,873	17,315	15,516
Early Ventures	985	758	1,743	1,552
	37,126	17,473	54,599	47,721

LifeArc has updated how we summarise our charitable activities to be more representative of the way LifeArc delivers our activities. Support costs are then allocated across charitable activities based on FTE.

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

Institution	£' 000
Genomics England Ltd	5,000
Medical Research Council (UKRI)	1,182
University College London	1,096
Francis Crick Institute	1,067
Ashford & St Peter's Hospitals NHS Foundation Trust	754
University Health Network	500
Chelsea & Westminster Hospital NHS	479
University Of Oxford	352
University of Edinburgh	260
University of Cambridge	259
Action Medical Research	205
Great Ormond Street Hospital	187
University of Glasgow	184
University of Sheffield	156
Queen Mary University of London	121
PostEra Inc	100
University Hospitals Coventry and Warwickshire NHS Trust	81
Kings College London	52
AUTM Foundation	46
University of Dundee	40
Royal Holloway University of London	20

6. Allocation of support costs

	Governance £000s	Corporate resources £000s	Dec 2021 £000s	Dec 2020 £000s
Translational science	571	13,271	13,842	10,638
Translational advice and grant funding	118	2,755	2,873	2,208
Early Ventures	32	726	758	603
	721	16,752	17,473	13,449

Governance costs are detailed further in note 7.

7. Governance costs

	Dec 2021 £000s	Dec 2020 £000s
Staff costs	332	290
Direct costs		
Other legal and professional charges	33	45
Audit fees	36	35
Other fees	70	84
Bank charges	9	6
Insurance	156	131
Other governance costs	85	44
	721	635

8. Net income for the year

Net income is stated after charging/(crediting):

	Dec 2021 £000s	Dec 2020 £000s
Depreciation of tangible fixed assets	2,792	2,813
Amortisation of intangible fixed assets	2,827	30
Operating leases – property	1,337	1,175
Auditor's remuneration	36	35
Fees payable to internal auditor	70	82
Net losses/(gains) on foreign exchange	(556)	614

Notes to the financial statements

continued

9. Auditor's remuneration

	Dec 2021 £000s	Dec 2020 £000s
Fees payable to the charity's auditor for the audit of the charity's annual accounts	36	35
Fees payable to the charity's auditor for other services:		
Other services	5	14
	41	49

10. Trustees' and key management personnel remuneration and expenses

Having obtained approval from the Charity Commission, on 14 November 2019 Melanie Lee (Chief Executive Officer) and Andrew Mercieca (Chief Financial Officer) were appointed as Trustees of the charity. From 14 November 2019 remuneration and benefits were paid to these two individuals for their roles as employees of the charity, not for their positions as Trustees. The aggregate amounts paid during the year to Melanie Lee consisted of: Remuneration £408,900 including basic pay £282,000 (2020 – £280,250), 5% flex allowance of £14,100 (2020 – £14,013) and bonus of £112,800 (2020 – £101,520); Pension contributions £28,200 (2020 – £28,025); Other benefits £3,191 (2020 – £2,235). The aggregate amounts paid during the year to Andrew Mercieca who left the organisation at the end of December 2021 consisted of: Remuneration £222,154 including basic pay £160,000 (2020 – £159,000), outstanding holiday pay of £6,154 (2020 – £Nil), 5% flex allowance of £8,000 (2020 – £7,950) and bonus of £48,000 (2020 – £36,000); Pension contributions £18,400 (2020 – £18,200); Other benefits £183,420 (2020 – £1,661). Employer NI was also included in the aggregate amounts disclosed in the 2020 accounts.

All other Trustees neither received nor waived any remuneration during the year (December 2020 – £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 £2,864k (12 months to December 2020 – £2,093k). 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:

	2021 No. Trustees	2020 No. Trustees	2021 £000s	2020 £000s
Travel and subsistence	3	3	1	1
	3	3	1	1

Included above is £Nil (2020 – £Nil) which has been paid directly to third parties.

11. Staff costs and employee benefits

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

	Dec 2021	Dec 2020
Executive	8	8
Translational science	108	106
Translational advice	20	19
Early Ventures	5	6
Scientific enablers	25	20
Enabling functions	54	49
Agency/contract staff	9	7
	229	215

Scientific enablers includes Business development, Diligence, and Project management.

The total staff costs and employee benefits were as follows:

	Dec 2021 £000s	Dec 2020 £000s
Wages and salaries	15,391	13,406
Social security	1,683	1,466
Defined contribution pension costs	1,284	1,110
Agency/contract staff	1,347	563
	19,705	16,545

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 2021	Dec 2020
£60,001 – £70,000	12	13
£70,001 – £80,000	16	13
£80,001 – £90,000	11	13
£90,001 – £100,000	9	7
£100,001 – £110,000	4	1
£110,001 – £120,000	2	10
£120,001 – £130,000	7	1
£130,001 – £140,000	–	2
£140,001 – £150,000	2	1
£150,001 – £160,000	2	–
£160,001 – £170,000	–	1
£170,001 – £180,000	–	1
£180,001 – £190,000	–	1
£190,001 – £200,000	1	1
£200,001 – £210,000	2	3
£210,001 – £220,000	1	–
£250,001 – £260,000	1	–
£280,001 – £290,000	1	–
£300,001 – £310,000	1	–
£420,001 – £430,000	–	1
£430,001 – £440,000	1	–
	73	69

The pension contributions to the defined contribution scheme payable on behalf of 73 (December 2020 – 69) members of staff amounted to £623,316 (2020 – £548,314).

The redundancy and termination payments in the year totalled £658,920 (2020 – £54,600), of which £529,377 (2020 – £54,600) had been paid during the year with £129,584 accrued at the year end (2020 – £Nil).

Notes to the financial statements

continued

12. Tangible fixed assets

	Assets under construction £000s	Leasehold improvements £000s	Laboratory equipment and plant £000s	Fixtures, fittings and computers £000s	Total £000s
COST					
At 1 January 2021	154	9,808	11,440	2,992	24,394
Additions	419	40	686	218	1,363
Disposals	–	–	(1,084)	–	(1,084)
At 31 December 2021	573	9,848	11,042	3,210	24,673
ACCUMULATED DEPRECIATION					
At 1 January 2021	–	3,528	6,804	1,828	12,160
Charge for year	–	912	1,383	497	2,792
Disposals	–	–	(1,076)	–	(1,076)
At 31 December 2021	–	4,440	7,111	2,325	13,876
NET BOOK VALUE					
At 31 December 2021	573	5,408	3,931	885	10,797
At 31 December 2020	154	6,280	4,636	1,164	12,234

LifeArc had capital commitments of £Nil at 31 December 2021 (December 2020 – £390k).

13. Intangible assets

	Synergy antibody platform £000s	Licences £000s	Assets under construction £000s	Total £000s
COST				
At 1 January 2021	–	447	16,097	16,544
Additions	52	151	–	203
Reclassification	16,097	–	(16,097)	–
At 31 December 2021	16,149	598	–	16,747
ACCUMULATED DEPRECIATION				
At 1 January 2021	–	30	–	30
Charge for year	2,706	121	–	2,827
Reclassification	–	–	–	–
At 31 December 2021	2,706	151	–	2,857
NET BOOK VALUE				
At 31 December 2021	13,443	447	–	13,890
At 31 December 2020	–	417	16,097	16,514

Intangible asset under construction related to LifeArc's licence of Kymab's Intellisect transgenic mouse antibody platform (Synergy), which was brought into use in 2021.

14. Fixed asset investments

	Dec 2021 £000s	Dec 2020 £000s
Investments at cost	54	54
Unlisted investments held at fair value	19,679	18,591
Listed investments	1,100,377	419,966
Cash held for investment purposes	8,968	5,851
	1,129,078	444,462

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.

Notes to the financial statements

continued

14. Fixed asset investments (continued)

Unlisted investments held at fair value

	Early Ventures £000s	Eliem Therapeutics £000s	Total £000s
Fair value at 1 January 2021	10,974	7,617	18,591
Investments in the year	7,685	1,441	9,126
Unrealised (loss)/gain during the year	681	18,044	18,725
Reclassification to fixed asset listed investment	–	(27,270)	(27,270)
Interest accrued on convertible debt	339	–	339
Foreign exchange losses	–	168	168
Fair value at 31 December 2021	19,679	–	19,679

Eliem Therapeutics Inc. was listed in 2021 (NASDAQ) and has been transferred to current asset investments as it is expected to be disposed of in the next 12 months.

At the year end the charity was committed to investing £26.9m through its Early Venture Fund, and £13.8m from other unrestricted funds.

Listed investments

	Dec 2021 £000s	Dec 2020 £000s
Market value at 1 January	419,966	138,899
Acquisitions	703,430	286,106
Sale proceeds	(163,776)	(37,806)
Unrealised gain	83,548	32,258
Realised gain	31,380	576
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 / (losses)	591	(67)
Market value at 31 December	1,100,377	419,966
Historical cost at 31 December	1,023,492	375,101

Portfolio analysis

		Dec 2021 £000s	Dec 2020 £000s
Equities	within the UK	–	27,622
	overseas	803,362	348,310
Fixed interest securities	within the UK	–	21,606
	overseas	195,865	2,859
Alternative investment		101,150	19,569
		1,100,377	419,966
Cash		8,968	5,851
		1,109,345	425,817

As at 28 February 2022 the value of our investments had fallen by £62m since year end.

15. Current asset investments

	Dec 2021 £000s	Dec 2020 £000s
At 1 January	739,380	968,252
Net (withdrawals)/investment	(739,539)	(256,500)
Acquisitions	1,150,079	1,999,651
Sale proceeds	(989,294)	(1,999,536)
Realised (losses) / gains	(39)	1,846
Unrealised gains	–	95
Interest received	659	1,036
Reclassified from fixed asset investments	2,032	24,914
Foreign exchange (loss)/gain	(218)	–
Management fees	(78)	(378)
As at 31 December	162,982	739,380
Historical cost at 31 December	159,305	721,494

Notes to the financial statements

continued

15. Current asset investments (continued)

Portfolio analysis

	Dec 2021 £000s	Dec 2020 £000s
Equities overseas	11,314	–
Fixed interest securities within the UK	–	704,450
Fixed interest securities overseas	151,668	10,016
Alternative investment	–	24,914
	162,982	739,380
Cash	2	1,030
	162,984	740,410

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.

LifeArc held an investment in Kymab (\$30m USD of convertible preference shares plus interest receivable). Kymab was acquired by Sanofi in April 2021, which resulted in the repayment of LifeArc's investment recorded as an alternative investment in 2020.

16. Debtors

	Dec 2021 £000s	Dec 2020 £000s
Trade debtors	–	159
Prepayments and accrued income	1,801	1,772
Tax debtor – VAT	835	556
Other debtors	128	66
	2,764	2,553

17. Creditors: amounts falling due within one year

	Dec 2021 £000s	Dec 2020 £000s
Trade creditors	1,228	1,359
Grant creditors	734	–
Accruals and deferred income	6,233	6,327
Other creditors	652	799
PAYE & NI creditor	712	571
	9,559	9,056

18. Leases

	Dec 2021 £000s	Dec 2020 £000s
Operating leases – lessee		
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	1,404	1,371
Later than one and not later than five years	3,487	3,805
Later than five years	–	78
	4,891	5,254

19. Provisions for liabilities and charges

	Provision for dilapidations £000s	Total £000s
At 31 December 2020	735	735
Additions during the year	–	–
Amounts charged against the provision	–	–
Unused amounts reversed	–	–
At 31 December 2021	735	735

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

20. Grant commitments

At 31 December 2021 LifeArc had made multi-year funding commitments as follows:

	Expected to be paid within 1 year £000	Expected to be paid after 1 year £000	Total £000
Philanthropic Fund	4,212	4,251	8,463
COVID Fund	2,873	702	3,575
Advanced Therapy Innovation Hubs	2,600	3,844	6,444
Crick Fund	553	409	962
MND Fund	468	1,031	1,499
	10,706	10,237	20,943

Notes to the financial statements

continued

21. Fund reconciliation

	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 Venture 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
Total designated funds	53,814	332	(11,721)	197,000	619	240,044
Total unrestricted	1,218,941	17,504	(56,137)	–	133,614	1,313,922
Restricted	–	373	(373)	–	–	–
	1,218,941	17,877	(56,510)	–	133,614	1,313,922

	Balance at 1 Jan 2020 £000s	Income £000s	Expenditure £000s	Transfers £000s	Gains/ (losses) £000s	Balance at 31 Dec 2020 £000s
Unrestricted	1,166,381	8,675	(38,507)	(27,000)	55,578	1,165,127
Early Venture Fund	24,000	58	–	–	(776)	23,282
Philanthropic Fund	9,394	–	(1,594)	–	–	7,800
Crick Fund	4,875	–	(173)	–	–	4,702
COVID Fund	–	–	(8,970)	27,000	–	18,030
Total designated funds	38,269	58	(10,737)	27,000	(776)	53,814
Total unrestricted	1,204,650	8,733	(49,244)	–	54,802	1,218,941
Restricted	–	415	(415)	–	–	–
	1,204,650	9,148	(49,659)	–	54,802	1,218,941

Early Venture Fund

	2021 £000s	2021 £000s
Gross designated fund		25,000
Additions		192,000
Gross accumulated transfers from unrestricted funds		217,000
Investment write up / (impairments) at 1 January	(1,776)	
Investment write up / (impairments) during the year	619	
Total investment write up / (impairments) to 31 December 2021		(1,157)
Investment income at 1 January	58	
Investment income during the year	332	
Total investment income to 31 December 2021		390
Total funds available for investment		216,233
Total investments made to 31 December 2021		19,627
Funds available for further investment		196,606

The Early Venture Fund was created to make direct and indirect investments in early stage companies.

Other designated funds

	COVID Fund £000s	Philanthropic Fund £000s	Crick Fund £000s
Gross accumulated transfers from unrestricted funds	27,000	15,000	5,000
Awards provided to 31 December 2020	8,970	2,200	298
Awards provided during the year	9,923	1,411	387
Total awards provided to 31 December 2021	18,893	3,611	685
Funds available for further awards	8,107	11,389	4,315

Fund descriptions

- 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.
- Restricted funds** – The restricted funds are grants received in the year which are subject to specific restrictions imposed by the donor. Grant income includes £373k (December 2020 – £415k) from GSK Services and the Royal Commission for the Exhibition of 1851.
- Designated funds** – The designated funds were specifically allocated for the COVID Fund (£27m), Early Venture Fund (£217m), Philanthropic Fund (£15m), and Crick Fund (£5m). The Philanthropic Fund is anticipated to increase by £5m each year.

Notes to the financial statements

continued

22. Analysis of net assets between funds

	Unrestricted funds £000s	Designated funds £000s	Total Dec 2021 £000s
Fixed assets	937,532	216,233	1,153,765
Cash and current investments	143,142	24,545	167,687
Other current assets/liabilities	(6,061)	(734)	(6,795)
Provisions	(735)	–	(735)
	1,073,878	240,044	1,313,922

	Unrestricted funds £000s	Designated funds £000s	Total Dec 2020 £000s
Fixed assets	449,918	23,282	473,200
Cash and current investments	722,448	30,532	752,980
Other current assets/liabilities	(6,504)	–	(6,504)
Provisions	(735)	–	(735)
	1,165,127	53,814	1,218,941

23. Reconciliation of net income to net cash flow from operating activities

	Dec 2021 £000s	Dec 2020 £000s
Net income for year	94,981	14,291
Dividends, interest and rents from investments	(15,448)	(6,004)
Movement in deferred income on Early Ventures investments	(339)	–
Revaluation (gain)/loss on investments	(760)	597
Depreciation and impairment of tangible fixed assets	2,792	2,783
Amortisation of intangible fixed assets	2,827	30
(Gains) on investments	(133,653)	(52,861)
Loss on disposal of tangible fixed assets	8	93
(Increase)/Decrease in debtors	(211)	19,304
Increase/(Decrease) in creditors	503	(3,849)
Net cash flow from operating activities	(49,300)	(25,616)

24. Pensions and other post-retirement benefits

Defined contribution pension plans

The charity operates a defined contribution pension plan for its employees.

The amount of contributions recognised as an expense during the year was £1,284k (12 months to December 2020 – £1,109k).

25. Related party transactions

The members 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 £606 (December 2020 – £1,088) were made to three members (December 2020 – three members). These transactions were carried out on normal commercial terms.

Trustee indemnity insurance was purchased in the year at a cost of £21,882 including insurance premium tax (2020 – £24,640).

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

	Income £000s	Expenditure £000s	Creditor £000s
Medicine Discovery Catapult			
At end date 31 December 2021	–	389	–
Dementia Research Institute			
At end date 31 December 2021	61	–	–
At end date 31 December 2020	14	–	–
Sanofi S.A (Kymab Ltd)			
At end date 31 December 2021	–	19	–
Association of Medical Research Charities			
At end date 31 December 2021	–	68	–
At end date 31 December 2020	–	9	–
RQ Biotechnology Limited			
At end date 31 December 2021	85	–	–

26. Post balance sheet events

Since year end LifeArc has decided to write down an Early Venture investment by £1.7m to £Nil, due to lack of scientific progress and fundraising challenges.

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 2021 was 13 (31 December 2020 – 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.

Notes to the financial statements

continued

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

The charitable company is controlled by its members.

31. Comparative statement of financial activities

	Notes	Unrestricted funds £000s	Restricted £000s	Total funds Dec 2020 £000s
Income and endowments from:				
Charitable activities	1	2,709	415	3,124
Trading activities		–	–	–
Investments	2	6,004	–	6,004
Other income	3	20	–	20
Total income and endowments		8,733	415	9,148
Expenditure on:				
Raising funds	4	1,938	–	1,938
Charitable activities	4	47,306	415	47,721
Provisions	19	–	–	–
Total expenditure		49,244	415	49,659
Net gains on investments	14/15	54,802	–	54,802
Net income		14,291	–	14,291
Net movement in funds	21	14,291	–	14,291
Reconciliation of funds:				
Total funds brought forward	21	1,204,650	–	1,204,560
Cash flow hedge reserve	21	–	–	–
Total funds carried forward	21	1,218,941	–	1,218,941

Notes

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Notes

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Company number

LifeArc is a company limited by guarantee no.
2698321 incorporated in England and Wales.

Charity numbers

LifeArc is a charity registered with the Charity
Commission for England and Wales no. 1015243
and a charity registered in Scotland with the Office
of the Scottish Charity Regulator no. SC037861.

LIFEARC

England & Wales - Charity number 1015243

Accounts

Progress in a challenging year

Annual Report and Audited Accounts
For the year ended 31 December 2020

Our work transforms medical innovation into patient benefit

LifeArc exists to help transform early stage, promising science into medical interventions to improve human health and benefit society. Our impact can be seen in new companies, technologies and medicines used to treat patients with a wide range of diseases, including multiple sclerosis, rheumatoid arthritis, ulcerative colitis and cancer.

→ **Impact report**
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Highlights

Operational highlights

Despite the global disruption caused by COVID-19, LifeArc continued to provide scientific, advisory and funding support to the life sciences sector, while playing a key part in helping to understand and treat COVID-19.

1	Compound outlicensed for further development ULK compound targets autophagy; a critical component of the cellular recycling process which cancer cells rely on to outgrow surrounding cells.
7	New companies supported through our venture funding activities Funding and investment to facilitate life sciences businesses.
14	International drug repurposing projects funded as part of the global response to COVID-19 Investigating repurposing of existing medicines to reduce illness and death from COVID-19.
114	Patents granted to LifeArc client companies Includes 7 European patents plus 45 national patents, 3 Eurasian patents plus protection in 24 member states

Financial highlights

In 2020 LifeArc expenditure totalled £49.7m. Return on investments totalled £60.8m, creating a solid foundation for long-term innovation and patient benefit.

£49.7m	Total expenditure An increase of £12.9m on 2019 (after extrapolating 2019 expenditure to 12 months).
£60.8m	Total returns on investment Helping to provide a sound foundation for long-term sustainability.

Our purpose: To translate promising science into benefits for human health and society

What we do

LifeArc exists to help transform early stage, promising science into medical interventions that improve human health and benefit society.

As an independent, self-funded charity, we have been bridging the gaps in biomedical innovation for 25 years. We seek out innovation, primarily in academia, with significant potential for patient benefits. We help scientists progress their discoveries along the journey to becoming a medicine, diagnostic or intervention. We help advance this innovation through our own lab-based research, the support and advice we provide to our partners and the funding we make available.

How we do it

We collaborate with a broad range of groups including medical research charities, research organisations, industry and academic scientists.

We nurture talent, developing expertise and skills in our people through accredited training and project experience while also helping to develop others through our fellowship and industrial placement schemes.

We develop data-driven solutions to navigate the path to the patient.

Translational advice

Our expert teams support technology transfer by protecting and managing intellectual property, evaluating the translational potential of research portfolios and advising on funding, the development path and routes to market.

Translational science

Our translational science team conducts research to advance innovation into potential new medicines and diagnostics.

Our therapeutics team advances research into early stage drug discovery – from validating drug targets to developing molecules. We have an expertise in antibody engineering and small molecules.

Our diagnostics team collaborates on assay design and development and clinical validation for diagnostics. We add industry-recognised credibility and reduce the time to bring these assays to the clinic.

As a charity, LifeArc's primary focus is not on profitability but the identification of solutions to diagnose, treat and support patients in areas of particular need. Our projects are often picked up at an early stage and sometimes involve new technology; many of these projects therefore have a relatively low probability of success, but with high breakthrough potential if they are successful

Translational funding

We seek to use our capital responsibly to fund translational research, particularly addressing early stage funding gaps. Our approach is to provide support throughout the life sciences funding cycle. The intention is that the funding will be used to advance and de-risk projects, that could then attract onward development investment from others, particularly commercial partners.

LifeArc funds innovation in a number of key disease areas, both through our own funds and in partnership with like-minded organisations.

Philanthropic Fund

Provides grants to researchers for advancing new treatments for rare diseases. By incubating and de-risking projects, we aim to make investment in therapeutics for rare diseases more attractive.

Early ventures funding

LifeArc is currently developing a comprehensive strategy to cover our investment in the translation of life science innovation. The key to this strategy is 'investing for impact', targeting our activity to increase the potential patient benefit while contributing to our long-term sustainability.

A key element of that strategy is the ability to invest in early innovation from seed to Series A funding with the ability to further fund where there are exceptional opportunities in existing portfolio companies. We aim to bridge the gaps in life sciences innovation funding and incubate small start-ups to a point where they could attract onward investment.

Our impact

You can see our impact in new companies, technologies and medicines used to treat patients with a wide range of diseases, including multiple sclerosis, rheumatoid arthritis, ulcerative colitis and cancer. We also create the conditions for future life sciences innovation by creating and disseminating knowledge to our partners and other groups and by working with academic institutions to develop current and future, research and translational scientists.

The infographic opposite explains how we have measured our impact during 2020, in four key areas related to our translational activity.

→ Read more

Pages 12-13

Our four impact areas

Because the process from lab to patient can involve many parties that don't directly connect with patients, we look broadly at how our work contributes to improving patients' lives. Taken together, these four areas of impact illustrate how we are transforming the way diseases are identified and treated, creating life-changing breakthroughs for patients and benefits for society.

① Research translation

Our core purpose is to **translate new research into new products, devices and services**, taking them closer to the point where they begin to change patients' lives for the better

② Stimulating new research

One of our key strategies is to **stimulate new research through funding and partnerships**, ensuring that key areas of patient need receive the focus and practical support that would not otherwise be accessible to them

④ Developing future scientists

We operate a range of programmes to **develop the human capacity to carry out and enable research**, helping to ensure future generations of scientists while instilling in them an understanding of the translation process

③ Knowledge generation

Our research and translational activity enables us to **generate new science and health knowledge**, expanding the range of life sciences knowledge and opening up new opportunities for future innovation

This Infographic has been designed using resources from Freepik.com

Dr John Stageman, OBE

Chair – LifeArc

In a year of challenge, LifeArc has responded rapidly and positively

As the world adjusted to the global pandemic, LifeArc has demonstrated how an integrated, collaborative approach can deliver impact.

I am proud to present our annual report and audited financial statements for January to December 2020.

As a charity, LifeArc exists to transform early stage, promising science into medical interventions that improve human health and benefit society. Our impact can be seen in new companies, technologies and medicines used to treat patients with a wide range of diseases, including multiple sclerosis, rheumatoid arthritis, ulcerative colitis and cancer.

For a charity with the long-term ambition of becoming a leader in transforming the way diseases are identified and treated, the pandemic could easily have undermined our foundations and disrupted our progress. However, over the year we have demonstrated the ability to respond proactively to unanticipated change while also continuing to strengthen our efficiency and governance.

Our *Keytruda* monetisation in 2019 generated an unprecedented one-off inflow of around £1bn for the charity. The challenge for us is to make best use of it, so we can continue to support the translation of medical innovations over the long term. During 2020 Graham Duce, our Chief Investment Officer, supported by members of the Board, put in place an investment strategy for the monetisation proceeds, which aims to generate financial returns to underpin long-term sustainability.

While our financial security enabled us to withstand the impact of COVID-19, our employees adapted excellently to the challenges of working from home. Our core expertise in translational science, advice and funding enabled us to contribute positively to the scientific research that would help navigate a path out of the pandemic. The CEO's review of our 2020 performance sets out our achievements in more detail, but I would like to highlight some of our major contributions to the fight against COVID-19.

Responding rapidly in a crisis

As a Board we felt that the charity should do all that it could in line with its charitable purpose to address the illness and death brought by COVID-19.

By February 2021 LifeArc had committed more than £27m to fund the search for new medicines and diagnostics to tackle COVID-19. This included £2m to Edinburgh University's STOPCOVID project; £10m for drug repurposing projects; £8m for a range of COVID-19 projects developed by teams within our organisation; £2m co-funding of CRUSH, a COVID-19 drug screening facility at Glasgow University's Centre for Virus Research; and £5m towards the GenOMICC Consortium, which, in conjunction with Genomics England, is using genomics to investigate why some people are affected more severely by COVID-19 and in so doing increase our understanding about the disease.

We also provided our expertise to groups like the UK BioIndustry Association's Therapeutic Antibody Taskforce and provided scientific due diligence for the UK Government's Therapeutics Taskforce, enabling them to prioritise candidates for COVID-19 treatments.

Two recent developments in the fight against COVID-19 serve to show how LifeArc is helping to improve patient health; one the result of a traditional, long-term development chain, the other much more immediate and indicative of a change in how promising science is brought forward.

Towards the end of 2020 news broke about the re-purposing of the rheumatoid arthritis monoclonal antibody tocilizumab, as a treatment to combat hyperinflammation in COVID-19 patients. While LifeArc was not responsible for this study or research, tocilizumab is one of the four marketed therapeutic antibodies we're involved in humanising. This is a poignant demonstration

Over the year LifeArc has demonstrated the ability to respond proactively to unanticipated change while also continuing to strengthen our efficiency and governance."

of the long-term nature of our work and how the impact on patients may extend well beyond the point where a project leaves our laboratories.

More recently University of Toronto's ATACC (Antithrombotic Therapy to Ameliorate Complications of COVID-19) programme is close to changing how COVID-19 patients with blood-clotting issues are treated. The ATACC project, which was co-funded by LifeArc as part of our drug repurposing funding call, has demonstrated the potential of the blood thinner heparin to address clotting in moderately ill COVID-19 patients and stave off progressive deterioration.

The future

LifeArc has a crucial and valuable role to play in identifying promising scientific innovations and facilitating their development as products for patient diagnosis, wellbeing and treatment. The challenges affecting life sciences and the medical research charity sector, made even more acute in the COVID-19 pandemic, will continue for years to come. We believe that our ability to support the translation of innovative research in this way, especially in the UK, will only become more essential.

The Board is determined that in future LifeArc should make an even more substantial contribution to the translation of UK innovation. LifeArc is deeply embedded in the UK academic sector and we will not only continue to support the translational needs of our partners in universities, institutes and medical charities but will seek to leverage and expand these relationships strategically, to help deliver greater impact. Our core translational offerings of advice, science and funding remain at the heart of what we do but we will increase their potential by growing existing strategic partnerships, establishing new ones both in the UK and beyond and seeking to focus on more substantive and complex patient needs.

Our COVID-19 experience has challenged us to bring our collective resources together to tackle the significant problems of the pandemic; in 2021 we will build on that experience to evolve the way we prioritise and deploy our formidable capabilities. Our goal is to ensure that our impact is visible, not just in the products, publications or tools we generate, but in the improvement of patients' lives.

I would like to thank our employees, our Executive Leadership Team and my fellow Trustees for their dedicated co-operation in overcoming the unique challenges of 2020 and setting the foundations for long-term success.



Dr John Stageman OBE

Chair – LifeArc
25 July 2021

Our COVID-19 experience has challenged us to bring our collective resources together to tackle the significant problems of the pandemic; in 2021 we will build on that experience to evolve the way we prioritise and deploy our formidable capabilities. Our goal is to ensure that our impact is visible, not just in the products, publications or tools we generate, but in the improvement of patients' lives."

Rising to the challenge of COVID-19

While the development of COVID-19 vaccines has garnered much attention, scientists have also been looking at antibodies as an important treatment option.

Case study

Supporting research that changed Covid care

One of the most severe consequences of Sars-COV-2 infection is the development of blood clots. These have the potential to cause damage or death by restricting the flow of blood within blood vessels, leading to complications like lung failure, stroke or heart attack.

LifeArc's COVID funding call, launched in March 2020, attracted more than 130 submissions, concerning the repurposing of existing medicines or those in late-stage development. One submission, focused on the challenge of blood clots, received £1m in funding and has led to significant new understanding in the treatment of covid infections.

This large multi-centre randomised control trial was designed to evaluate whether heparin – a widely used inexpensive anticoagulant – could be effective against blood clots in COVID-19 patients. If shown to work, that would make treatment available to patients much faster than developing new medicines.

The research team led by the University Health Network of Toronto, in partnership with the University of Manitoba, was part of the ATTACC (Antithrombotic Therapy To Ameliorate Complications of COVID-19) programme. LifeArc's involvement helped the programme attract a further £2.1m from other funding bodies.

The programme used three clinical trial platforms in over 300 hospitals across five continents to address different aspects of the same question: could heparin reduce illness and death by preventing blood clot formation in hospitalised patients?

The findings of the study highlighted some important points about treatment. Results published in December 2020 showed that heparin was not effective in critically ill COVID-19 patients, and actually appeared to be harmful.¹

However in the same trial, full dose heparin in moderately ill Covid patients (ie not yet in intensive care) led to noticeably greater benefit compared to standard treatment.² The treatment prevented the combined endpoint of death or the development of respiratory failure requiring ventilator support.

This finding has changed clinical guidance for covid treatment and has resulted in improved outcomes for patients presenting at hospital with COVID-19 around the world.

Researcher Dr Ewan Goligher, Assistant Professor of Medicine, Interdepartmental Division of Critical Care Medicine, University of Toronto and ATTACC study lead explains what LifeArc's support meant to the team: "LifeArc funding played a fundamentally important role in getting our trial off the ground in a remarkably short period of time and positioned the trial as the definitive platform on which to answer the question. This positioning enabled the partnerships and subsequent funding needed to achieve a definitive answer to one of the most urgent questions in the management of Covid-19."

This rapid impact on patient treatment is exactly why LifeArc committed £10m to fund clinical trials into repurposing. The success in identifying a potential life-saving intervention in less than 12 months is a tribute to the collaboration of hospitals, researchers, patients and funding organisations around the world.

LifeArc funding played a fundamentally important role in getting our trial off the ground in a remarkably short period of time and positioned the trial as the definitive platform on which to answer the question."

1. <https://www.medrxiv.org/content/10.1101/2021.03.10.21252749v1>

2. https://www.uhn.ca/corporate/News/Pages/Full_dose_blood_thinners_decreased_need_for_life_support_and_improved_outcomes_in_hospitalized_COVID19_patients.aspx

A time of transformation

In a uniquely challenging year we made an important contribution to the worldwide fight against COVID-19 and made significant progress in our strategic areas of focus.

A year of challenge and adaptation

The coronavirus pandemic has made the past year tremendously difficult for the whole of society. Within the life sciences sector we have been challenged to change how we think and work together. Thanks to the monetisation of our *Keytruda* royalties in 2019, LifeArc was in a stronger position than many coming into the pandemic and we have been able to mobilise our scientific, advisory and funding capabilities in the fight against the virus. In doing so, we have played our part in helping to understand and treat COVID-19 infections.

At the same time, we have been able to continue building the foundations for long-term impact.

Strategies for growth

Last year I set out how we had identified four strategic areas for LifeArc to expand in, namely diagnostics growth, advanced therapeutics, strategic partnerships, and data and AI. These areas build on our core offerings and reflect the areas of innovation in our sector. I am pleased to say that during 2020, we made significant progress against these areas while continuing to support the creation of new companies, technologies, treatments and diagnostics.

Our diagnostics team expanded its capacity during 2020 and the MBLA (Molecular Bacterial Load Assay) – the diagnostic tool we are developing with St Andrew's University for tuberculosis (TB) – is nearly ready for field testing. TB is a top 10 cause of death in Asia and Africa, and millions of people contract the disease every year. This diagnostic, is a step-change in diagnosis, providing a rapid read out on live bacterial load found in patients' sputum. This should significantly improve how patient treatment decisions are made, as current diagnostics take weeks for a result.

In advanced therapeutics, we identified the need for a network of gene therapy centres to address the challenges that academic researchers in particular have experienced in working to create new, advanced therapies. In partnership with the Medical Research Council (MRC) we launched an £18m call for research centres to apply to become part of a unique network. The hubs aim to support more rapid development of novel gene therapies, with the potential to transform care for millions of patients with rare or life-threatening diseases.

Most significantly we identified that enabling early gene therapy material manufacturing for academics was a major enabler in medical translation of these modalities.

We help turn promising science into benefits for patients. Our role is in translation – taking early ideas from first discovery principles into a commercial or stable product the industry will recognise.”

Dr Melanie Lee, CBE

CEO – LifeArc

Our Seed Fund also financed two gene therapy start-ups in 2020 including Avvinity Therapeutics, a British biotech company developing novel therapeutics for solid tumours.

An achievement coming out of our own labs has been the work on the ULK kinase compound, where we have advanced the work to a point where a biotechnology partner has out-licensed this from us. The project was looking at ULK-targeted compounds to treat a range of cancers, so this development is validation of our aim to advance and de-risk a project to a point where another organisation is willing to take on the onward development.

As advancing technologies unlock new opportunities to meet patient needs, no single organisation can have all the answers and collaboration will be the key to success.

We have continued to build significant strategic relationships; as an example, the strength of our long-term relationship with UK Dementia Research and Innovation (UKDRI) was a key factor in our becoming its technology transfer partner. Meanwhile, we signed an agreement with long-term collaborator Biocartis, an innovative molecular diagnostics company, to investigate its automated molecular diagnosis platform *Idylla* in new areas of infectious and immune-related diseases. We also helped the MRC to develop their spin-out PepGen, whose peptide technology could improve the effectiveness of cutting-edge nucleic acid therapeutics.

£5m

funding provided to increase the understanding of the role of genetic risk factors in patient response to COVID-19

In the two years since PepGen was founded we have negotiated contracts for licensing and setup. We have also helped PepGen secure £45m in Series A funding. Our support has enabled the scientists to progress the technology from the lab bench to the point where it is ready to move towards the clinic.

Positioning for long-term success

We started 2020 with detailed plans for achieving our long-term ambitions. These plans included:

- **Strengthening our foundations** to improve our capacity for change
- **Rebalancing our organisation** to focus on key areas of patient need
- Defining and embedding **new ways of working**
- Developing the **culture, mindset and behaviours** to support our ambitions

Despite the COVID-19-related disruption, we have made real progress with these plans. This included strengthening the leadership team and bringing in new expertise. Dr Ian Campbell joined us as Chief Business Officer and will oversee our key partnerships strategy. Graham Duce began as our Chief Investment Officer in January 2020 and has developed our investment strategy, which will help to ensure we make the best possible use of our financial resources. These appointments enabled us to develop new strategies in key areas such as sustainable investment and strategic partnerships.

Our portfolio review framework, including the Portfolio Review Board we created in 2019, helped us to address the impact of COVID-19 lockdowns on our research activities which had been delayed when our labs closed in the first lockdown. Meanwhile, our investment in Kymab technology has significantly increased our capacity in antibody research.

Successful organisations have a culture that attracts the right people and enables them to deliver their best. We started our culture change exercise during 2020, beginning with an extensive survey of our employees.

We also created a clear set of principles that link our way of working to LifeArc's primary purpose. These principles are the basis for our people development, performance management and reward strategies.

Meeting the challenge of COVID-19

The area in which we have probably made the most progress is embedding new ways of working. We did so in ways that we could not have anticipated at the start of the year.

The rapid spread of the coronavirus took everybody by surprise and had profound effects on our sector. Combating COVID-19 became a shared, global priority, calling for scientific innovation, partnership and support, requiring us to break down the silos between disciplines and work faster than ever before.

Our first duty at the start of the pandemic was to look after our people and in doing so ensure that they could truly contribute to our cause despite changes in working practice. Our people responded to this sense of security by continuing all work that could be done from home while, once the laboratories were safely re-opened, our scientists embraced the chance to practically contribute once more.

We found the move to online meetings brought refreshing benefits of collaboration across our three sites (London, Stevenage and Edinburgh). New teams formed to fully support our external contribution to the drug repurposing initiative and consider a wide variety of ways that we could further the translation of new products to provide a full understanding of vulnerability, risk and treatment of COVID-19. Home working was supported by our HR and technical teams as well as line managers and on reopening the laboratories, our on-site facilities teams were vital to smooth operations.

LifeArc's strengths have really come to the fore in the fight against COVID-19. For example, our scientists tested over 600 antibodies to a very tight timetable, to provide viable candidates for the UK BIA Therapeutics Antibody Taskforce. Our Opportunities Assessment Group (OAG) provided more than 100 drug reports and five landscape reviews to the Government's Therapeutics Taskforce, enabling them to prioritise drugs to test COVID-19. Our Philanthropic Fund ran a call for projects, to fund trials into the repurposing of existing therapies for use in COVID-19 patients.

We are currently funding 14 drug repurposing projects. One of these projects – to address blood clots – has already demonstrated the potential to change how patients with COVID-19 are treated.

Looking ahead

Our goal is to position LifeArc as a leader in developing novel ways to address patient needs. We will achieve this by enabling medical translation to progress promising science and by using our industrial skills and knowledge to generate the pathway, materials, IP and screens that enable products and solutions to address these needs. Our strategy is to identify specific transitional challenges and deliver holistic, patient-centred solutions focusing on the innovative use of data to enable earlier diagnosis and accelerated access to therapies. We will also embrace a 4D approach that integrates drug-based solutions with diagnostics, data and devices. The consideration of diagnostics and devices, use of data and digital interfaces, will all help us to connect to the patient en route to developing therapeutic solutions.

The primary goal of our funding is to benefit human health. Increasingly however, we will also seek to increase our return on translational funding. This is one feature of our expanded venture funding strategy.

Our significant reserve funds are being invested to provide ourselves with sustainable revenue for the long term, while providing sufficient cash flow to enable us to deliver scientific and advisory support to our network of charities, industrial partners and investor communities. Our financial strategy is to enable a sustainable financial future for LifeArc that is fully supportive of our translational purpose, within the UK and also across global innovations.

These commitments require people across the organisation to continue to work in these new ways, motivated by our ability to make a positive difference to patients. I want to thank all of our employees, the Executive Team and our Trustees for their hard work, support and adaptability during an extraordinary year.

Their talents and commitment are central to everything LifeArc has achieved during 2020 and make me confident of our future direction.

If we can continue in 2021 to show the determination, creativity and teamwork that marked 2020, I have every confidence we will achieve what we have set out to do, and more.

Dr Melanie Lee, CBE

CEO – LifeArc
July 2021

The life sciences sector

Translational medicine is a complex and ever-changing ecosystem, where LifeArc plays a unique role.

A pivotal year for life sciences

The life sciences sector has been evolving rapidly in recent years – perhaps never more rapidly than in 2020. This is partly the result of scientific and technological developments such as advanced therapeutics and wearable devices; and partly due to the increasing integration of disciplines such as data science.

But probably the key disrupter in 2020 was the coronavirus pandemic, bringing life sciences into the foreground of people's lives while challenging the sector to find new, more joined-up ways to address urgent patient needs.

These trends and disruptors, both individually and together, will continue to have a material influence on our work in the coming years. This report outlines some of the most important industry drivers in 2020 and how we responded to them.

Drugs: developing new therapeutic approaches

New approaches increasingly offer alternative ways to address diseases that are currently untreatable. Areas such as protein/gene overexpression or errors in DNA and RNA are potential pathways in disease development.

Advanced therapeutics, such as gene-editing based approaches and immune system modulation, hold great promise in addressing these DNA or RNA based diseases. Broadly, these can be classified as:

- *ex vivo*, including cell modification of natural killer cells; and
- *in vivo*, such as gene editing to modify translated proteins.

The promise of cell and gene therapies is already starting to be realised. Some have reached proof of concept or clinical stage, including antisense DNA, antibody drug conjugates, RNA aptamers, RNAi and CAR-T cells. Several gene therapies have already been commercialised but the number of licensed therapeutics remains low and the clinical pipeline is limited. To achieve the significant potential of advanced therapeutics, the life sciences sector will therefore require long-term resource commitment and access to extensive capabilities.

The strong pipeline of projects and pull from the commercial sector contrasts with gaps in the infrastructure to support translation into viable gene therapies. We see this as an opportunity to support academic researchers and help them to develop their innovation into commercially viable patient treatments.

Devices: wearables and the holistic patient experience

Technology and life sciences are increasingly converging, shifting the focus towards monitoring health and preventing disease. As one example, ever more people are using wearable technology to support their own healthcare decisions, with this technology often including medical-grade sensors. These sensors and associated apps can capture information about individuals' health, lifestyles and behaviour. Wearers are willing to provide this information to clinicians, enabling more personalised treatment, but have high expectations of the returns.

The life sciences sector needs to be awake to the potential of wearable or implantable technology, as well as the importance of engaging patients in the research process and having broader discussions about treatment and maintenance care. Providing a holistic patient experience means understanding what it is like for a person to live with a particular condition, which can in turn make life easier for patients and achieve better outcomes. Through technology, clinicians can identify when patients are not adhering to their treatment plans or predict when they are about to suffer an adverse reaction, allowing rapid intervention. Research can also benefit from this trend, with clinical trials accessing real-world data from devices used by patients.

Diagnostics: enabling earlier diagnosis and detection

Early, effective diagnosis is central to the fight against disease. From the patient point of view, it can avoid pain and suffering, while from the therapeutic point of view it can increase the effectiveness of treatment, improving survival rates while reducing cost.

The Deloitte Centre for Healthcare Solutions, in its '2020 global sciences outlook', estimates that 75% of clinical decisions are based on a diagnostic test and that demand for quicker, more accurate diagnosis is rising at a rate of 10% per year.

The development of 'omics' – the collective characterisation and quantification of pools of biological molecules, to understand the structure, function, and dynamics of an organism or organisms – is increasingly enabling earlier diagnostics and detection. However, the need for affordable and reliable near-patient diagnostics remains, to enable better prevention and early diagnosis. The increasing availability of large datasets will greatly aid this work. There are particular opportunities for the development of both diagnostic and therapeutic technologies in the areas of genetics, proteins, metabolism and medical imaging.

LifeArc sees diagnostic development as a key growth area and has expanded its capabilities in this area.

Data: harnessing and understanding big data sets

The medical research sector produces new data at an astonishing rate, beginning in the earliest stages of research through to monitoring and treatment of patients. As technology such as wearables becomes more pervasive, the volume of data and the challenge of utilising it will only increase.

The use of machine learning and artificial intelligence (AI) to interrogate big data sets is rapidly becoming the norm at all stages of translational research and associated business activity. These technologies are making drug discovery and development more innovative, faster and more cost effective. Automation is also taking over some mundane tasks, freeing researchers to add value by spending more time analysing and questioning the insights contained in data.

This work depends on both high-quality data and skilled people. While the algorithms to analyse drug discovery or diagnostic datasets are relatively mature, the main gaps are in the datasets themselves and in the talent available to analyse them.

UK academics are emerging as strong leaders in data and AI. Many consortia involving academia, pharma and AI specialists have been set up and accelerators to foster start-ups are being created privately and by publicly funded organisations.

The bespoke generation of data, along with its prospective collection and knowledgeable curation, will be essential. LifeArc is exploring ways of accessing or facilitating the creation of suitable datasets, primarily through external collaborations and funding.

COVID-19: a global disruptor

COVID-19 has had a huge effect on many aspects of society and brought life sciences on to the front pages. The pandemic's impact required a global response, not least in breaking down the traditional silos between researchers, manufacturers and national regulators to work more effectively together.

Diagnostic and genomic data have been vital in building a shared understanding of infection rates, the virus and mutations. The sharing of this data has directed the way scientists and governments have responded to the pandemic. Organisations have worked together, often internationally, to develop and test vaccines and therapies, even making their resources available to competitors to aid development.

The pandemic also demonstrated that lengthy development timescales can be significantly shortened. With the urgent need for therapeutics, the focus has been on repurposing existing medications that are licensed or near to being licensed for other indications.

The coronavirus pandemic turbo-charged the process from research and development through to manufacture and deployment, challenging the sector to question the art of the possible. One of the biggest medical research challenges of recent time was made possible by collaboration – between researchers, commercial organisations and

The coronavirus pandemic turbo-charged the process from research and development through to manufacture and deployment, challenging the sector to question the art of the possible.”

regulators, across countries, with a common aim. This could become the new pattern for translational science.

At the same time, ongoing research programmes have been severely disrupted, particularly in the charity sector as sources of funding abruptly came to a halt. As financing was already in short supply in many areas, this has only increased the importance of having secure funding to support innovation through to commercially viable solutions.

How LifeArc is responding to these trends

LifeArc monitors these developments and adapts to respond.

We will continue to seek out and maintain **strategic partnerships**, enabling us to develop new therapeutic and diagnostic opportunities, augmenting our own capabilities while speeding up the pace of innovation.

We continue to deploy **transitional funding** to address the urgent needs of scientific research teams to facilitate innovation in key disease areas.

We are developing **data and AI capabilities**, both our own and – through co-funding and collaboration – those of the sector, to capitalise on the increasing importance of data as a driver of life sciences innovation.

Measuring our impact

We have set out four categories for measuring our impact. These reflect not just our strategic priorities but the breadth of our work in translation science, advice and funding.

Impact areas

① Research translation

Translating research into new products, devices and services

② Stimulating new research

Stimulating new research through funding and partnerships

③ Knowledge generation

Generating new science and health knowledge

④ Developing future scientists

Developing the human capacity to carry out and enable research

2020 strategic priorities

Diagnostics growth

① ② ③

Advanced therapeutics

① ② ③ ④

Strategic partnerships

① ② ③

Data and AI

① ② ④

COVID-19 response

① ② ③ ④

Key achievements

- TB-MBLA (Molecular Bacterial Load Assay) ready for field test
- *Idylla* platform access agreed with Biocarti

- Avvinity Therapeutics co-funded with Future Fund
- Two gene therapy start-ups funded through Seed Fund
- Agreement signed with the Medical Research Council (MRC) to fund Gene Therapy Innovation Hubs from 2021

- Agreement reached with UK Dementia Research and Innovation (UKDRI) to become technology transfer partner
- Four projects co-funded with Crick Institute as part of Crick Fund
- Key role in BIA Antibody Taskforce

- KQL Accelerator co-funded with 10 start-ups identified for support
- Sector data needs workshop with Association of Medical Research Charities (AMRC)

- 14 projects supported via repurposing call
- Funding of CRUSH project
- Six internal projects identified for funding
- 600 antibody candidates fast-tracked through testing for UK BIA Antibody Taskforce
- 118 drug reports and five landscape reviews produced for UK Government Therapeutics Taskforce

Measurable impact

Research translation

1	New compound out-licensed (ULK) for development	114	Patents granted to client companies with the support of LifeArc
2	MRC spin-outs, PepGen and InFlectis, were supported in accessing further funding	600	COVID-19 antibody candidates fast-tracked through testing for UK BIA Antibody Taskforce

Stimulating new research

10	Companies funded through KQ labs	14	Drug repurposing projects funded via COVID Fund
13	Projects funded by Philanthropic Fund	7	New companies funded via Seed Fund

Knowledge generation

32	Presentations, 12 papers and nine posters delivered	13	Published papers, enabled to date by access to LifeArc compound tools

Developing future scientists

12	Students commenced their placement year for science careers in 2020	14	Researchers commenced one of LifeArc's fellowship programmes
1	Industrial fellowship awarded to a LifeArc scientist by the Royal Commission for the Exhibition of 1851 as one of the UK's ten most talented young researchers	2	Postdoctoral fellowship positions created at Cleveland Clinic

Research translation

For research to benefit patients, it must ultimately be translated from the original scientific concept into new products, devices or services.

This can take many years and significant investment in resources. For LifeArc, our role in advancing this research translation can involve:

- developing new diagnostic or therapeutic products, to the point where they can be licensed to third parties for commercialisation;
- creating or protecting intellectual property for life sciences innovations; and
- providing funding and advice for spin-off companies.

Our impact in 2020

LifeArc's business model focuses on developing innovative science to the point where it is ready for further development. As a charitable research organisation, LifeArc's scientific focus is not on profitability but on areas of high medical need and the identification of solutions to diagnose, treat and support patients. Our projects are often picked up at an early stage and sometimes involve new technology; both factors carry a high level of risk. As a result, many of these projects (particularly in therapeutical research) have a relatively low probability of success, but with high breakthrough potential.

One of those successes is our ULK (Unc-51 like kinase) compound, outlicensed in 2020 to a biotech partner for future development as a therapy in a range of different cancer indications. ULK, which originated through collaboration with the Universities of Dundee and Glasgow, is a component of the cellular recycling process known as autophagy, which cancer cells use as a means to generate energy and outgrow surrounding normal tissue.

Our scientists are also developing the Tuberculosis Molecular Bacterial Load Assay (TB-MBLA). This test was developed at St. Andrews University as a way to diagnose TB, monitor treatment effectiveness and guide decision-making. We are developing the model to the point where it can be manufactured and sold as a reliable diagnostic tool.

TB is responsible for 1.4 million deaths per year. The TB-MBLA diagnostic takes around four hours to obtain results, compared with up to eight weeks for current tests, allowing clinicians to make treatment decisions in real time. In 2021 we will launch a research study of the TB-MBLA at four sites in Africa to determine if it can replace conventional TV tests for the diagnosis and monitoring of pulmonary TB.

Supporting the fight against COVID-19 was a feature of much of our activity in 2020. As part of the Bioindustry Association Antibody Therapeutics Taskforce, we were involved in a consortium to identify and develop antibodies that could be used as a treatment. Our role was to evaluate more than 600 antibody candidates, to assess their potential as COVID-19 treatments. This work came at a critical time in the pandemic and demonstrates the value of collaboration between the many Taskforce partners.

Impact numbers

1

New project out-licensed (ULK)

2

MRC spin-out companies, PepGen and InFlectis, were supported in accessing further funding

114

Patents granted to clients with LifeArc support

600

COVID-19 antibody candidates fast-tracked through testing for UK BIA Antibody Taskforce

Our Opportunity Assessment Group (OAG) also played a key role in helping the UK Government's Therapeutic Task Force to prioritise candidates for testing.

Through our long-standing partnership with the Medical Research Council's Laboratory of Molecular Biology (MRC LMB) we have helped create or protect 110 new intellectual property (IP) cases during 2020. This IP was generated through work on rare diseases funded by the MRC and other organisations.

In addition to helping secure intellectual property (IP) rights LifeArc's technology transfer team helps the MRC access funding. We also help with the contracts, licensing and setup required to spin out new businesses.

In 2020 we helped the MRC, to achieve Series A funding for two of its spin-outs, PepGen and InFlectis. The PepGen funding will help advance a novel technology that could improve the effectiveness of cutting-edge nucleic acid therapeutics. Our support over the two years since the company was spun off has enabled PepGen scientists to progress the technology from the lab bench to the point where it is ready to move towards the clinic.

Case study

Collaboration leads to promising new approach for Alzheimer's disease

A team from LifeArc and Göttingen University have developed a new approach to intervene in early-stage treatment of Alzheimer's disease and demonstrated its therapeutic potential in mouse models.

Alzheimer's disease is the most common type of dementia, affecting half a million people in the UK and causing a long, slow and irreversible deterioration in memory, thinking skills and language skills. There are no effective treatments to prevent or reverse the disease process.

One of the hallmarks of Alzheimer's disease is abnormal structures that form in the brain. These 'amyloid plaques' are largely made up of insoluble clumps of A β peptides. Many therapeutic strategies have focused on targeting A β to reduce or prevent plaque formation and improve disease outcomes – so far without success. But A β peptides come in several different molecular forms – and there is growing evidence that the shorter, soluble forms outside of plaques are key to disease progression.

The LifeArc/Göttingen team initially developed a mouse antibody that specifically binds to non-plaque A β peptides. Using novel structural insights into the A β peptide, the team generated a more potent 'humanised' version of the antibody. This antibody is effective at targeting soluble A β peptide without affecting non-damaged tissues, indicating that the antibody could be effective in relatively low doses, with a reduced risk of side effects.

The researchers evaluated the effects of the antibody in two mouse models of Alzheimer's disease, with striking results: plaque formation and early symptoms of the disease were significantly reduced in one model, while in the other, antibody administration reduced nerve cell loss and rescued memory deficits when compared to untreated mice.

These are early but promising results in the journey towards a commercial therapy for a disease which places a tremendous social and economic burden on families and societies, costing the UK £26bn.

Project portfolio

LifeArc had a rich and varied portfolio of translational science projects active in 2020. This pipeline represents the scientific assets being developed by our therapeutics discovery and diagnostics development teams.

LifeArc's translational science group acts as a bridge between academic research and industry development, where early stage diagnostic or therapeutic assets (small molecules of biologics) are developed to international standards of commercialisation. We also conduct technology development projects to enhance our discovery capabilities.

Portfolio diversity

The quality, breadth and balance of the portfolio is assured by the Portfolio Review Board (PRB), prioritising projects in alignment with LifeArc's strategy while tracking portfolio performance through a series of metrics and KPIs.

The range of projects covered in this portfolio reflects LifeArc's breadth of therapeutic expertise, with projects in oncology, neuroscience and infection. The organisation works in other areas – such as funding rare disease research through the Philanthropic Fund – but these activities fall outside of this portfolio.

The projected time to completion for these projects – which is usually at the point where they are transferred to a partner for onward development – will vary significantly given LifeArc's range of drug discovery capabilities. For example, the organisation offers a humanised antibody engineering service followed by performance testing in a range of biophysical assays to determine the development potential of lead clinical candidates. In contrast, LifeArc's medicinal chemists develop structure-activity relationships to improve potency, solubility and physico-chemical properties of small molecules to turn them into drug-like molecules.

Project and Indication	2020				2021			
	Q.1	Q.2	Q.3	Q.4	Q.1	Q.2	Q.3	Q.4
Therapeutics – ONCOLOGY								
Ovarian Cancer	Completed							
Multiple cancers, to overcome drug resistance								
Cancer stem cells								
Cancer								
Head and neck cancer								
Cancer								
Cancer								
Cancer								
Cancer								
Colorectal cancer								
Neuroblastoma	Terminated							
Metastatic cancer and/or primary tumour	Terminated							
Triple negative breast cancer	Terminated							
Therapeutics – NEUROSCIENCE								
Alzheimer's disease								
Alzheimer's disease								
Neuropathic pain (NP)								
Chronic pain								
Prophylactic treatment of migraine								
Neuropathic pain	Completed							
Therapeutics – INFECTION								
Pan Coronavirus								
Antimicrobial								
Antimicrobial								
Antimicrobial								
Gram -ve bacterial infections								
Therapeutics – OTHER & TECH. DEVELOPMENT								
Technical development								
Technical development								
Technical development								
BBB penetration	Terminated							
Sepsis	Terminated							
Diagnostics – ONCOLOGY								
Tech. dev. oncology								
Metastatic breast cancer								
Diagnostics – INFECTION								
Tuberculosis								
Diagnostics – GASTROENTEROLOGY & HEPATOLOGY								
Paediatric Crohn's								

As is appropriate for a charitable research organisation, LifeArc's primary focus is not on profitability but on areas of high medical need and the identification of solutions to diagnose, treat and support patients. These projects are often picked up at an early stage and sometimes involve new technology, both factors that carry a high level of risk. As a result, the majority of projects, particularly within therapeutic research, have a relatively low probability of success, but with high breakthrough potential if they are successful.

Looking ahead, LifeArc will continue to use its portfolio review framework to ensure its scientific portfolio remains on track and aligned with its evolving strategy and goals.

Stimulating new research

We stimulate research into the development of new treatments through funding, collaborations and partnerships.

We provide funding and advisory support to research projects and to early-stage businesses, providing essential support for innovation into key areas of underserved patient need and helping to develop new diagnostic and therapeutic approaches. Our scope of facilitation includes:

- leveraging our own and our collaborators' knowledge and resources, to fill research gaps and develop new patient interventions; and
- investing for impact, by being prepared to take risks on funding innovations with significant potential for improving patient wellbeing.

Impact numbers

10

Companies funded through KQ Labs

14

Drug repurposing projects funded, via COVID Fund

13

Projects funded by Philanthropic Fund

Our impact in 2020

During 2020, our work to stimulate new research included supporting numerous projects relating to COVID-19. We provided £10m in funding for 14 repurposing projects (see case study opposite for a key example) and a further £2m of funding to the University of Edinburgh's STOPCOVID project, which focused on the inflammatory pathways leading directly to lung injury.

Within LifeArc's own portfolio, we identified six COVID-19-related projects for further development. LifeArc also committed to funding CVR-CRUSH, a new national facility for COVID-19 drug screening and resistance based at the MRC-University of Glasgow Centre for Virus Research. The centre will play a valuable role in helping the UK prepare for future outbreaks.

Another important theme of the year was our support for advanced therapeutics, new medical products that use gene therapy, cell therapy, and tissue engineering and which have huge potential for diseases that have proven difficult to treat. Much of the work being done in the UK is by academic researchers and there has been a shortage of financial and practical support for this work.

LifeArc partnered with the Medical Research Council (MRC) to support the creation of a national network of Gene Therapy Innovation Hubs – innovation-focused facilities for production of gene-therapy clinical trial materials. Backed by a collective investment of £18m, the Hubs are designed to enable more rapid development of novel gene therapies, with potential to transform care for millions of patients with rare or life-threatening genetic diseases. Each of the Hubs will offer researchers access to GMP (Good Manufacturing Practice) facilities for clinical trial materials, alongside essential translational support and regulatory advice. Post-year end we announced the recipients of our investment into three new, dedicated Gene Therapy Innovation Hubs – at King's College London, NHS Blood and Transplant in Bristol and the University of Sheffield.

LifeArc's Seed Fund offers funding and investment opportunities to facilitate early stage therapeutics start-ups where we believe they can make a real difference to patients' lives. The fund aims to bridge the gap and incubate small start-ups to a point where they could attract venture funding.

In partnership with the UK Government's Future Fund, the Seed Fund co-funded start-up Avvinity Therapeutics to progress validation research into first-in-class novel therapeutics as potential drug candidates for the treatment of solid tumours including gastric cancer. The Seed Fund also continued to support two further advanced therapy start-ups during 2020: Ikarovec, a business which is developing novel gene therapies to treat major ophthalmic indications, and Pheno Therapeutics, which researches novel treatments that may reverse the effects of MS by repairing damage to the nervous system. In 2020 the Seed Fund provided finance to four new companies, with a further three due to receive funding post-year end.

Another key objective for LifeArc in 2020 was to support the acceleration of data and digital health innovation. We partnered with the Francis Crick Institute on their KQ Labs initiative, an accelerator programme focused on data-driven healthcare solutions. We provided funding for 10 new companies for an initial period of 12 months, while they are part of the accelerator programme. The 10 selected companies are using data to tackle diverse problems in domains including Parkinson's disease, cancer biomarkers and precision medicine, among others, but the programme has potential for wider healthcare and patient impact. KQ Labs' wider objective is to catalyse the growth of a data driven health ecosystem for start-ups in the UK, building on excellence in both biomedical and data sciences.

Our Philanthropic Fund offers grants to support translational research into rare diseases – incubating and de-risking projects to accelerate the prospects of potential treatments. This approach is particularly important as industry is reluctant to invest in rare diseases without the likelihood of a financial return on investment.

Case study

How to kill a virus: LifeArc's role in shaping the UK's COVID-19 response

In 2020 the UK Government, supported by UK Research and Innovation and the National Institute for Health and Research, launched the COVID-19 Therapeutics Taskforce to co-ordinate national trials into potential treatments. The Taskforce launched RECOVERY, the world's largest randomised controlled clinical trial for COVID-19 treatments, which identified the benefits of dexamethasone as a cheap and readily-available anti-inflammatory drug.

The Taskforce produced results through innovative trial designs studying multiple medicines in parallel trials. A major challenge was selecting the most appropriate drug to investigate given the sheer number of candidates. This is why the taskforce turned to LifeArc's Opportunity Assessment Group (OAG).

OAG's quick and efficient due diligence had already proven their value in LifeArc's drug repurposing call. The team's holistic approach spanned analysis of scientific rationale, drug profile, competitive landscape and the logistics of sourcing and distribution, ensuring an in-depth and comprehensive drug review.

Within weeks, the OAG team provided analysis on over 100 drug candidates and biologic pathways. This was vital in helping the Taskforce to accelerate promising treatments through to the clinic in record time.

Alison Cave, ISCF Challenge Director at Innovate UK, highlighted the importance of OAG's support: "The LifeArc team have been extremely accommodating around short timescales...without their support we could not have delivered the due diligence work to the timescales that the COVID pandemic demanded".

This work has already produced tangible results: three interventions reviewed by the team have since been included in the ACCORD and RECOVERY trials. LifeArc's contribution to this vital initiative highlights both the impact of our holistic review processes and the power of collaboration in pursuit of a common goal.

Knowledge generation

Our own lab-based scientific research, platforms and diagnostics work accelerates the progress of innovative scientific discoveries and technologies in areas of significant need.

Our scientific research stimulates and supports innovation, both internally and for others, by:

- increasing the pool of life sciences knowledge, by publishing papers and presenting at public events
- making research tools and methods available to researchers
- sharing research databases and models for use by others

Impact numbers

32

Presentations, 12 papers and nine posters delivered

13

Papers published to date, with the aid of LifeArc tools

Our impact in 2020

As research funding has come under pressure, free access to research toolkits has been a vital source of support. The LifeArc Compound Library is an invaluable aid to research and is made available to researchers at no cost. The Library is a physical collection of around 160,000 compounds, subdivided into several sets targeted at different mechanisms or strategies. It includes potential research tool compounds and compound sets optimised to support lead identification. The dataset can be searched electronically and compounds selected; it is also available as larger plate-based compound sets. The Library is used by an average 30 projects a year.

In a similar manner, LifeArc makes antibodies available to researchers. During 2020 for instance, we provided antibodies to the MRC Laboratory of Molecular Biology (LMB) to help progress a programme of *in vivo* studies.

Although COVID-19 temporarily interrupted our scientists' work during 2020, LifeArc employees continued to be productive, delivering a range of papers, presentations and posters that advanced scientific knowledge. Our people had 12 papers published in total, in subjects ranging from allosteric activation of MALT1 by its Ubiquitin-binding Ig3 domain, to patient derived explants as a pre-clinical platform for anti-cancer drug and biomarker discovery.

Although many conferences were either postponed or converted into online events, our scientists made more than 30 presentations. For example, LifeArc scientists presented on "Fragment-based target screening – an empirical approach to prioritising targets: a case study on antibacterials" and "Cell based screening to identify a lead humanised antibody-conjugate" at the International SLAS (Society for Laboratory Automation and Screening) conference 2020, and on "Turning science into benefits for patients through collaboration" at the CEIDR (Centre of Excellence in Infectious Diseases Research) Industrial Symposium.

Nine posters were also presented, including an introduction to our protein mass spectrometry toolbox visual and a poster for the European Laboratory Research & Innovation Group, on using CRISPR technology to validate eIF4A1 as a potential target for cancer therapeutics.

Case study

Exploring new approaches to drug discovery

LifeArc's scientists have been working on a fresh approach to drug discovery, using a parallel high-throughput application to significantly improve fragment-based screening. This will potentially enable researchers into antibacterial therapeutics to prioritise and select new targets more effectively.

Antibacterial drug discovery is a field with many unique challenges, some of which can be addressed through more reliable target selection. Our team's novel workflow combines informatics, using the wealth of data coming from consortia investigating structural genomics, with experimental approaches, to enable researchers to carry out evidence-based prioritisation of targets from large sets.

LifeArc scientists developed a proof of concept, applying this technique to a set of antibacterial targets comprising 146 essential genes. Of these targets, 51 were selected and 38 delivered results that allowed the team to rank them by ligandability. The data obtained against these de-risked targets resulted in rapid progression into structurally enabled drug discovery projects, demonstrating the practical value of the fragment-based target screening workflow.

The team's article on this research, entitled "Fragment-based target screening as an empirical approach to prioritising targets: a case study on antibacterials", featured in the November 2020 issue of *Drug Discovery Today*. The theme of this issue was "High throughput screening; current biochemical and cell-based approaches". The article offers both a way ahead for improving future antibacterial drug discovery and a practical case for the increasing importance of informatics as a diagnostic tool. As a particularly promising development in this field, our case study featured as the lead article.

Developing future scientists

The future of life sciences research depends on having a sufficient flow of diverse talent into the industry.

There is a pressing need for people who are excited to bring new ideas to life and passionate about improving the lives of patients and the people who care for them. We therefore nurture our own talent through accredited training and project experience, and help to develop others through our fellowships, mentoring and industrial placement schemes.

LifeArc enables both current and future scientists to acquire and develop specialist skills, primarily through:

- our industrial placement programme for undergraduates;
- our AUTM and Technology Transfer Fellowship programmes;
- support for postdoctoral research projects;
- support for research and development facilities, such as our 2020 commitment to support a network of Gene Therapy Innovation Hubs.
- our participation in the Science Technology Engineering and Maths (STEM) Ambassador programme, funded by the National Science Foundation, to educate school-age scientists.

Our impact in 2020

We enable scientists to experience cross-disciplinary scientific development, a way of working which is not easily taught in an academic setting. This helps them to experience the reality of life sciences translation and to decide on their future direction.

During 2020, 45 people spent time working and learning with LifeArc teams. This included two cohorts of industrial placement students, with the 12 who joined us in 2019 completing their placements in 2020, and another 12 students arriving in September 2020. A further 15 researchers completed the AUTM and Technology Transfer fellowships and a CASE (Council for Advancement and Support for Education) study programme.

We are also helping to develop future scientific excellence through our partnership with MRC, to support a network of Gene Therapy Innovation Hubs. These hubs will support the sharing of both knowledge and resources, to enable academic researchers across the UK to develop innovation in advanced therapeutics (see page 10 for more information).

Impact numbers

12

Students commenced their placement for science careers in 2020

14

Researchers embarked on LifeArc's AUTM and Technology Transfer fellowship programmes

3

PhD students completed CASE scheme in 2020

2

Postdoc fellowships to be sponsored at Cleveland Clinic

Industrial placements – developing awareness of translational science

During 2020 12 industrial placement (IP) students took a break from their university studies to spend a year working in one of LifeArc's industrial laboratories. The students worked closely with experienced team members across a number of areas of the drug discovery process.

Of the 71 students who have completed the programme since its inception, 64% have gone into further academic study, including postdoctoral research. The other 36% have moved into employment, with a large majority embarking on a science-related career, either directly in research or in related fields such as clinical support, science writing and teaching.

Working with schools to engage future scientists

LifeArc encourages colleagues to support pre-university student groups and help engender an interest in long-term scientific careers. This has included acting as STEM ambassadors as well as more ad hoc support. In the past two years, colleagues have visited schools with exhibit stands and demonstrations; participated in local government events; and produced a leaflet for schools, outlining career opportunities in science.

During the COVID-19 pandemic, it has not been possible to maintain site or school visits. However LifeArc scientists have continued to interact with students and schools remotely, to give advice and share understanding of career opportunities.

Our fellowship programmes – helping life scientists develop their careers

LifeArc offers a number of development opportunities to academic life scientists interested in technology transfer skills, through our AUTM Fellowship and the Technology Transfer Fellowship schemes.

The **AUTM programme**, which we run in partnership with the AUTM Foundation, equips academic life scientists, at the graduate or post-doctoral level, with the skills and knowledge to transition into careers in technology transfer. The programme recruits both in the UK and worldwide. Fellows commit to spend time on the programme alongside their existing positions. Our curriculum combines formal training with networking, mentoring and practical experience in the field.

Six of the seven AUTM Fellows on the 2018-19 programme have used their experience to progress to new roles such as business development, translation management and innovation consultancy, while the seventh is now working on a prestigious research project. The 2019-20 cohort was disrupted by COVID-19 and will continue their programme in 2021.

Our **Technology Transfer Fellowship** programme is run in partnership with Imperial College London as well as Queen Mary Innovation and UCL Business (UCLB), the technology transfer offices for Queen Mary University of London and University College London respectively. Four fellows are taken on per year; each spends three months working at each technology transfer office while being paid by LifeArc. They receive training and hands-on practical experience in four of London's leading technology transfer environments.

Our initial cohort have all moved on to key roles in technology transfer (one of them at LifeArc) or in the academic sphere. One of the current cohort has left early, having secured a role with a venture capital organisation.

Supporting academic and employee researchers

LifeArc is an industrial partner supporting a number of research council funded PhD studentships. Typically these students will spend three to four months on placement with LifeArc, over the course of their PhD studies. Of the 13 students who completed the scheme up to the end of 2020, 10 have been awarded their PhDs and have moved on to further research or full-time jobs.

LifeArc also provides support to postdoctoral researchers in academic institutions, helping to develop innovation across life science technologies and approaches, including bioinformatics (Milner Institute), proteomics (Medicines Development Centre) and structural biology (Leicester University and UCB – A2D2 project).

In addition, we actively support programmes to enable colleagues to obtain PhD qualifications. Two LifeArc employees have successfully obtained fellowships through the Royal Commission of 1851 award, a competitive award for early-career researchers in industry.

Towards the end of 2020, LifeArc expanded its support for postdoctoral research, signing an agreement with Cleveland Clinic to fund two post-doctorate fellowships.

Case study

Developing the next generation of technology transfer specialists

Technology transfer is a highly trained and multi-disciplinary scientific endeavour, providing the crucial link between academic research and commercial development.

Our Technology Transfer Fellowship was launched in 2018, in conjunction with Imperial College London, Queen Mary Innovation and UCL Business, three of London's leading technology transfer environments. The Fellowship combines training and practical experience to develop understanding of the drug discovery process, intellectual property management and the biotechnology and pharmaceutical industries. Experts from organisations such as the Wellcome Sanger Institute, AlbionVC, Bristows and Mewburn Ellis, have supported the programme by presenting to the fellows during induction week.

All four fellows from the scheme's first year have found employment in technology transfer. One, Dr Elliott Jennings, joined LifeArc as a Business Manager. Elliott described the Fellowship as, "a fantastic introduction to the industry [which] exposed me to a range of new technologies, ways of working and TTOs. The network I began to build has been one of the lasting outcomes of the programme."

Tom Hockaday, author of 'University Technology Transfer: What It Is and How To Do It' and former Managing Director of Oxford University Innovation, has presented to the fellows. He sums up the value of the Fellowship: "There are very few similar opportunities available to get such a detailed insight into the workings of technology transfer offices, the challenges, the opportunities to support researchers and to see the brilliance of scientific research results having an impact in society. The roles into which alumni have moved clearly demonstrate how the Fellowship develops skillsets that the participants will benefit from as their careers progress."

People are critical to our success

LifeArc's long-term ambition relies on the commitment and capabilities of our people. Our people strategy is designed to help us attract the right people with the right skills and capabilities and support them to achieve our goals.

People overview

LifeArc plays a key part in facilitating the development of promising science into patient benefit. To do so, we focus on attracting, developing and retaining excellent scientists and other key talent who enable them and ensure their work gets to patients. The challenges of the COVID-19 pandemic brought into even sharper focus the importance of supporting, engaging and creating a sense of belonging for our people.

During 2020, the charity made progress against a number of people-related objectives, a number of which are outlined below.

Engaging our people

During the year we recognised the need to connect our remote teams and build a shared experience as part of the wider LifeArc community. We have developed the Life@LifeArc concept, connecting our people, creating an inclusive internal narrative and celebrating our successes. We have also launched initiatives including 'coffee roulette', bringing colleagues together for a virtual chat, which has encouraged conversations between people who do not usually work together, this has generated positive feedback.

To keep our people connected and informed while working remotely, we migrated our regular town halls online and increased the frequency, enabling colleagues to discuss the organisation's progress and how they contribute.

Our intranet has also been a key source of information, carrying news and resources to support colleagues, including the creation of a wellbeing site offering tips for keeping well during lockdown and a series of blogs from employees to bring to life their experiences of working remotely. Our online COVID Information Centre provided up to date guidance on the changes, what it meant for our sites and provided manager guides to equip them to actively support our people. In addition, our CEO kept colleagues up to date with regular newsletters and contributed a blog on her own experience of working from home.

During 2020 LifeArc approved significant investment in new technology to improve our employee experience across the employment lifecycle, including an interactive benefits platform. This provides us the opportunity in 2021 to encourage employees to interact more regularly with their benefits, helping them both understand and realise the value they offer. A focus in 2021 will be on reviewing our benefits to ensure they meet employees' needs.

Building on this, financial education is an area of importance for LifeArc. New technology and new partnerships for benefits and pensions advice have built the foundations for us to bring this to life for our people in 2021.

We continued to monitor and support colleague wellbeing throughout the year and when we reopened our laboratories, we held discussions with every colleague involved, to understand their concerns and ensure they could return safely to our sites."

Equality, diversity and inclusion

Although unemployment is rising in the UK, healthcare remains a growth sector, with significant opportunities for skilled people to change employer. Being competitive is no longer enough. We aspire to attract, recruit and grow diverse talent by creating a truly inclusive culture, one that values the differences of views, backgrounds, preferences, beliefs and experiences and which creates an organisation where people can be themselves, believe that their contributions are valued and feel that LifeArc is where they belong.

Our Board has committed to strengthening diversity and at their request, in 2020 we reviewed our diversity data. This shows a balanced ratio of male: female throughout LifeArc including at a senior level. We need to explore how we can evolve other areas of diversity while sustaining our positive representation on gender diversity; this will include reporting on gender pay comparison from our 2021 report onwards. We also used our culture survey to capture employees' views on diversity and inclusion and what this means to them, while our refreshed organisational principles are expressed in a language of inclusion, respect and the valuing of uniqueness in others.

We will extend this focus in 2021 to our procurement processes and partners to assure ourselves of our external partners' diversity and inclusion approach. We will also roll out inclusive leadership training, establish forums for employees to discuss opportunities and challenges and join appropriate external networks within both life sciences and charity communities.

Promoting employee wellbeing

The Human Resources team worked proactively during 2020 with LifeArc team leaders, improving their ability to hold supportive conversations and further recognise signs that people need support. We also engaged a wellbeing partner to support our people and to help them feel comfortable bringing wellbeing into everyday conversations.

At the start of the pandemic, we formed a working group aimed at ensuring employees had the practical resources and support they needed to work effectively from home. We continued to monitor and support employee wellbeing throughout the year and when we reopened our laboratories, we held discussions with every employee involved, to understand their concerns and ensure they could return safely to our sites. The site support teams at each of our sites put training in place to support this and we have received positive feedback about the care we have taken to manage individual needs.

Developing a reward strategy to attract and retain talent

Our reward strategy is designed to attract and retain talent across the organisation by supporting a positive employee experience. During 2021, we will continue to facilitate greater transparency and engagement. This will include giving greater clarity about roles, career progression and our grades. We will continue to review our pay decisions with a focus on both gender and ethnic diversity. Our new portal creates the opportunity to develop a peer-to-peer recognition approach, which will further help our culture and behaviours remain meaningful for everyone.

In 2021 we will build on this work by evolving our recruitment and development processes as well as developing effective performance conversations, focusing on 'moments that matter'. Supported by peer-to-peer recognition we will transform these processes from formal 'events' into part of our day-to-day lives.

Developing our people and our culture to facilitate change

Following the successful launch of the Empowering Leaders programme in 2019, we transferred the programme online in 2020 to ensure that, despite the pandemic, momentum would continue. Over 30 managers experienced all three modules and follow up coaching. This has helped them understand and deliver on the

During 2021 we will finalise our Diversity and Inclusion policy, continue our programme to engage all employees about diversity and inclusion and focus on key areas to bring this into our interactions with employees, patients and partners."

important role they play across all points of the employee lifecycle and shape the experience of their people. We were delighted that the programme was accredited by the Institute of Leadership and Management.

During 2020 we worked with employees to understand LifeArc's current culture and defined our aspirations about the culture we want to create. We adopted an inclusive approach with 92% of our employees participating in our survey. This feedback has informed and shaped our principles and ensured the associated behaviours which bring these to life resonate with all employees. Engaging the Executive leaders along with the Board of Trustees we gained input about our aspirational culture, creating a roadmap to build a more inclusive culture.

During 2021 we will finalise our diversity and inclusion policy, continue our programme to engage all employees about diversity and inclusion and focus on key areas to bring this into our interactions with employees, patients and partners. We have also used a range of other channels to share with our people the journey that LifeArc has embarked on, and we have begun to equip our people to navigate change. The Living Change toolkit, which will be completed in early 2021, will ensure our people have the capabilities and understanding to enable change in themselves and others, making our long-term ambitions a reality.

Understanding our stakeholders

Working together to achieve long-term success.

LifeArc exists to help translate early stage, promising science into medical interventions to improve human health and benefit society. Our work brings us into contact with a wide range of researchers, academic institutions and public and private organisations. These relationships enrich our understanding of our stakeholders' needs, concerns and challenges, while expanding our knowledge of new and important sector drivers (see 'Sector overview' on pages 10-11). This in turn enables us to deploy translational science, advice and funding more effectively for long-term success.

Many of our Trustees have current or previous roles with stakeholder organisations, ensuring the LifeArc Board has a good understanding of stakeholder perspectives. We are expanding on this source of advice and knowledge by establishing a Strategic Advisory Council in 2021 (referred to on page 41, 'Streamlining our decision-making'), to provide stakeholder insight and feedback to our Trustees.

Engaging with our stakeholders

Collaboration and licensing partners

Collaboration is a fundamental part of our approach to scientific translation, combining our resources and capabilities with organisations including pharmaceutical and diagnostics companies; research funders; charities and patient representatives; academic institutions; technology transfer offices; and government bodies.

By working closely with collaborators, we develop our understanding of their needs and how we can support them, as well as broadening our understanding and impact in new areas such as advanced therapeutics and big data. Our close interaction also helps us identify the best partners to progress translated innovations or other projects towards delivering patient benefit.

We also draw on our collaborative relationships to understand future sector challenges and the part we can play in resolving them. An example is our commitment to support the development of a network of gene therapy hubs. Thanks to our ongoing relationship with the Medical Research Council (MRC), and the Biotechnology and Biological Sciences Research Council (BBSRC), we had developed a clear understanding of the challenges facing UK academics looking to carry out gene therapy research. This informed our commitment to funding the hubs and also the specific support they are designed to deliver, including clinical-grade viral vectors and the translational science expertise.

Translational research clients

Strong relationships with clients help us to understand how we can work effectively together for mutual benefit. This stakeholder group includes charities and patient organisations; research and medical scientists; medical research foundations; universities; and principal investigators leading clinical trials.

We provide translational advice and support to a range of charities and in many cases these are now long-standing relationships; our charities team runs regular surveys to understand the needs of these customers and how effectively these are being met.

Research scientists and academic institutions are responsible for generating much of the innovative science that can benefit from translational support. We have regular catch-up meetings with our academic partners to ensure that we understand their current projects and concerns and that they understand how we can help them.

Networking with universities keeps us up to date with trends in scientific innovation and enables us to identify potential opportunities to provide support or funding, as well as alerting researchers to LifeArc as a potential source of collaboration.

These conversations also help expand our understanding of the different players in our sector, the challenges facing them and the services they need from us.

Professional bodies

We contribute to a wide range of professional bodies, whose remit includes representing and promoting the life sciences sector. These include the Academy of Medical Sciences, the UK BioIndustry Association and British In Vitro Diagnostics Association. In the technology transfer field, we also work with AUTM, ASTP Proton and Praxis Unico. Our participation in the AUTM Fellowship programme (pictured below) is another channel for sharing expertise and understanding about our sector, while building relationships with leading educational institutions and future translational scientists.

LifeArc employees sit on organising bodies such as the European Laboratory Research and Innovation Group, as well as expert committees such as the British Society for Gene and Cell Therapy and the UK BioIndustry Association Board. In addition, we participate in investment scientific conferences.

Our work relies on collaboration with a wide range of researchers, academic institutions and organisations, to address needs that we cannot tackle alone... Ongoing engagement with stakeholders primarily takes place during the charity's day-to-day activities."

Kapil Sthapit and Bhawana Manandhar, with their son Arnabh, who has the rare neuromuscular condition, x-linked myotubular myopathy

Governmental bodies

Government bodies with whom LifeArc has a working relationship include government-backed funders, regulators and policymakers. Examples of these include UK Research and Innovation (primarily MRC and the Biotechnology and Biological Sciences Research Council (BBSRC) but also with other councils), the National Institute for Health Research, The Chief Scientist Office of the Scottish Government and regulators such as The UK Medicines and Healthcare products Regulatory Agency, which approves vaccines, diagnostics and therapeutics devices. We co-fund projects, provide technology transfer services and provide input to different committees.

While we have always maintained good relationships with these bodies, COVID-19 has accelerated our engagement with different government advisory and delivery groups, from the Department of Health to NIHR. We are involved in task forces, due diligence reporting and committees.

Investors

Investors are a critical source of the funding that is needed to turn scientific innovation into products that can benefit patients. LifeArc is part of the investment ecosystem, regularly seeking partners to co-invest while also preparing projects, or helping clients to prepare, for onward investment. It is therefore vital that we understand what investors are looking for and what makes an acceptable level of investment risk.

We therefore maintain regular contact with life science and health technology investors in the UK, Europe and US, and share information with them on current investments and ideas. We talk to global and long-term strategic investors about partnerships and co-investment opportunities, from pre-seed to seed to venture capital investment. In addition, we build relationships with financial investors with an interest in the sector.

Patients and carers

As our ultimate beneficiary, patients feature strongly in our everyday thinking and strategic planning. Our work with medical charities, particularly in the rare disease space, brings us into close contact with patients who are themselves trustees or advisors to the charity. Our consultation with medical professionals, charities representing patient groups and patient representatives helps us to better understand patient need and impact, informing our strategic focus and future impact.

Employees

Employee engagement is fundamental to our long-term success. We connect with our people through a variety of channels, including regular town halls; site, departmental and team meetings; team briefings; cascades of information from senior leadership; our intranet; and employee forums and surveys.

The COVID-19 pandemic and the move to remote working posed significant challenges to employee engagement. We ensured that employees had full access to information and support via their team leaders, supported by the HR and IT teams. We also encouraged leaders and colleagues to share their experience of lockdown via intranet blogs. We set up an internal funding call to engage employees directly with the fight against COVID-19, offering them the opportunity to propose new projects for funding and inclusion in our scientific portfolio.

As a result of our efforts to keep employees informed and engaged, LifeArc was able to continue its key activities, including laboratory-based work, throughout the pandemic. The role that LifeArc has played in supporting the fight against COVID-19 would have been impossible without the engagement of our employees.

Sustainability and carbon reporting

LifeArc is committed to reducing its energy use and greenhouse gas emissions. This report sets out our energy use and carbon emissions for 2020, as an approximate benchmark against which we will measure the success of future strategies.

Carbon reporting is one initiative under a broader range of activities currently underway, which collectively aim to decrease LifeArc's environmental impact and improve the sustainability of our operations as society works towards a lower carbon future. Other activities include changes to operational processes to reduce natural resource consumption, recycle more materials and recover energy from un-recyclable material. We are in the early stages of our journey to reducing our overall carbon footprint, and we hope to start making advancements towards a zero-carbon footprint over the next few years.

The year ending 31 December 2020 was one of considerable disruption. As a result of extensive changes to working practice such as working from home, data recorded for LifeArc sites do not fully represent the energy usage and carbon footprint of all our activities. Consequently, it has not been possible for us to undertake a programme of energy efficiency improvement.

We have now begun to develop an environmental strategy, which will drive our journey to reducing our carbon footprint. While 2020 cannot be regarded as a 'normal' year, the data reported below will give us a practical set of benchmarks against which to plan and measure future energy efficiency and carbon reduction actions.

0%

Gas consumption

595

Purchased electricity (tonnes CO₂e)

3.04

Business travel in employee-owned vehicles (average car, unknown fuel) (tonnes CO₂e)

Methodology

We have followed the GHG Reporting Protocol – Corporate Standard for company reporting to identify and report relevant energy and greenhouse gas (GHG) emissions over which we have operational control. This includes owned assets where LifeArc is directly responsible for electricity and/or gas supplies across its three sites (Stevenage, London and Edinburgh).

We have considered the materiality of environmental impacts arising from our operations and identified GHG emissions generated via energy use to be the most significant. We based our assessment on financial spend and the opportunity for LifeArc to control impacts.

Other areas, such as water, waste, biodiversity and emissions to air, water and land, are deemed less material. However, we will report on some or all of these impacts in the future, if they are relevant to our operations.

LifeArc has considered the seven main GHGs covered by the Kyoto protocol, converting to tonnes of CO₂ equivalents (CO₂e). We have followed the 2019 HM Government Environmental Reporting Guidelines. We have also used the 2020 UK Government's Conversion Factors for Company Reporting.

The sources used for energy are actual billing data, with no estimates being used. Business travel mileage includes staff driving their own vehicles for LifeArc business. For business mileage, actual mileage claims were used.

UK Greenhouse gas (GHG) emissions and energy use data for the period 1 January 2020 to 31 December 2020

Total energy consumption used to calculate emissions (kWh)	2,554,256.07
Energy consumption break-down (kWh):	
— Gas	0
— Electricity	2,541,999.00
— Transport fuel	12,257.07
Scope 1 emissions (tonnes CO₂e)	
Gas consumption	0
Scope 2 emissions (tonnes CO₂e)	
Purchased electricity	592.64
Scope 3 emissions (tonnes CO₂e)	
Business travel in employee-owned vehicles (average car, unknown fuel)	3.04
Total gross emissions (tonnes CO ₂ e)	595.68
Intensity ratio: Tonnes CO₂e per FTE¹	2.77
Intensity ratio of purchased electricity: Tonnes CO₂e per 1,000 sq ft floor area²	13.21

1. Based on average number of employees for 2020 (215).

2. Based on 45,084 sq ft total floor area (London, Stevenage, Edinburgh).

Emission scopes

The following sources of emissions have been considered:

Scope 1

Fuel consumption

- Direct emissions from controlled gas boilers converted from kWh usage (not relevant to LifeArc as no gas consumed in the property for heating or hot water purposes)
- Business travel through company owned vehicles (not relevant to LifeArc as the organisation does not possess company vehicles).

Scope 2

From electricity consumption

- Indirect emissions from electricity purchased by LifeArc and consumed within real estate assets owned by the company (converted from kWh usage at Stevenage, London and Edinburgh)
- GHG emissions from electricity (Scope 2) are reported according to the 'location-based' approach outlined in the SECR guidelines.

Scope 3

From transport

- Indirect emissions from business travel in rental or employee-owned vehicles where LifeArc is responsible for purchasing the fuel (mileage).

This report has been prepared in compliance with The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, also referred to as Streamlined Energy and Carbon Reporting (SECR). EVORA Global Limited has been appointed by LifeArc to prepare this report and perform quality checks on the sustainability data presented. EVORA is an independent, pan-European sustainability consultancy and software provider, specialising in the commercial real estate sector.

Financial review

LifeArc achieved a net increase in funds during 2020, while investments significantly improved on the previous period.

Overview

In 2020 LifeArc total expenditure was £49.7m. This was offset by £3.1m income from charitable activities and £60.8m total returns on investment, including £6m investment income and £54.8m gains on investments over the year.

The successful completion of the monetisation of our royalties from *Keytruda* in May 2019 for \$1.297bn meant our income from *Keytruda* fell to \$nil in 2020. LifeArc has retained the contractual right to receive a share of future royalties in the event that *Keytruda* royalties exceed an agreed level, which is not anticipated until 2023. *Keytruda* is an immunotherapy product which initially received US Food and Drug Administration (FDA) approval in 2014 for the treatment of advanced melanoma but has since received expanded approval to include a number of additional cancer indications and territories.

There will now be a shift in the composition of incoming resources away from *Keytruda* royalty income to investment income and gains and other income generated by charitable activities to fund the expenditure required to successfully implement our strategy and achieve our objectives.

Total incoming resources of £9.1m is made up of £3.1m income from charitable activities and £6m investment income. Income from charitable activities includes £1.5m (9 months to Dec 2019 – £1.5m) of contract and royalty income, and £1.2m (9 months to Dec 2019 – £0.9m) received for intellectual property management and technology transfer services.

Substantially all (£0.9m) of LifeArc's contract and royalty income for the year to December 2020 comprises royalties from the sale of *natizumab* (*Tysabri*). The equivalent figure for the 9 months to December 2019 was £1.4m.

During the year our position as sole Limited Partner in a Venture Fund was dissolved. The fund had made two investments during its lifecycle. The first in SpringWorks Therapeutics was fully divested prior to dissolution and all disposal proceeds (£43.7m) were distributed to LifeArc. The remaining investment in Eliem Therapeutics Inc was transferred to LifeArc and is now recorded as a fixed asset investment on our balance sheet. LifeArc realised gains of £6.2m in 2020 from the disposal of shares in SpringWorks Therapeutics and the dissolution of the Venture Fund.

£49.7m

Total expenditure for 2020

£60.8m

Total returns on investment

LifeArc's investment in Kymab (Convertible preference shares) was written back up to \$30m from \$10m. The acquisition of Kymab by Sanofi was completed in April 2021 with \$30m plus \$4.9m interest returned to LifeArc.

Expenditure

Total resources expended during the year amounted to £49.7m (9 months to Dec 2019 – £27.6m). These include activities that directly relate to our public benefit objective (research and technology transfer), the cost of generating funds, corporate and governance costs and general support costs that are not directly attributable to charitable activities. The underlying expenditure relating to delivering LifeArc's public benefit objectives has increased on last year by £12.9m (after extrapolating 2019 expenditure to 12 months).

COVID-19: LifeArc has designated funds totalling £27m in place to help tackle the Coronavirus pandemic. LifeArc incurred expenditure totalling £9m in 2020 to help tackle the Coronavirus pandemic including £5.6m of external funding to identify and support clinical trials that offered the best chance of finding treatments for COVID-19, and a further £2m to the University of Edinburgh's STOPCOVID project.

In 2020 LifeArc invested £8.2m in seven early-stage companies within the UK through our seed fund. LifeArc aims to bridge the funding gap for start-ups to a point where they could attract later stage funding.

Over the year LifeArc has continued to focus on strong cost control and robust financial governance.

Investment review

Total investment returns including unrealised gains have significantly improved on the prior period. Our long-term investment portfolio focused on equities, fixed interest securities, and alternatives achieved realised and unrealised gains of £13.1m for the period, on an opening investment balance of £142m. A net return of 9.9% was achieved over the period which is above our target return of 4.2% (RPI + 3%) and in line with underlying market conditions.

The *Keytruda* monetisation proceeds make up a large proportion of total assets and were held in low-risk, low-return money market funds; this amounts to £644.7m generating a net return of 0.3%. These monies are earmarked for investment in accordance with our strategic asset allocation in 2021.

During the year we invested from our money market funds five tranches of £50m from July to October totalling £250m in the BlackRock Developed World ESG Screened Index Fund (Passive Global Equity Fund) to gain exposure to Global equities. There was an unrealised gain of £19.7m at December 2020, being a net annualised return of 12.8%.

LifeArc's short-term investment portfolio totalling £69.9m focused on fixed interest securities with a targeted return of three-month UK LIBOR in order to fund the day-to-day operations of LifeArc. A net return of 0.2% was achieved.

Reserves policy

LifeArc holds reserves to ensure that, as far as is reasonably possible, its 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 its charitable objectives.

As a charity which is now primarily funded by investment returns, LifeArc necessarily holds significant reserves to generate enough cash to fund our operations and further our strategy. In addition, we hope to generate future returns from our work in translational science and translational funding, but this work is extremely risky, subject to high attrition rates and runs over a lifecycle of at least 10 years before commercial returns are realised. We have therefore not included income from this in our reserve assumptions.

The LifeArc Board have determined that LifeArc should seek to continue to exist for the long term to support translational science in the UK and beyond. Our policy is to hold reserves at a level which enables execution of our strategy in line with our 10 year financial plan. The reserves policy is reviewed annually by the Board of Trustees, considering the Charity Commission guidance CC19.

The Board considers that the most appropriate measure for the charity's reserve policy is the liquid and readily realisable investments which excludes our planned allocations to illiquid private investments which will be held for a long-term time horizon. The level of these reserves as at 31 December 2020 was £929m (Dec 2019 – £888m).

These reserve levels will enable us to fund significant spending commitments in accordance with our long term plans.

Auditors

PKF Littlejohn LLP has signified its willingness to continue in office as auditors.

Disclosure of information to auditors

So far as each Trustee is aware at the time of the approval of this Board report:

- there is no relevant audit information of which LifeArc's auditors are unaware
- the Trustees of the Board have taken all reasonable steps to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

Significant recent funding allocations

In addition to expenditure on our own translational science projects and on advising and supporting our partners, we made significant additions to our funding work in 2020.

Covid Fund	Spent in 2020	Allocated Fund
	£9m	£27m
Seed Fund	Investments in 2020	Early stage companies
	£8.2m	7
Phil Fund	Contracts awarded at Dec 20	Contracts awarded at Dec 19
	£6.5m	£2.7m
Crick Fund	Contracts awarded at Dec 20	Contracts awarded at Dec 19
	£1.2m	£1.0m
Advanced Therapeutics Innovation Hubs	Commitment made at Dec 20	
	£8m	
Illumina Accelerator Cambridge	Commitment made at Dec 20	
	£10m	

Key financial metrics

	12 months to Dec 2020	9 months to Dec 2019
Total resources expended	£49.7m	£27.6m
Income from charitable activities	£3.1m	£986.2m
Other income	£20k	£12.4m
Income from investments	£6.0m	£5.8m
Net gains on investments	£54.8m	£32.8m
Net movement in funds	£14.3m	£997.5m
Funds balance carried forward	£1,218.9m	£1,204.7m

How we identify and manage risk

Risk management at LifeArc forms a core pillar of the governance programme. It is designed to support informed decision-making in relation to the risks and opportunities that could impact our ability to implement our strategy.

Risk management is one of the key foundations for our long-term success, particularly at present as LifeArc has embarked on a period of change.

Responsibility for overall management of risk lies with the Board of Trustees. The Board determines the risk appetite of LifeArc in key areas, in line with our strategic aims, and ensures an appropriate framework is in place to seek to manage, as far as practicable, risks within this defined appetite.

The Executive Management Team, under the leadership of the Chief Executive Officer, is responsible for ensuring that appropriate resources are allocated to implement the risk management strategy, culture, and processes on behalf of the Board. It is the responsibility of the individual Executive Directors to ensure that all employees and their line managers help the business to identify and manage risk. The Risk Manager acts in a supporting role by providing an effective framework for the identification, assessment and mitigation of risk aligned to our strategy. The risk management process is also co-ordinated with the internal

audit function (currently provided by BDO) to ensure the assurance framework is independently assessed and continues to be improved over time.

LifeArc's risk management policy seeks to minimise, so far as practicable and at an appropriate cost, the possibility that our corporate strategy and objectives are not delivered. The policy also seeks to protect our people, assets, suppliers and partners.

There is an active risk management process to ensure that management has suitable mitigations either in place or planned to mitigate LifeArc's principal risks. We take an agile approach so that we can quickly adapt to changes in the external environment as well as changes in the organisation's activities and needs.

The goal is to manage risk to a level that is acceptable to the Board rather than seek to eliminate all risks. It is important to note that some aspects of the strategy carry inherent risk. There are areas where the Board accepts higher risk, for example, investment in unproven novel

areas of science, progressing projects in difficult areas of unmet need or early venture funding which themselves are often high risk by their nature. Certain risks are not cost effective or practical to eliminate entirely. An example is cyber-crime, where we have accepted a higher residual risk while putting strong mitigation in place, including training and awareness campaigns. Whatever the level of risk associated with the activity itself, we maintain a low-risk appetite in terms of oversight and governance.

On a quarterly basis, and at least twice a year, the Audit and Risk Management Committee (ARMC) and the Board, review the corporate risks in the form of a risk heat map. In addition, periodically there is a deep dive of specific key risks with the risk owner at ARMC meetings. Furthermore, a watch list is maintained to support the oversight of emerging risks.

In 2020 we have made continued progress in the mitigation of our key risks and, in particular, the governance over our investment portfolio that supports LifeArc's financial sustainability. In addition, we commenced the review of governance for the emerging LifeArc venture

Risk management process

Roles and responsibilities	
Reporting and assurance	Board of Trustees — Establishing the risk appetite of the charity as part of the strategic planning process, keeping this under review and validating it at least annually
	Audit and Risk Management Committee — Overseeing the effectiveness of risk management — Regular review of key risks — Overseeing the reporting of risk to the Board and to external stakeholders
	Executive — Overall collective responsibility for supporting risk management — Sets the tone and influences the culture of risk management across LifeArc — Owning the process for identifying, analysing, responding to threats and opportunities within LifeArc's internal and external environments — Maintaining an effective system of internal control that supports the achievement of LifeArc's objectives — Monitoring the effectiveness of risk identification, risk assessment and risk management strategies
	Employees — Embrace and incorporate a risk management culture into working practices

Case study

The UK-wide lockdown threatened our ability to deliver our unique range of core offerings. In response we undertook an overall risk assessment and identified ways to enable us to continue with our scientific projects and contribute positively to the fight against the virus.

We assessed and re-prioritised our scientific project portfolio and established an Executive-led Steering Group to reopen our laboratories safely and effectively. Our risk-based strategy included a comprehensive set of social distancing protocols but it also involved adapting the pattern of laboratory work.

We undertook extensive staff consultation in order to ensure that our scientists understood the safe working environment. As a result our scientists were able to continue delivering patient benefit by progressing our science portfolio.

investment activity and recognised new risks now that our 2021 Corporate goals have been set.

Our aim is that risk management continues to become a more integral part of the ethos and day-to-day operations and culture of the organisation: that it is dynamic and is seen as something that positively contributes to achieving our objectives.

In 2021, management will continue to focus on refining the risk management framework and further embedding the culture of effective risk management across LifeArc.

The key risk areas which the Board of Trustees consider to be most relevant are summarised below. The risks are measured in terms of the likelihood of occurrence and the potential impact should the risk event occur. The likelihood describes the probability of the risk occurring, varying from Low (highly unlikely) to Very High (almost certain). The impact is a measure of the effect on LifeArc if the risk materialises, ranging from Low (insignificant) to Very High (severe). In addition, the current

agreed risk appetite is indicated for each of the risks. Risk appetite is an indication of the acceptable level of risk within which we operate and will vary depending on the type and nature of the risk.

Some risks have been assessed as beyond our tolerance for acceptable risk taking in light of our current strategy and so require further action. People risks, management of change and our newly defined strategic risks fall into this category. In the context of LifeArc's evolution risk mitigation takes time to be implemented; however, we have developed plans with risk owners and agreed appropriate timelines for the implementation of further mitigation to close the gaps.

Principal risk analysis

Risk*	Likelihood	Impact	Current Net Risk Position	Risk appetite
Strategic risks				
1 Key strategic partnerships	Medium/High	Medium/High	Medium/High	Medium
2 Platform technology	Medium/High	Medium/High	Medium/High	Medium
3 LifeArc Ventures	High	Medium/High	High	Medium/High
Financial risks				
4 Investment reserve returns	Medium	Medium	Medium	Medium
Operational risks				
5 Portfolio alignment	Medium	High	High	Medium/High
6 Cyber-attack/IT security	Medium	Medium	Medium	Low/Medium
7 People capability and capacity	Medium	Medium	Medium	Low
8 Management of material change	Medium	Medium	Medium	Low
9 COVID-19 – impact of further restrictions	Very low	Medium/High	Low	Low
10 Health and safety (major incident)	Very low	Medium/High	Low	Low

* Please see the table on pages 34 to 37 for the detailed descriptions of the risks and the actions in place to ensure alignment between the risk position and the risk appetite.

Our principal risks and how we mitigate them

We identify and mitigate risks arising from our activities and those of our partners, as well as the evolving environment in which we operate.

The corporate risk register

Risk area	Description	Mitigation or in-progress actions	Change in risk profile vs prior year
1. Key strategic partnerships	The development of successful strategic relationships will be critical to the delivery of our strategy. As we increase our engagement with and reliance on third party innovators and licensees, there is a risk that we don't optimally select, deliver and manage these partnerships leading to reduced impact, impaired outcomes and damage to reputation.	In place: - Executive accountability through new Chief Business Officer to lead the delivery of externalisation - Risk based authority levels In progress: - New alliance management process being developed and embedded - Organisation and systems to be realigned with new process - Third party risk and assurance assessment underway - Monitoring of contracts to ensure partnering obligations have been met	New risk
2. Platform technology	The development and strengthening of our platform technologies and offerings is a key tenet of LifeArc's strategy. There is a risk that we do not make further progress in understanding and exploring platform technology and therefore do not identify and secure new platforms to contribute to patient impact and sustainability, although this is a major focus of our science Executives through 2021.	In place: - Executive accountability through Executive Director, Drug Discovery In progress: - Define therapeutic and diagnostic based platforms required to support missions and other work - Understand synergies between current diagnostics platforms and missions with specific activities defined - Define future platforms that will allow therapeutics and diagnostics to synergise within missions with specific reference to companion diagnostics including disease risk, patient stratification and efficacy - Define data platforms needed to drive improved target ID/selection, patient risk/diagnosis/stratification - Explore the device landscape relevant to our missions and understand which platforms will help drive for success and move us towards our 4D ambition	New risk
3. LifeArc Ventures	As we expand the breadth of our investment activities in early translational research, there is a risk to our ability to generate returns which contribute to the charity's sustainability over time.	In place: - Seed Fund Investment Committee In progress: - Seed Fund portfolio review - Governance and Terms of Reference for the new Early Ventures Investment Committee to replace the Seed Fund Investment Committee. Proposal is that half of the members will be independent - Deliberation on venture scale up opportunities - Risk assessment	New risk

Risk area	Description	Mitigation or in-progress actions	Change in risk profile vs prior year
4. Investment reserve returns	We do not achieve the required investment performance over time (10-year horizon) in order to fund the delivery of the LifeArc strategy.	In place: • Top-tier global custodian appointed • Respected external investment consultant in place • In-house investment specialist • Board approved investment policy • Investment Committee supplemented by appointment of co-opted members to set strategy and monitor performance of the investment portfolio • Agreed investment risk appetite from the Board • Board approved investment parameters • Approved operating model governing interaction with the global custodian and investment consultant • Definition of strategic asset allocation In progress: • Completion of investment in accordance with strategic asset allocation	Reduced
5. Portfolio alignment	Given our appetite for selecting early-stage scientific projects with inherent high risk in line with our strategy and while we seek to minimise the risk of project failure, there remains a risk that we do not ultimately achieve the desired patient benefit.	In place: • Policies and key processes in place covering governance of the scientific portfolio and to ensure that all employees understand the requirements of their role • In-house 'Due Diligence' team analyses identified opportunities from a scientific/technical, IP and commercial perspective and operates a two-stage assessment system including both internal and external assessors. In addition, the Philanthropic Fund Committee governs the allocation of grants to support translational rare disease research projects • Portfolio Review Board and supporting hierarchy of governance structure to assure: • ongoing scientific/technical assessment of projects, recommendations for changes in scope and stage gate transitions • progress against plan and reassignment of resources to support delivery • objective measurement of project health, progress and against plan and formalised decision-making • Science Committee, a subcommittee of the Board, provides oversight of the governance of the Translational Science projects • Project Management Office (PMO) supports delivery and oversees progress for all projects at the portfolio level In progress: • Document project frameworks, mapping project sub-processes from identification to closure, tailored to project types • Design and implementation of a PMO software solution • Build project management toolkit to support best practice	Slightly reduced. Further reduction anticipated once changes are embedded

The corporate risk register

Risk area	Description	Mitigation or in-progress actions	Change in risk profile vs prior year
6. Cyber-attack and IT security	Loss of data, for example due to unauthorised access of the IT systems or a cyber-attack, would damage our reputation and restrict our activities.	In place: • Business continuity plans, tested annually • Data recovery systems in place and reviewed for resilience • Network controls in place with perimeter firewalls • Anti-virus and anti-ransomware software in place • Compulsory cyber security awareness training for all employees and ongoing awareness activities • Two factor authentication for key systems • Engagement of specialists to regularly assess the IT security control environment • Cyber awareness training and personal risk profiles rolled out in early 2021 In progress: • Deployment of vulnerability management detection and response software [VMDR] • 24-hour security operations centre	No change
7. People capability and capacity	As we look to increase our impact and invest in new areas, the risk increases that we are unable to recruit, develop, and retain capable and skilled employees and Trustees necessary to deliver the strategy.	In place: • Principles framework based on LifeArc purpose – to put patients at the centre of all we do • HR capabilities evolving to support 2021 priorities • HR policies • Remuneration Committee oversight – ensuring that LifeArc has the people and culture it needs to deliver its strategy • Nominations Committee oversight – responsible for developing and maintaining active succession planning for the Board and Executive • Organisation principles expressed in language of inclusion In progress: • Build capability and culture to deliver strong leadership up and down the organisation • Refresh reward and recognition strategy to differentiate high performance • Evolving diversity and inclusion	No change
8. Management of material change	We fail to manage significant change or do not make the changes required for the organisation in order to realise the strategic opportunity provided by the Keytruda monetisation. A lack of a targeted approach could mean that we do not successfully implement the desired change or result in significant opportunities being missed due to energy being dissipated across too many projects.	In place: • Specific role – Head of Culture and Change • Programme to create change capability, prioritising PMO, HR, Corporate Goal teams • Launch of the principles framework (implementation in progress) In progress: • PMO / HR to be developed as 'experts' to embed change across LifeArc • Develop change capability and framework and associated tools • Roll out of change capability to line managers and Executive • Define and embed our culture to enable 2021+ strategy • Ongoing development of the LifeArc strategy	Increased due to proximity to execution of change

Risk area	Description	Mitigation or in-progress actions	Change in risk profile vs prior year
9. COVID-19 – impact of further restrictions	In view of the ongoing pervasive impact of the current COVID situation and impact of increased prevalence or restrictions, there is a risk of further disruption to the portfolio and therefore to the delivery of patient benefit and impact of employee morale if there are further restrictions.	In place: - Steering Group meets every two weeks - Site policies and procedures - Site based governance and oversight teams - Ongoing communication with employees - Support for homeworking through provision of equipment and technology - Provision of wellbeing resources	New risk
10. Health and safety (major) incident	Failure to maintain the health and safety of employees could harm our people, or have a significant reputational impact, or lead to disruption of our activities and also have serious legal consequences.	In place: - Facilities managed in accordance with regulatory standards (COSHH), and NEBOSH qualified laboratory manager - LifeArc Health and Safety Committee meets quarterly and considers appropriate responses to any incidents or near misses. - Health and safety risk assessments (per activity) - Health and safety update provided to monthly Executive Director meetings and quarterly to the Board - Internal audits to ensure compliance	No change

Governance report

Governance report

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Chair's governance review

Dr John Stageman OBE

Chair – LifeArc

COVID-19 made 2020 a challenging year for every organisation and LifeArc was no exception. Good governance is fundamental to LifeArc's success and events like the pandemic show the critical importance of having strong frameworks in place.

These include the ability to identify and manage risk effectively so you can rapidly identify the most important priorities and plans for action.

I am proud to say that thanks to our strong foundations and responsive governance framework, LifeArc was able not only to preserve the key interests of its partners and protect the safety and health of its employees but also play a proactive role in the fight against COVID-19.

While managing the impact of COVID-19 was a significant feature of the year, the Board has continued with our programme of moving the charity forwards, including further developing its governance structures. This included the move from a membership model to a foundation model of governance, and the related decision to create a strategic Advisory Council (SAC) with its first meeting planned for 2021. We have also focused on ensuring we have an effective investment strategy, following the *Keytruda* monetisation in 2019, helping to secure a sustainable financial future for the charity and its work.

The role of governance

Good governance is the foundation for successful organisations. Among other things, it involves rigorous scrutiny and oversight of the charity's objectives and its strategy for achieving them, as well as ensuring we have the right structures, people, processes and controls to implement that strategy effectively. Strong governance helps LifeArc achieve its purpose of turning promising science into treatments and interventions that improve patients' lives.

The Board therefore aims to adopt best practice and demonstrate exemplary leadership and governance, in close co-operation with the Executive Management Team. Our approach is guided by the principles of the Charity Governance Code for Larger Charities (the 'Code') and the Charity Commission's Guidance, as well as professional advice where appropriate. We assess our compliance with the Code on an ongoing basis, most recently in light of the Code review carried out in 2020.

The Investment, Nominations, Remuneration, Scientific and Audit and Risk Management Committees play key roles in carrying out the Board's functions and the active management of risk.

Over recent years, we have enhanced our governance framework in a number of areas, including risk management, Board effectiveness, diversity and development, and approving key policies. This process continued in 2020 with the move to a more efficient foundation model, which further improves the efficiency of decision-making.

Overseeing the response to COVID-19

Throughout the pandemic, the Board has prioritised the health and wellbeing of our people and LifeArc's support for the scientific response to the virus. The Audit and Risk Management Committee oversaw the development of a robust risk assessment, which ensured that operational decisions were made first and foremost with a view to mitigating risk to colleagues. Meanwhile our Scientific Committee, aided by a robust portfolio management framework, closely monitored the impact of the COVID-19 lockdown on science projects and the measures taken to bring priority activities back on track. While the portfolio has still not recovered all the time lost due to lockdowns, we have been able to make good progress and use the opportunity to reshape some of the portfolio.

In the final quarter of 2020 the Board heard proposals for introducing a missions-led approach to unite broad sections of expertise in LifeArc behind stated goals or specific missions. LifeArc's successful response to the challenges of COVID-19 had demonstrated the value of bringing together colleagues from across the charity, united by a common aim. The Board was supportive of these proposals, which we believe will improve the impact of our investments in our science, advice and funding activities by sharpening our focus, simplifying the articulation of our goals and focusing our desired impact. We have asked the Executive to progress with their proposals and are expecting to see our first, selected translation missions crystallise during 2021.

Streamlining our decision-making

As part of our review of Board efficiencies, the Board examined the charity's formal decision-making process. LifeArc's original structure was based on a membership model, with membership made up of current Trustees, former Trustees and other professionals. While this model gave us access to a wider range of experience it tended to make some decision-making slower and less flexible, with undue weight on the annual general meeting as a vehicle for making key governance decisions.

During 2020 the Board proposed to move to a foundation model in which the membership is limited to serving Trustees. This will enable the Board to be more responsive and flexible in its decision-making.

We also recognised that the experience represented by our former membership was a valuable source of advice, expertise and challenge for LifeArc. We therefore decided to create the Strategic Advisory Council to provide important stakeholder insight and feedback to the Board. Our intention is to recruit to the Council in 2021, bringing in individuals with wide experience across areas of strategic importance to life sciences and LifeArc.

Assessing the Board's effectiveness

To lead LifeArc effectively over the coming years, it is essential that the Trustees have the right mix of skills and experience. This year the Board initiated a skills audit of Trustees, to build the picture of the breadth of skills possessed and to identify any gaps that should be addressed through future recruitment. The Board has engaged external consultants to help us conduct performance assessments of individual Board members, following on from the earlier work completed on the functioning of the Board as a whole.

The diversity of our Board and LifeArc is essential. In 2020, the new appointments made to the Board positively affected our gender balance, moving it to a ratio of 38% female to 62% male by year end, compared with a percentage at the start of the year of 25% to 75%.

Lynne Robb joined us as a Trustee in June 2020. Lynne brings significant financial experience as an accountant with in-depth knowledge of both the charities and life sciences sectors. She is also a Trustee of both Prostate Cancer UK and Tate & Lyle's pension scheme, and a non-executive director of the Medicines Discovery Catapult Ltd. Jo Pisani was appointed to the Board in December 2020. Jo has 30 years' experience in industry and consulting, and also serves on the boards of the UK Dementia Research Institute, RSA Group, MedCity and Findacure. She is also a member of the foresight advisory board for the University of Birmingham.

Meanwhile, Steve Visscher stepped down from the Board in December. I would like to thank Steve for his contribution to our journey and wish him all the best for the future.

Conclusion

LifeArc has been able to respond proactively to the COVID-19 pandemic, based in part on our financial strength and robust approach to risk management, and in part on the extraordinary resilience of the LifeArc leadership and employees.

The effective portfolio management framework that the Executive Management Team put in place ensured that the charity was able to address the impact of the temporary shutdown and then reduced working capacity of the facilities. I believe that the unified, goal-focused manner of the way in which we responded to the COVID-19 emergency puts us in a good position to develop a more missions-led approach to future goals.

I would like to thank the members of the Board, the Executive Team and all LifeArc employees for their dedication and hard work throughout an extraordinarily difficult year. We finish the year, in my view, stronger and more focused, ready to move on to bigger and better things in the coming years.



Dr John Stageman OBE

Chair – LifeArc
25 July 2021

Board of Trustees

By setting strategic direction, and overseeing risk management and governance, the Board supports the Chief Executive Officer and the Executive Management Team in achieving the charity's purpose.

At period end the following Trustees were in place:

Dr John Stageman OBE

Appointed: 29/09/14

Role: Chair Board of Trustees, Nominations and Remuneration Committees.

Skills: John has a wealth of experience in the pharmaceutical industry and biotechnology research and has held several international R&D senior management roles at AstraZeneca.

In 2011 he was awarded an OBE for his services to the UK biotechnology industry.

Dr Paul Mussenden

Appointed: 19/06/14

Role: Chair ARMC, Deputy Chair Board of Trustees, member of Remuneration and Nominations Committees.

Skills: Paul has over 20 years' experience advising companies in the healthcare industry at all stages of development from start-up to pre-IPO to mature listed businesses.

Dr Melanie Lee CBE

Appointed: 14/11/19

Role: Chief Executive Officer.

Skills: Melanie is Chief Executive Officer of LifeArc. She has 30 years' leadership experience in healthcare R&D, the biopharmaceutical industry and the medical research charity sector. She was formerly Chief Scientific Officer at BTG. She has previously held Trustee appointments at Cancer Research Technology and Cancer Research UK and serves on the Board of Directors of Sanofi.

Aisling Burnand MBE

Appointed: 20/11/17

Role: member of Nominations Committee.

Skills: Aisling is Chief Executive of AMRC and previously held a similar role at the BioIndustry Association, where she championed UK biosciences. She received an MBE in 2007 for services to science.

Dan Morgan

Appointed: 20/11/17

Role: member of Audit and Risk Management Committee.

Skills: Dan has over 20 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.

Peter Keen

Appointed: 05/02/13

Role: Chair Investment Committee (until 15/08/19), member of Nominations, ARMC and Investment Committees.

Skills: Peter is a chartered accountant by training with over 35 years' experience in the commercial exploitation of healthcare related technologies in both private and public companies.

David Zahn

Appointed: 15/08/19

Role: Chair Investment Committee.

Skills: David has more than 20 years' experience in investment strategy and is currently Head of European Fixed Income at Franklin Templeton, a global investment management firm. He is a governor and chair of the investment committee at The Health Foundation and a Non Executive Director at the Health Data Research UK and CFA Society of the UK.

Dr Les Hughes

Appointed: 01/03/16

Role: Chair Scientific Committee.

Skills: Les has over 30 years' experience in a range of roles in the pharmaceutical industry and is now a consultant in portfolio management, strategy development and the successful delivery of drugs to the market.

Dr Mike Romanos**Appointed:** 01/03/16**Role:** member of Scientific Committee.**Skills:** Mike is an experienced biopharmaceutical industry leader with scientific breadth and extensive knowledge of translation. He is CEO of Microbiotica, previously CEO of Crescendo Biologics, global VP at GSK, Translator in Residence in Imperial College and Venture Partner in UK Innovation and Science Seed Fund.**Jo Pisani****Appointed:** 17/12/20**Role:** Trustee.**Skills:** Following 30 years in industry and consulting, Jo currently serves on the boards of the UK Dementia Research Institute, The RSA Group, MedCity and Findacure. She is also a member of the foresight advisory board for University of Birmingham.**Dr Sally Burtles****Appointed:** 14/11/13**Role:** member of Scientific and Remuneration Committees.**Skills:** Sally has 25 years' experience in the charity, higher education and NHS sectors. She is a skilled facilitator of translational and experimental medicine research, preclinical development and early clinical trials. Sally is Director and Secretary of the Lister Institute of Preventative Medicine, a Research Fellow at the University of Sunderland and a trustee at Trozon X17.**Changes to the Board of Trustees:****Lynne Robb**

joined 8 June 2020

Jo Pisani

joined 17 December 2020

Stephen Visscher

served until 24 September 2020

For more detailed Trustee biographies, please visit lifearc.org/governance

Andrew Mercieca**Appointed:** 14/11/19**Role:** Chief Financial Officer.**Skills:** Andrew is Chief Financial Officer of LifeArc. He has over 25 years' experience as a finance professional and has held senior finance roles across the pharmaceutical and technology sectors. He was EMEA CFO for a global mobile technology provider and has held senior positions at Astellas and Merck KGa**Lynne Robb****Appointed:** 08/06/20**Role:** member of Audit and Risk Management Committee.**Skills:** Lynne has significant experience as a CFO with significant knowledge of both the charities and life sciences sectors. She is a Trustee of Prostate Cancer UK and Tate & Lyle's pension scheme. She is also a non-executive director of the Medicines Discovery Catapult Ltd.

Governance, structure and management

Promoting the charity's success

The Trustees have a duty to promote the success of the charity 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:

- a) the likely consequences of decisions in the long term;
- b) the interests of employees;
- c) the need to foster the charity's relationships with stakeholders;
- d) the impact of the charity's operations on the community and the environment;
- e) the desirability of the charity maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly between members.

The people report on page 24 explains how LifeArc protects and promotes the interests of its employees. The 'understanding our stakeholders' report on page 26 explains in more detail how LifeArc engages with its stakeholders to promote the long-term success of the organisation. The sustainability and carbon reporting review on page 28 outlines the actions the organisation is taking to understand and improve its impact on the environment.

As a company limited by guarantee, LifeArc does not have any shareholders. With the move to a foundation model, serving Trustees are LifeArc's only members.

Grant-making policy

All grants made by LifeArc under its Philanthropic Fund and in respect of its COVID response are in accordance with LifeArc's grant making policies. These set out eligibility criteria, monitoring and reporting procedures and refer to the general parameters of grant making, ensuring that all spend is in line with LifeArc's objects and for the public benefit.

Charitable objectives

LifeArc is a company limited by guarantee and a registered charity, established in 2000. The charity's governing document, its Articles of Association, sets 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
 - (i) capable of being made generally available to the medical profession and the public for practical application for the improvement of health and/or
 - (ii) transferred or licensed to a third party to progress development of such discoveries or technologies towards such goals.

Structure, governance and management

The Board is responsible for setting strategy and ensuring the necessary assets are in place to meet the charity's strategic aims; monitoring performance; and overseeing risk management. It is also responsible for Trustee and Executive Management succession planning, overseeing any changes to the charity's constitution and upholding its culture and values. Day-to-day running of the charity is delegated to the Executive Management Team.

The Trustees confirm that they have referred to the Charity Commission's general guidance on public benefit when reviewing the Charity's aims and objects and in setting the strategy and planning future initiatives.

Trustees

LifeArc's Board is comprised of 13 Trustees, including two Executive Directors. The Trustees fulfil the legally defined roles of members and directors of the charitable company. Trustees, who each have governance experience, come from broad and varied backgrounds, including biomedical sciences, investment fund management, charities, finance and law. New Trustees are recommended by the Nominations Committee and appointed by the Board.

As recommended under the Charity Governance Code, Trustees are appointed for a renewable term of three years and may stand for re-election for a maximum of three consecutive terms. New Trustees are briefed on LifeArc's objectives and on their duties and statutory obligations. They also receive relevant Charity commission guidance. Trustees meet regularly with the Executive Management Team to discuss all areas of the business.

Trustees 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. Executive Trustees are remunerated in respect of their executive service.

Trustees as members

As a company limited by guarantee, LifeArc is legally required to have members who act as nominal guarantors in the event that the company should ever be wound up. LifeArc has adopted a foundation model of governance where membership is restricted to serving Trustees. The charity is currently recruiting a Strategic Advisory Council from key stakeholders, which will provide strategic advice and feedback to the Board.

Committees of the Board

The Board of Trustees delegates oversight and assurance for key functions to the five dedicated Board committees: Audit and Risk Management Committee, Investment Committee, Nominations Committee, Remuneration Committee and Scientific Committee. Most Trustees serve on one or more committees. The committees can co-opt non-trustees to provide additional expertise.

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 to identify and manage any potential conflict. The Board has elected not to publish its registers of gifts, hospitality and interests owing to potential data privacy implications.

Management Committee

Executive Management Team

The Executive Management Team is responsible for the day-to-day running of the charity under authority delegated by the Board of Trustees. The team, under the leadership of the CEO, proposes to the Board where the charity should invest its time, money and expertise. It proposes 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.

Melanie Lee
Chief Executive Officer

Edward Bliss
General Counsel & Company Secretary

Justin Bryans
Executive Director, Drug Discovery

Fiona French
Executive Director, Human Resources

Andrew Farquharson
Executive Director, Technology Transfer

Andrew Mercieca
Chief Financial Officer

Graham Duce
Chief Investment Officer

Ian Campbell
Chief Business Officer

Board and committee attendance

	Board of Trustees					
	Scheduled	ARMC	IC	Sci Comm	Nom Com	Rem Comm
John Stageman	7 (7)			5 (5)	3 (3)	2 (2)
Paul Mussenden	7 (7)	4 (4)	5 (5)		3 (3)	2 (2)
Peter Keen	7 (7)	4 (4)	4 (5)		3 (3)	
Les Hughes	7 (7)			5 (5)		
Mike Romanos	7 (7)			5 (5)		
Steve Visscher (served until 24 September 2020)	5 (5)					
Aisling Burnand	7 (7)				3 (3)	
Daniel Morgan	7 (7)	4 (4)	4 (4)			
Sally Burtles	6 (7)			3 (5)		2 (2)
David Zahn	7 (7)		5 (5)			
Andrew Mercieca	7 (7)					
Melanie Lee	7 (7)					
Lynne Robb (joined 8 June 2020)	4 (4)	3 (3)				
Co-opted members						
Simon Gibson			4 (5)			
Jonathan Marriott			3 (5)			
Cindy Rose			2 (3)			

First number indicates number of meetings attended.

Second number – in () – indicates total number of meetings where attendance was possible.

Audit and Risk Management Committee Report

Paul Mussenden

Audit and Risk Management Committee Chair

Committee membership

Member	Meetings attended
Paul Mussenden (Chair)	● ● ● ●
Peter Keen	● ● ● ●
Dan Morgan	● ● ● ●
Lynne Robb (appointed 8 June 2020)	— ● ● ●

What we did in the year

- Introduced a deep dive into specific key risk areas with Executive Management (for example IT/cyber-risk)
- Steered the introduction of enhanced cash reporting and reporting of current and forecast commitments over the longer term
- Advised on the valuation of investments and valuation policy
- Reviewed the change in structure of the charity to a foundation model
- Received updates on the management of risk associated with the impact of COVID-19
- Reviewed Committee performance and composition and appointed Lynne Robb to the Committee.

The key areas of focus for 2021

- Guiding the update of the Reserves Policy
- Overseeing the implementation of the Finance Improvement Programme (relating to the ongoing development of the Finance Team and Finance processes and strategy)
- Updating risk appetite statements for consideration by the Board and overseeing agreed activity to mitigate key operational and strategic risks
- Implementation of an enhanced overall internal control framework
- Supporting the creation of an overall assurance plan

As Chair of the Audit and Risk Management Committee, I am pleased to present our report for the year ended 31 December 2020.

The ARMC, which meets quarterly, provides assurance to the Board of Trustees on financial planning, reporting, risk management, governance, assurance and related matters. The Committee approves the appointment of internal and external auditors, oversees the budget process, scrutinises the annual accounts and approves the internal audit programme.

The ARMC focuses on developing robust assurance frameworks to support the delivery of LifeArc's strategy and ensure good governance is embedded in all we do. The Committee also reviews evolving best practice and develops LifeArc's approach as the charity's activities become broader and more complex. During the year we received updates on compliance with the Charity Governance Code for larger charities.

We regularly review auditors' reports and advice on governance best practice and monitor the completion of resultant actions. The Committee regularly receives assurance reports from the internal auditors on the design and effectiveness of controls and processes for each audited area. During the year we supported the review and update of the internal audit plan and ensured it reflects the risk profile of LifeArc.

The CEO, CFO, General Counsel & Company Secretary, and other individuals with responsibility for risk and assurance oversight, routinely attend the meetings along with representatives from the internal and external audit teams.

During 2020 we made further progress in balancing strategic risk with the need for practical operational implementation and embedding of risk management. This was demonstrated by the role played by risk management in the COVID-19 response and the integration of risk in key decisions such as the transfer of the Kymab technology.

In 2021 we will focus on further developing our risk culture to support the achievement of our corporate goals. In particular, we will support the Executive Management in ensuring that risk appetite is considered in decision-making and resource allocation.

More broadly, we will continue to work with LifeArc to ensure it develops an appropriate and robust internal control and assurance framework and achieves the desired level of risk management maturity. The goal is to ensure the Board can demonstrate that risks are being managed effectively in accordance with corporate goals and the agreed risk appetite.

During the year we welcomed Lynne Robb to the Committee. I would like to take this opportunity to thank all the ARMC members, and John, for their support and input throughout the year.

Paul Mussenden

Audit and Risk Management Committee Chair

Key: ● Attended ○ Not attended — Not applicable

Scientific Committee Report

Les Hughes
Scientific Committee Chair

Committee membership

Member	Meetings attended
Les Hughes (Chair)	● ● ● ● ●
Sally Burtles	● ● ● ○ ○
Mike Romanos	● ● ● ● ●
John Stageman	● ● ● ● ●

What we did in the year

- Monitored portfolio progress via regular updates from the Portfolio Review Board (PRB)
- Reviewed impact of COVID-19-related lockdowns on projects and oversaw actions taken to mitigate this
- Reviewed LifeArc's COVID-19 roadmap, projects and collaborations, and reviewed and approved project proposals
- Reviewed future of disease focus areas and approved introduction of a mission-based approach
- Evaluated proposals for potential focus areas, including pain
- Set out the Committee's future role in the oversight and evaluation of future missions
- Recommended investments in Biocartis Idylla platform and the GENOMICCS initiative
- Debated the proposal for KPIs on the portfolio progress

The key areas of focus for 2021

- Evaluate the LifeArc scientific portfolio
- Monitor and engage with LifeArc missions as they are developed

I am pleased to report that the Scientific Committee had a productive year, supporting LifeArc's pursuit of its strategy and its scientific response to COVID-19.

The Committee oversees the charity's research activities and provides assurance to the Board on the development, implementation and effective delivery of these activities. In particular, we consider the quality, breadth and balance of the therapeutics and diagnostics portfolios.

A portfolio management board (PRB) was introduced in 2019, to give the Executive Management a unified overview of LifeArc's scientific portfolio. The PRB reports regularly into the Scientific Committee, making recommendations on project prioritisation and resourcing for the Committee's approval. The PRB process has enabled LifeArc to make clear decisions on projects aligned to our strategy. It has also allowed the Committee to take a 'deep dive' into specific projects including the progress of the TB-MBLA diagnostic product and the successful transfer of the Kymab technology into our Stevenage laboratories as a result of our investment in Kymab.

The response to COVID-19 was a critical feature of 2020. The Committee regularly reviewed the impact of lockdowns on project deliverables and milestones and monitored LifeArc's COVID-19 roadmap including the Philanthropic Fund's funding of a number of drug repurposing projects and the involvement of LifeArc scientists in testing antibodies for development by the UK BIA Antibody Taskforce. The Committee advised that the united response displayed in the fight against COVID-19 would support the planned future coalescence around a mission or missions.

The Committee also reviewed and endorsed the outcomes of LifeArc's internal call for COVID-19-related projects. We reviewed each project in turn against a range of criteria including post-COVID-19 applicability and relevance to LifeArc's translational platforms. We endorsed the decisions of the expert panel and recommended seven internal projects for Board approval; in addition we endorsed an external project for the creation of a screening facility at the University of Glasgow to progress drug discovery.

Successful relationships are central to our strategy. During 2020, the Committee recommended an investment in the Idylla platform under a non-exclusive license offered to us by long-time collaborator Biocartis. The Idylla investment has the potential to be deployed across our disease areas. We also recommended support for the GenOMICC COVID-19 Study, led by the GenOMICC consortium in partnership with Genomics England. This project will offer significant insights into COVID-19 as well as strengthening our relationship with important partners in the data and AI field.

In December we approved a move to a missions-based approach to delivering our science translation strategy, focusing on underserved patient needs. This builds on LifeArc's strengths and will unite different disciplines behind specific goals. The Scientific Committee considered its role in relation to missions and concluded that there will still be an important governance and advisory role to be fulfilled. The Committee has asked the Executive to come back in early 2021 with criteria for selecting specific missions.

Looking forward to 2021 we will continue to evaluate the LifeArc scientific portfolio and provide advice and direction to the Executive. We will also continue to monitor and support the phased development of missions within the organisation.

Les Hughes
Scientific Committee Chair

Key: ● Attended ○ Not attended — Not applicable

Investment Committee Report

David Zahn

Investment Committee
Chair

Committee membership

Member	Meetings attended
David Zahn (Chair)	● ● ● ● ●
Peter Keen	○ ● ● ● ●
Paul Mussenden	● ● ● ● ●
Dan Morgan	● ● ● ● —
Simon Gibson (Co-opted)	● ● ○ ● ●
Jonathan Marriott (Co-opted)	● ○ ● ○ ●
Cindy Rose (Co-opted)	— — ● ● ○

What we did in the year

- Established investment infrastructure to enable LifeArc to manage its capital investment portfolio effectively for long-term success – key highlights were:
 - Appointment of Northern Trust as the global custodian
 - Appointment of Cambridge Associates as investment consultant
- Revised Terms of Reference to determine ways of working between the Board, Investment Committee and the Chief Investment Officer
- Recommended the Environment, Social and Governance (ESG) policy statement to the Board
- Invested £250m into an ESG-focused passive global equity fund

The key areas of focus for 2021

- Seek Board approval of the Strategic Asset Allocation (SAA) for the investment portfolio to the Board
- Seek Board approval of the Investment Policy Statement (IPS) for the investment portfolio
- Implement the transition from existing asset managers to the IC-approved target portfolio in accordance with our SAA
- Research and allocate to new opportunities as they arise within private investments
- Search and select active public equity managers within the portfolio
- Continue to evolve ESG policy

I am pleased to present our report for the year ended 31 December 2020. The report highlights the key activities during the year and future plans for LifeArc's investment portfolio.

Responsibilities of the Committee

The Investment Committee is established as a Committee of the Board of Trustees in accordance with LifeArc's Articles of Association. The Committee has responsibility for the appropriate and effective management of LifeArc's investment portfolio.

The Investment Committee recommends LifeArc's overall investment policy to the Board for approval. This includes risk and return objectives as well as investment and Environmental, Social and Governance (ESG) constraints.

In addition, we review the management of LifeArc's investment portfolio and provide advice and guidance to the Board accordingly. This includes developing an appropriate investment policy to support the organisation in fulfilling its purpose and goals. The Committee meets quarterly (and on an interim basis where appropriate).

The Committee has responsibility to review the performance of our external investment managers against their performance benchmarks and the overall long-term investment target agreed with the Board.

The Committee is authorised to determine Strategic (long-term) Asset Allocation (SAA) across asset classes and markets and set rebalancing methodology; it also has responsibility for approving and monitoring a portfolio of fund managers with whom LifeArc can invest for an agreed asset.

In the case of private investments, the Committee delegates the sourcing of manager names to LifeArc's Chief Investment Officer (who works in collaboration with the appointed investment consultant). For commitments to private investment funds under 1.5% of the assets under management of the investment portfolio, the Chief Investment Officer (CIO) can approve investment allocations. For investments above 1.5% to a private markets fund, the CIO will make a recommendation to the Investment Committee.

Principal activities of the Committee

The Committee was called upon to approve a strategic investment management infrastructure proposed by Chief Investment Officer Graham Duce, to enable the effective management of the LifeArc investment portfolio.

Following the monetisation of a portion of LifeArc's royalty interest in *Keytruda* in 2019, the investment portfolio in 2020 comprised £1.1bn. Prior to the establishment of our investment infrastructure the Committee approved and oversaw the implementation of a series of investments, totalling £250m, in a passive global equity fund, the BlackRock Developed World ESG Screened Index.

Following rigorous due diligence processes, the Committee engaged the services of an investment consultant (Cambridge Associates) to advise on strategic asset allocation, manager selection, portfolio construction and governance. We also appointed a global custodian (Northern Trust) to administer the portfolio. The Strategic Asset Allocation was proposed by the Investment Committee for approval by the Board (it was approved post year end).

The Committee also recommended an ethical investment policy to the Board, which identifies areas where the organisation is unwilling to invest. Our expectation is that this policy will evolve over time.

Key: ● Attended ○ Not attended — Not applicable

Priorities for the coming year

In 2021 the Committee will be making recommendations to the Board regarding an Investment Policy Statement (IPS) for the investment portfolio. We will also oversee the transition from the existing asset managers to the Committee's approved target portfolio in accordance with our SAA, with a view to completion by the end of June 2021.

The Committee expects the CIO to consider allocations within the agreed parameters and to research and allocate to new opportunities as they arise, within the world of private markets. A key objective for the year is to find suitable active managers for the majority of the allocation to public equities. A sub-group of Investment Committee members has been formed to aid this process.

David Zahn

Investment Committee Chair

Strategic Asset Allocation (SAA)

	Risk equivalent	Policy weights	Policy ranges
Growth	80%	72%	60% - 84%
Global Equity	60%	52%	60% - 84%
PE/ VC	20%	20%	0% - 25%
Diversifiers	0%	16%	8% - 24%
Private Diversifiers	0%	5%	0% - 7%
Total Liquid Diversifiers	0%	11%	8% - 24%
Property	0%	3%	0% - 10%
Hedge Funds	0%	4%	0% - 10%
Credit	0%	4%	0% - 10%
Other	0%	0%	0% - 5%
Liquidity Buffer	20%	12%	2% - 18%
Fixed Income	20%	10%	0% - 18%
Global Government Bonds		3%	0% - 10%
Global Inflation Linked Bonds	0%	3%	0% - 10%
Other	0%	4%	0% - 10%
Cash	0%	2%	2% - 18%

Nominations Committee Report

John Stageman
Nominations Committee
Chair

Committee membership

Member	Meetings attended
John Stageman (Chair)	● ● ●
Peter Keen	● ● ●
Aisling Burnand	● ● ●
Paul Mussenden	● ● ●

What we did in the year

- Conducted a Board skills assessment
- Reviewed the performance of the Trustees individually and collectively
- Developed Trustee succession plans and reviewed the appointment process for Trustees
- Oversaw the recruitment of two new Trustees to the Board and approved senior executive appointments
- Oversaw move to Foundation model and recommended proposal to create a Strategic Advisory Council (SAC)

The key areas of focus for 2021

- Monitor LifeArc’s culture and its progress with enhancing diversity and inclusion
- Continue to evaluate the Board’s performance
- Further refine succession planning

I am pleased to report on the Nominations Committee’s work during 2020. The Committee develops and maintains succession plans for the Board and Executive, as well as overseeing Board performance and evaluation. It meets a minimum of twice a year.

In 2020, the Committee successfully addressed the focus areas we set out in last year’s report. We engaged a consultancy to report on the skills the Board requires and those possessed by our Trustees, to identify priorities and options for Board recruitment and succession. We also worked with a leadership development consultancy to help us assess the performance of individual Trustees, following on from the earlier review of the Board’s functioning as a whole. Both of these conform to Charity Commission best practice guidelines.

Effective succession planning ensures we are well prepared when key vacancies arise. During 2020, we worked on developing a succession plan for the Trustees, covering both immediate and longer-term succession. We also reviewed the appointment process for recruiting new Trustees, ensuring the process is robust, transparent and respects the need for diversity.

Once a new Trustee’s appointment is confirmed and references have been checked, we share a range of documents with them, including our Annual Report, strategy and relevant policies, via a dedicated online application. The Terms of Reference for our Board and committees are also shared, as well as meeting dates for the coming year. Induction meetings are arranged with other Board members and key senior leaders. The Chair also spends time with new Trustees to ensure they feel informed and able to contribute from the first meeting.

In last year’s report, we identified the requirement to recruit a new member of the Audit and Risk Management Committee. Following an external search overseen by the Nominations Committee, the Board appointed Lynne Robb as a Trustee. She has particular expertise in financial matters and a strong understanding of our sector. The Committee also oversaw the appointment of Jo Pisani, who joined the Board in December 2020. Jo was recommended through our trustee network and her appointment was independently assessed in line with our recruitment policy. Her expertise encompasses the critical areas of life science strategy, patient voice and data and Artificial Intelligence (AI).

Our other key activities in the year included approving the appointments of Fiona French as Executive Director of Human Resources and Dr Ian Campbell as Chief Business Officer, a new role overseeing our key partnerships strategy. The Committee also oversaw the process for moving to a foundation model and the associated establishment of a new strategic Advisory Council (SAC). Finally, we discussed the succession plan for our Executive Directors’ roles, an area which we will develop further in 2021.

At the end of the year, the Committee’s remit expanded to include culture, diversity and inclusion. These will be focus areas for us in 2021, along with further work on evaluating the Board’s performance and refining succession planning. The Committee is also overseeing the creation of the SAC to provide strategic insights and challenge to the Board.

John Stageman
Nominations Committee Chair

Key: ● Attended ○ Not attended — Not applicable

Remuneration Committee Report

John Stageman
Remuneration
Committee Chair

Committee membership

Member	Meetings attended
John Stageman (Chair)	● ●
Sally Burtles	● ●
Paul Mussenden	● ●

What we did in the year

- Consulted employees and revised a key term in employment contracts, to bring into line with best practice
- Continued to develop and review reward strategies, to remain competitive and aligned to our organisational principles and ambitions
- Approved upgrade of HR technology to improve transparency of our reward and benefits

The key areas of focus for 2021

- Broaden the Committee's Terms of Reference to review the reward system, and its development in relation to our desired culture, diversity and inclusion.
- Refresh our reward strategy to ensure it aligns with organisational strategy.

I am pleased to report on the Remuneration Committee's activities during 2020. The Committee's work recognises that remuneration is key to attracting, retaining and motivating employees, and ensuring they feel valued and recognised, while aligning to our people strategy, culture and corporate ambition. The Committee met twice a year in 2020; this will increase to three times in 2021.

The Committee made progress in a number of areas in 2020. In the wake of a review of financial risks, the Committee recognised the need to bring a key term in LifeArc's employment contracts in line with best sector practice. The Executive Committee was empowered to make the change. The process included a comprehensive programme of employee consultation, enabled by the newly formed Employee Forum, with support from senior management. All employee contracts were updated in March 2020.

The Remuneration Committee played a key role in guiding decisions about our pay and bonuses during a challenging year. Our focus was on creating certainty and continuity for our people, in respect of their work and employment, and this informed our broader reward approach in 2020. The Committee supported the decision to not award pay increases to those in senior leadership roles, however significant leadership and performance during the year were recognised through a reduced bonus framework for this group. As LifeArc continues to focus on attracting and retaining talent, the Committee supported the decision to apply adjusted pay increases and bonuses to those in other roles. Individual decisions were based on collective and individual performance and careful review of reference market rates.

The Committee also recognised the value of transparent remuneration processes, supported by financial education, to enable employees to understand, value and make the most of their reward and benefits. The Committee supported LifeArc's review of pension governance and the formation of a new pensions committee together with the plan to run pension workshops for all employees early in 2021. It also approved significant investment in a new HR system ('LifeArc & Me') and benefits portal ('MyRewards@LifeArc') improving employees' engagement with their benefits and total reward offering. These new platforms will improve our employee experience, a key area of focus in 2021.

More broadly, the Committee has focused on ensuring LifeArc's reward policy remains competitive and aligned to our organisational principles and ambitions. We continue to input to benchmark surveys to ensure we are confident that we provide market competitive pay that reflects an individual's role and their contribution. Further, our bonus supports our collaborative culture, rewarding performance against the attainment of collective goals. We offer benefits that provide employees with choice. The Committee regularly reviews information on industry reward strategies and trends, and relevant data on roles in similar charities where available. These are used together with our own recruitment and turnover data to review LifeArc remuneration strategies and make changes where we believe these to be necessary.

In 2021 the Committee will be expanding its remit to include wider and more detailed monitoring of remuneration and culture from a diversity and inclusion perspective. We will work with reward specialist Verditer to develop LifeArc's reward strategy and ensure that it builds in this perspective fully. Our continued focus on creating increased transparency around reward to improve understanding of pay, benefits and progression within LifeArc will help ensure we deliver an employee experience we can be proud of.

John Stageman
Remuneration Committee Chair

Key: ● Attended ○ Not attended — Not applicable

Responsibilities of the Trustees statement

Trustees' Annual Report 31 December 2020

Statement of Trustees' responsibilities

The Trustees (who are the directors for the purpose 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 Trustees to prepare financial statements, for each financial year, which give a true and fair view of the state of affairs of the charitable company and of its incoming resources and application of those resources, including its income and expenditure for the period. 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.

The members of the Board are responsible for keeping proper accounting records that are sufficient to show and to explain the charitable company's transactions and to disclose, with reasonable accuracy, at any time, the financial position of the charitable company 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.

The Board met seven times during the reporting period (25 February 2020, 16 March 2020, 18 May 2020, 25 June 2020, 24 September 2020, 21 October 2020, 17 December 2020) and also at the AGM on 14 July 2020.

This Annual Report was approved by the LifeArc Board on 15 July 2021 and signed on its behalf by



Dr John Stageman OBE
Chairman

Financial statements

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Independent auditor's report to the trustees and members of LifeArc

Opinion

We have audited the financial statements of LifeArc (the 'charitable company') for the year ended 31 December 2020 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 2020, 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: <http://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: 26 July 2021

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

Statement of financial activities

For the year ended 31 December 2020

	Notes	Unrestricted funds £000s	Restricted £000s	Total funds year to December 2020 £000s	Total funds 9 months to Dec 2019 £000s
Income and endowments from:					
Charitable activities	1	2,709	415	3,124	974,034
Trading activities		–	–	–	7
Investments	2	6,004	–	6,004	5,793
Other income	3	20	–	20	12,370
Total income and endowments		8,733	415	9,148	992,204
Expenditure on:					
Raising funds	4	1,938	–	1,938	976
Charitable activities	5	47,306	415	47,721	26,846
Provisions	19	–	–	–	(250)
Total expenditure		49,244	415	49,659	27,572
Net gains on investments	14/15	54,802	–	54,802	32,825
Net income		14,291	–	14,291	997,457
Net movement in funds	21	14,291	–	14,291	997,457
Reconciliation of funds:					
Total funds brought forward	21	1,204,650	–	1,204,650	207,193
Cash flow hedge reserve	21	–	–	–	–
Total funds carried forward	21	1,218,941	–	1,218,941	1,204,650

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 59 to 77 form part of the financial statements

Balance sheet

As at 31 December 2020

Company number: 2698321

	Note	LifeArc 2020 £000s	LifeArc 2019 £000s
FIXED ASSETS			
Tangible fixed assets	12	12,234	12,405
Intangible assets	13	16,514	15,946
Investments	14	444,462	197,279
		473,210	225,630
CURRENT ASSETS			
Investments	15	740,410	968,294
Debtors	16	2,553	21,857
Cash at bank and in hand		12,559	2,509
		755,522	992,660
Creditors: amounts falling due within one year	17	(9,056)	(12,905)
Net current assets		746,466	979,755
Total assets less current liabilities		1,219,676	1,205,385
Provision for liabilities	19	(735)	(735)
Net assets		1,218,941	1,204,650
CHARITY FUNDS			
Unrestricted funds	21	1,165,127	1,166,381
Designated funds	21	53,814	38,269
Total charity funds		1,218,941	1,204,650

The accounting policies and notes on pages 59 to 77 form part of the financial statements

The financial statements were approved and authorised for issue by the Board on 15 July 2021.

Signed on behalf of the Board of Trustees.



Dr John Stageman OBE
Chairman

Statement of cash flows

For the year ended 31 December 2020

	Note	12 months to Dec 2020 £000s	9 months to Dec 2019 £000s
Cash flow from operating activities	24	(25,616)	975,800
Net cash flow provided by/(used in) operating activities		(25,616)	975,800
Cash flow from investing activities			
Payments to acquire tangible fixed assets		(2,704)	(3,368)
Payments to acquire intangible assets		(598)	(15,946)
Receipts from sale of fixed assets		–	–
Payments to acquire investments		(294,299)	(36,669)
Receipts from sale of investments		80,157	18,810
Dividends, interest and rents received from investments		3,010	5,793
Reclassification from fixed asset to current asset investment		24,914	–
Decrease/(increase) in current asset investments		227,884	(962,597)
(Increase)/decrease in cash held for investment		(2,698)	1,566
Net cash flow provided by/(used in) investing activities		35,666	(992,411)
Change in cash and cash equivalents in the year		10,050	(16,611)
Cash and cash equivalents at 1 January		2,509	19,120
Cash and cash equivalents at 31 December		12,559	2,509
Cash and cash equivalents consist of:			
Cash at bank and in hand		2,525	2,509
Short-term deposits		10,034	–
Cash and cash equivalents at 31 December		12,559	2,509

The accounting policies and notes on pages 59 to 77 form part of the financial statements

Accounting policies

For the year ended 31 December 2020

General information and basis of preparation

LifeArc is a charitable company limited by guarantee in the United Kingdom. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given on the back cover of these financial statements. The nature of the charity'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.

The charity 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 charity, 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 the ability of the charity to continue as a going concern, and there is reasonable expectation that the charity has adequate reserves to continue in operational existence for the foreseeable future. The impact of COVID-19 has been considered when reviewing budgets and long-term plans, and is also not considered to impact the ability of the charity to continue as a going concern.

Incoming resources

Income is recognised when the Charity 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, royalty income recognised on an accruals basis.
- Technology transfer services fees receivable from the Medical Research Council (MRC) 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.
- Rental income from researchers occupying LifeArc facilities. Income recognised represents amounts invoiced in the year.

Incoming resources from trading activities consist of:

- The provision of accounting, human resource, legal and meeting room services.

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 relating to the costs of the external management of investments of LifeArc.
- Charitable activities comprise expenditure on the direct charitable activities of LifeArc.
- Provisions comprise estimated movement in obligations as at the balance sheet date as a result of a past event.

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 the charity 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 charity. Corporate resource and governance costs 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.

Accounting policies

continued

Depreciation of 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; and
- IT infrastructure – 10 years

Accounting for intangible fixed assets

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

Amortisation of 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

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.

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.

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.

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 and 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 cash flow hedge reserve.

Gains and losses are released to the SOFA once the hedge is realised.

Employee benefits

When employees have rendered service to the charity, 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

The charitable company 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 the charitable company. The pension charge represents contributions payable by the charitable company for the year. The charitable company'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 the charitable company 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 the charitable company'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.

Notes to the financial statements

For the year ended 31 December 2020

1 Income from charitable activities

	12 months to Dec 2020 £000s	9 months to Dec 2019 £000s
Keytruda monetisation	–	971,252
Research contracts and royalty income	1,509	1,445
IP management and technology transfer services	1,200	900
Grants	415	437
	3,124	974,034

2 Income from investments

	12 months to Dec 2020 £000s	9 months to Dec 2019 £000s
Dividends – equities	2,454	2,179
Interest – fixed interest securities	3,360	3,267
Interest – deposits	190	347
	6,004	5,793

3 Other income

	12 months to Dec 2020 £000s	9 months to Dec 2019 £000s
Miscellaneous	20	12,370
	20	12,370

Other income during the 9 months to December 2019 included a one-off lump-sum payment received in settlement of a dispute under a research collaboration agreement of £12.2m.

4 Raising funds

	12 months to Dec 2020 £000s	9 months to Dec 2019 £000s
Investment office costs	516	–
Investment manager fees	1,422	976
	1,938	976

Notes to the financial statements

continued

5 Analysis of expenditure on charitable activities

	Activities undertaken directly £000s	Support costs £000s	12 months to Dec 2020 £000s	9 months to Dec 2019 £000s
Early stage drug discovery	19,326	3,457	22,783	14,930
Diagnostics development	3,169	790	3,959	2,545
IP, licensing and business development	6,792	2,099	8,891	7,584
Venture Fund	154	32	186	337
Seed Fund	756	161	917	570
Philanthropic and COVID Fund	10,953	32	10,985	880
	41,150	6,571	47,721	26,846

6 Allocation of support costs

	Governance £000s	Corporate resources £000s	12 months to Dec 2020 £000s	9 months to Dec 2019 £000s
Early-stage drug discovery	128	3,329	3,457	4,282
Diagnostics discovery	29	761	790	884
IP, licensing and business development	470	1,629	2,099	2,659
Venture Fund	1	31	32	–
Seed Fund	6	155	161	186
Philanthropic Fund	1	31	32	47
	635	5,936	6,571	8,058

Governance costs are detailed further in note 7.

7 Governance costs

	12 months to Dec 2020 £000s	9 months to Dec 2019 £000s
Staff costs	290	257
Direct costs		
Other legal and professional charges	45	74
Audit fees	35	36
Other fees	84	47
Bank charges	6	7
Insurance	131	109
Other governance costs	44	71
	635	601

8 Net income for the year

Net income is stated after charging/(crediting):

	12 months to Dec 2020 £000s	9 months to Dec 2019 £000s
Depreciation of tangible fixed assets	2,813	1,906
Operating leases – property	1,175	848
Auditor's remuneration	35	36
Fees payable to internal auditor	82	47
Net losses/(gains) on foreign exchange	614	(4,245)

9 Auditor's remuneration

	12 months to Dec 2020 £000s	9 months to Dec 2019 £000s
Fees payable to the charity's auditor for the audit of the charity's annual accounts	35	33
Fees payable to the charity's auditor for other services:		
Other services	14	3
	49	36

Notes to the financial statements

continued

10 Trustees' and key management personnel remuneration and expenses

Having obtained approval from the Charity Commission, on 14 November 2019 Melanie Lee (Chief Executive Officer) and Andrew Mercieca (Chief Financial Officer) were appointed as Trustees of the charity. From 14 November 2019 remuneration and benefits were paid to these two individuals for their roles as employees of the charity, not for their positions as Trustees. The aggregate amounts paid during the year (made up of basic pay, bonus, pension allowance, employer's pension contribution, employer's NI, and benefits in kind), was £484k to Melanie Lee (November to December 2019, £72k) and £249k to Andrew Mercieca (November to December 2019, £37k).

All other Trustees neither received nor waived any remuneration during the year (9 months to December 2019 – £Nil).

In respect of acting as a Director for SpringWorks Therapeutics on behalf of LifeArc, during the year Peter Keen invoiced LifeArc £Nil for consultancy services (9 months to December 2019 – £10k).

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 and employer's NI) was £2,093k (9 months to December 2019 – £1,553k). 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:

	12 months to Dec 2020 No. Trustees	9 months to Dec 2019 No. Trustees	12 months to Dec 2020 £000s	9 months to Dec 2019 £000s
Travel and subsistence	3	7	1	15
	3	7	1	15

Included above is £Nil (9 months to December 2019 – £Nil) which has been paid directly to third parties.

11 Staff costs and employee benefits

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

	Dec 2020	Dec 2019
Management	8	7
Research	108	103
Technology transfer	41	41
Administration	51	46
Agency/contract staff	7	4
	215	201

The total staff costs and employee benefits were as follows:

	Dec 2020 £000s	Dec 2019 £000s
Wages and salaries	13,406	9,693
Social security	1,466	1,088
Defined contribution pension costs	1,110	738
Agency/contract staff	563	160
	16,545	11,679

Additional analysis has been provided to show the full year actual costs for the 12 months to 31 December 2019 to enable more meaningful comparison to the figures for the 12 months to 31 December 2020.

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

	12 months to Dec 2020	9 months to Dec 2019	12 months to Dec 2019
£60,001 – £70,000	13	14	17
£70,001 – £80,000	13	9	5
£80,001 – £90,000	13	3	16
£90,001 – £100,000	7	8	5
£100,001 – £110,000	1	2	4
£110,001 – £120,000	10	1	4
£120,001 – £130,000	1	1	4
£130,001 – £140,000	2	–	1
£140,001 – £150,000	1	–	1
£150,001 – £160,000	–	–	1
£160,001 – £170,000	1	3	–
£170,001 – £180,000	1	1	–
£180,001 – £190,000	1	1	–
£190,001 – £200,000	1	–	2
£200,001 – £210,000	3	–	–
£210,001 – £220,000	–	–	2
£230,001 – £240,000	–	–	1
£350,001 – £360,000	–	1	–
£420,001 – £430,000	1	–	–
£450,001 – £460,000	–	–	1
	69	44	64

The pension contributions to the defined contribution scheme payable on behalf of 69 (9 months to December 2019 – 44) members of staff amounted to £548,314 (9 months to December 2019 – £287,594).

The redundancy and termination payments in the year totalled £54,600 (2019 – £nil), all of which had been paid during the year with no amounts outstanding at the year end.

Notes to the financial statements

continued

12 Tangible fixed assets

	Assets under construction £000s	Leasehold improvements £000s	Laboratory equipment and plant £000s	Fixtures, fittings and computers £000s	Total £000s
COST					
At 1 January 2020	36	9,654	9,796	3,047	22,533
Additions	1,014	154	1,329	208	2,705
Disposals	–	–	(277)	(567)	(844)
Reclassification	(896)	–	592	304	–
At 31 December 2020	154	9,808	11,440	2,992	24,394
ACCUMULATED DEPRECIATION					
At 1 January 2020	–	2,583	5,788	1,757	10,128
Charge for year	–	945	1,293	545	2,783
Disposals	–	–	(277)	(474)	(751)
Reclassification					
At 31 December 2020	–	3,528	6,804	1,828	12,160
NET BOOK VALUE					
At 31 December 2020	154	6,280	4,636	1,164	12,234
At 31 December 2019	36	7,071	4,008	1,290	12,405

LifeArc had capital commitments of £390k at 31 December 2020 (December 2019 – £130k).

13 Intangible assets

	Licences £000s	Assets under construction £000s	Total £000s
COST			
At 1 January 2020	–	15,946	15,946
Additions	447	151	598
Disposals	–	–	–
Reclassification	–	–	–
At 31 December 2020	447	16,097	16,544
ACCUMULATED DEPRECIATION			
At 1 January 2020	–	–	–
Charge for year	30	–	30
Disposals	–	–	–
Reclassification	–	–	–
At 31 December 2020	30	–	30
NET BOOK VALUE			
At 31 December 2020	417	16,097	16,514
At 31 December 2019	–	15,946	15,946

Intangible asset under construction relates to LifeArc's licence of Kymab's Intellisect transgenic mouse antibody platform, which will be brought into use in 2021.

14 Fixed asset investments

	Dec 2020 £000s	Dec 2019 £000s
Investment at cost	54	54
Unlisted investments held at fair value	18,591	55,171
Listed investments	425,817	142,054
	444,462	197,279

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

Notes to the financial statements

continued

14 Fixed asset investments (continued)

Unlisted investments held at fair value

	Venture Fund £000s	Seed Fund £000s	Eliem Therapeutics £000s	Kymab £000s	Total £000s
Fair value at 1 January 2020	44,087	3,500	–	7,584	55,171
Investments in the year	–	8,192	–	–	8,192
Disposals in the year	(42,350)	–	–	–	(42,350)
Transfers in the year	(7,617)	–	7,617	–	–
Realised gains during the year	6,151	–	–	–	6,151
Unrealised (loss)/gain during the year	–	(776)	–	14,652	13,876
Reclassification to current asset investment	–	–	–	(24,914)	(24,914)
Interest accrued on convertible debt	–	58	–	2,936	2,994
Foreign exchange losses	(271)	–	–	(258)	(529)
Fair value at 31 December 2020	–	10,974	7,617	–	18,591

During the year LifeArc's position as sole LP in a Venture Fund was dissolved. An investment in SpringWorks Therapeutics was fully divested within the Venture Fund with disposal proceeds being distributed to LifeArc. The only remaining investment in the Venture Fund (Eliem Therapeutics Inc) was transferred to LifeArc and is recorded as a fixed asset investment on our balance sheet.

LifeArc GP Limited was established as a subsidiary on 7 October 2020, and dissolved on 13 April 2021.

At the year end the charity was committed to investing £10m of cornerstone investment in the funding cycle of Illumina Accelerator Cambridge.

Listed investments

	Dec 2020 £000s	Dec 2019 £000s
Market value at 1 January	138,899	128,999
Acquisitions	286,106	21,493
Sale proceeds	(37,806)	(18,810)
Unrealised gain	32,258	6,482
Realised gain	576	736
Revaluation	(67)	(1)
Market value at 31 December	419,966	138,899
Historical cost at 31 December	375,101	122,667

Portfolio analysis

		Dec 2020 £000s	Dec 2019 £000s
Equities	within the UK	27,622	18,032
	overseas	348,310	76,365
Fixed interest securities	within the UK	21,606	18,180
	overseas	2,859	2,239
Alternative investment		19,569	24,083
		419,966	138,899
Cash		5,851	3,155
		425,817	142,054

15 Current asset investments

	Dec 2020 £000s	Dec 2019 £000s
At 1 January	968,252	5,615
Net (withdrawals)/investment	(256,500)	955,160
Acquisitions	1,999,651	786,512
Sale proceeds	(1,999,536)	(786,122)
Realised gains	1,846	736
Unrealised gains	95	1,059
Interest received	1,036	2,278
Reclassified from fixed asset investments	24,914	–
Foreign exchange (loss)/gain	–	3,283
Management fees	(378)	(269)
As at 31 December	739,380	968,252
Historical cost at 31 December	721,494	965,879

Notes to the financial statements

continued

15 Current asset investments (continued)

Portfolio analysis

	Dec 2020 £000s	Dec 2019 £000s
Fixed interest securities within the UK	704,450	868,262
Fixed interest securities overseas	10,016	99,990
Alternative investment	24,914	–
	739,380	968,252
Cash	1,030	42
	740,410	968,294

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.

No short-term deposits were held at 31 December 2020 or at 31 December 2019.

LifeArc's investment in Kymab (\$30m USD of convertible preference shares plus interest receivable) has been reclassified as a current asset investment. Kymab was acquired by Sanofi in April 2021, which resulted in the repayment of LifeArc's investment.

16 Debtors

	Dec 2020 £000s	Dec 2019 £000s
Trade debtors	159	148
Interest receivable	–	60
Prepayments and accrued income	1,772	2,464
Tax debtor – VAT	556	935
Other debtors	66	18,250
	2,553	21,857

Other debtors at December 2019 included a one-off lump-sum payment received in settlement of a dispute under a research collaboration agreement of £18m.

17 Creditors: amounts falling due within one year

	Dec 2020 £000s	Dec 2019 £000s
Trade creditors	1,359	1,327
Accruals and deferred income	6,327	4,750
Other creditors	799	6,355
PAYE & NI creditor	571	473
	9,056	12,905

Other creditors at December 2019 included the share of a one-off lump-sum payment received in settlement of a dispute under a research collaboration agreement to be passed to a third party of £5.8m.

18 Leases

	Dec 2020 £000s	Dec 2019 £000s
Operating leases – lessee		
Total future minimum lease payments under non-cancellable operating leases are as follows:		
Not later than one year	1,371	1,398
Later than one and not later than five years	3,805	4,286
Later than five years	78	422
	5,254	6,106

19 Provisions for liabilities and charges – group and ultimate parent

	Provision for dilapidations £000s	Total £000s
At 31 December 2019	735	735
Additions during the year	–	–
Amounts charged against the provision	–	–
Unused amounts reversed	–	–
At 31 December 2020	735	735

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

Credits to the SOFA resulting from the release of provisions during the year amounted to £Nil provision (December 2019 – £250k) of which £Nil (2019 – £Nil) was attributable to restricted funds.

20 Grant commitments

At 31 December 2020 LifeArc had made multi-year funding commitments from the Philanthropic Fund totalling £4.8m. £2.5m is expected to be paid within one year, with £2.3m expected to be paid after one year.

At 31 December 2020 LifeArc had made multi-year funding commitments from the COVID Fund totalling £11.8m. £10.6m is expected to be paid within one year, with £1.2m expected to be paid after one year.

At 31 December 2020 LifeArc had made other multi-year funding commitments relating to Knowledge Quarter Labs and Advanced Therapy Innovation Hubs totalling £8.8m. £2.9m is expected to be paid within one year, with £5.9m expected to be paid after one year.

Notes to the financial statements

continued

21 Fund reconciliation

	Balance at 1 Jan 2020 £000s	Income £000s	Expenditure £000s	Cash flow hedge reserve £000s	Transfers £000s	Gains/ (losses) £000s	Balance at 31 Dec 2020 £000s
Unrestricted	1,166,381	8,675	(38,507)	–	(27,000)	55,578	1,165,127
Seed Fund	24,000	58	–	–	–	(776)	23,282
Philanthropic Fund	9,394	–	(1,594)	–	–	–	7,800
Crick Fund	4,875	–	(173)	–	–	–	4,702
COVID Fund	–	–	(8,970)	–	27,000	–	18,030
Total unrestricted	1,204,650	8,733	(49,244)	–	–	54,802	1,218,941
Restricted	–	415	(415)	–	–	–	–
	1,204,650	9,148	(49,659)	–	–	54,802	1,218,941

	Balance at 1 Apr 2019 £000s	Income £000s	Expenditure £000s	Cash flow hedge reserve £000s	Transfers £000s	Gains/(losses) £000s	Balance at 31 Dec 2019 £000s
Unrestricted	177,100	991,767	(26,404)	93	(10,000)	33,825	1,166,381
Seed Fund	25,000	–	–	–	–	(1,000)	24,000
Philanthropic Fund	5,000	–	(606)	–	5,000	–	9,394
Crick Fund	–	–	(125)	–	5,000	–	4,875
Total unrestricted	207,100	991,767	(27,135)	93	–	32,825	1,204,650
Restricted	–	437	(437)	–	–	–	–
	207,100	992,204	(27,572)	93	–	32,825	1,204,650

Seed Fund

	£000s
Gross designated fund	25,000
Investment impairments to 31 December 2019	(1,000)
Investment impairments during the year	(776)
Total investment impairments to 31 December 2020	(1,776)
Investment income to 31 December 2019	–
Investment income during the year	58
Total investment income to 31 December 2020	58
Total funds available for investment	23,282
Total investments made to 31 December 2020	12,692
Funds available for further investment	10,590
	23,282

LifeArc has designated £25m to the Seed Fund for making investments in early stage spin-out companies within the UK. The fund aims to bridge the gap and incubate small start-ups to a point where they could attract venture funding.

Other designated funds

	COVID Fund £000s	Philanthropic Fund £000s	Crick Fund £000s
Gross designated fund	27,000	10,000	5,000
Awards provided to 31 December 2019	–	606	125
Awards provided during the year	8,970	1,594	173
Total awards provided to 31 December 2020	8,970	2,200	298
Funds available for further awards	18,030	7,800	4,702

Forward foreign exchange contracts were entered into in 2017/18. During the year there was no gain or loss (9 months to December 2019 – £93k gain) relating to the movements of sterling against US dollar as a result of the remaining forward foreign exchange contracts which is taken to the cash flow hedge reserves.

Fund descriptions

a) 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.

b) Restricted funds

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

Grant income includes £415k (9 months to December 2019 – £437k) from Alzheimer's Research UK (ARUK), GSK Services, the European Commission Horizon 2020 programme, and the Royal Commission for the Exhibition of 1851.

c) Designated funds

The designated funds were specifically allocated for the COVID Fund (£27m), Seed Fund (£25m), Philanthropic Fund (£10m), and Crick Fund (£5m).

Notes to the financial statements

continued

22 Analysis of net assets between funds

	Unrestricted funds £000s	Designated funds £000s	Total Dec 2020 £000s
Fixed assets	449,918	23,282	473,200
Cash and current investments	722,448	30,532	752,980
Other current assets/liabilities	(6,504)	–	(6,504)
Provisions	(735)	–	(735)
	1,165,127	53,814	1,218,941

The designated fund includes £27m for the COVID Fund, £25m for the Seed Fund, £10m for the Philanthropic Fund, and £5m for the Crick Fund.

	Unrestricted funds £000s	Designated funds £000s	Total Dec 2019 £000s
Fixed assets	187,351	24,000	211,351
Cash and current investments	970,821	14,269	985,090
Other current assets/liabilities	8,944	–	8,944
Provisions	(735)	–	(735)
	1,166,381	38,269	1,204,650

23 Financial instruments – foreign currency risk

Transactional foreign currency exposure arises from royalty income streams received from overseas. LifeArc previously hedged this exposure principally using forward foreign exchange contracts covering up to 50% out to 24 months. LifeArc is exposed to foreign exchange risk in relation to sterling against movements against the US dollar.

As at the balance sheet date the gross notional value in sterling terms of forward foreign exchange sell contracts amounted to £Nil (December 2019 – £Nil).

There were no gains and losses in equity on forward exchange contracts at 31 December 2020 or 31 December 2019 to be released to the SOFA from the balance sheet date.

During the year no gain or loss was taken to the SOFA as a result of forward exchange contracts (9 months to December 2019 – £102,672 loss was taken to the SOFA). There were no existing hedges at 31 December 2020.

24 Reconciliation of net (expenditure)/income to net cash flow from operating activities

	Dec 2020 £000s	Dec 2019 £000s
Net income for year/period	14,291	997,457
Dividends, interest and rents from investments	(6,004)	(5,811)
Investment disposal levies and third party fees	–	1
Revaluation loss/(gain) on investments	597	1
Depreciation and impairment of tangible fixed assets	2,783	1,906
Amortisation and impairment of intangible fixed assets	30	–
(Gains) on investments	(52,861)	(32,301)
Loss on disposal of tangible fixed assets	93	9
Decrease/(Increase) in debtors	19,304	6,753
(Decrease)/Increase in creditors	(3,849)	7,692
Increase/(Decrease) in hedge reserve	–	93
Net cash flow from operating activities	(25,616)	975,800

25 Pensions and other post-retirement benefits

Defined contribution pension plans

The charity operates a defined contribution pension plan for its employees.

The amount of contributions recognised as an expense during the year was £1,109k (9 months to December 2019 – £738k).

26 Related party transactions

The members 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 £1,088 (9 months to December 2019 – £14,508) were made to three members (9 months to December 2019 – seven members). These transactions were carried out on normal commercial terms.

Trustee indemnity insurance was purchased in the year at a cost of £24,640 including insurance premium tax (2019 – £17,596).

Other than the above, and payments to key management personnel as detailed in note 10, there have been no further related party transactions in the year ended 31 December 2020. Comparative information for the year ended 31 December 2019 is provided below:

	Income £000s	Expenditure £000s	Debtor £000s	Creditor £000s	Commitments £000s
Medical Research Council (MRC) associated					
At end date 31 December 2019	1,160	–	–	5,776	–
Bridge Valley Ventures					
At end date 31 December 2019	7	333	94	–	–
SpringWorks					
At end date 31 December 2019	3	–	–	–	–

Notes to the financial statements

continued

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 2020 was 13 (31 December 2019 – 22).

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

The charitable company is controlled by its members.

31 Comparative statement of financial activities

	Notes	Unrestricted funds £000s	Restricted £000s	Total funds 9 months to Dec 2019 £000s
Income and endowments from:				
Charitable activities	1	973,597	437	974,034
Trading activities	2	7	–	7
Investments	3	5,793	–	5,793
Other income	4	12,370	–	12,370
Total income and endowments		991,767	437	992,204
Expenditure on:				
Raising funds	5	976	–	976
Charitable activities	6	26,409	437	26,846
Provisions	20	(250)	–	(250)
Total expenditure		27,135	437	27,572
Net gains on investments	15/16	32,825	–	32,825
Net income		997,457	–	997,457
Net movement in funds	22	997,457	–	997,457
Reconciliation of funds:				
Total funds brought forward	22	207,193	–	207,193
Cash flow hedge reserve	22	–	–	–
Total funds carried forward	22	1,204,650	–	1,204,650

Notes

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

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Company number

LifeArc is a company limited by guarantee no.
2698321 incorporated in England and Wales.

Charity numbers

LifeArc is a charity registered with the Charity
Commission for England and Wales no. 1015243
and a charity registered in Scotland with the Office
of the Scottish Charity Regulator no. SC037861.