

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.

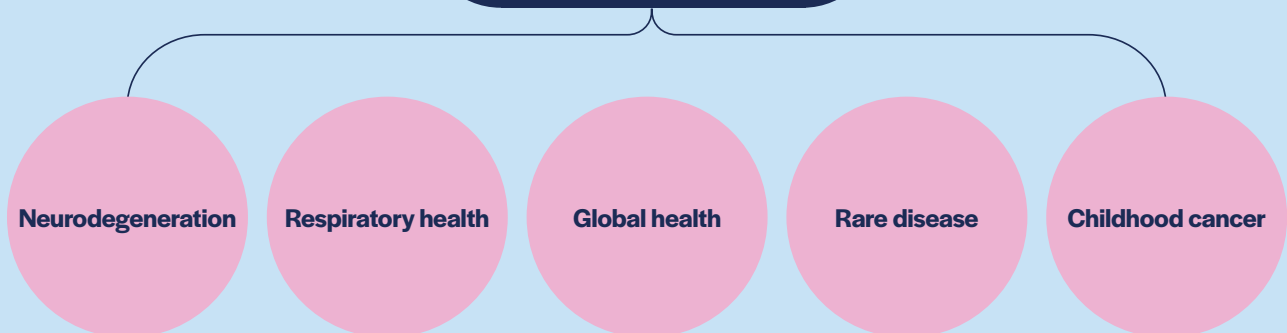
Another highlight was Keytruda® (pembrolizumab), Merck's antibody-based cancer drug that we humanised, becoming the best-selling drug in the world*, extending its reach to benefit even more patients.

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

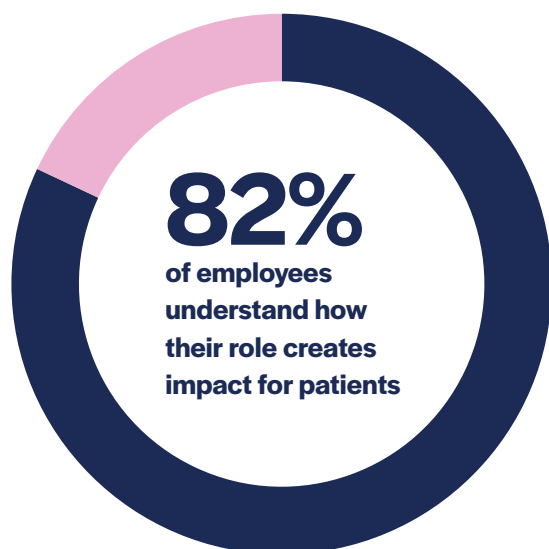
We carried out a refresh of our reward philosophy in 2023, launching a new annual incentive plan focused on performance. We also benchmarked our employee rewards and benefits package, finding it to compare well with the private sector. Both are important levers in our ability to deliver a culture that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

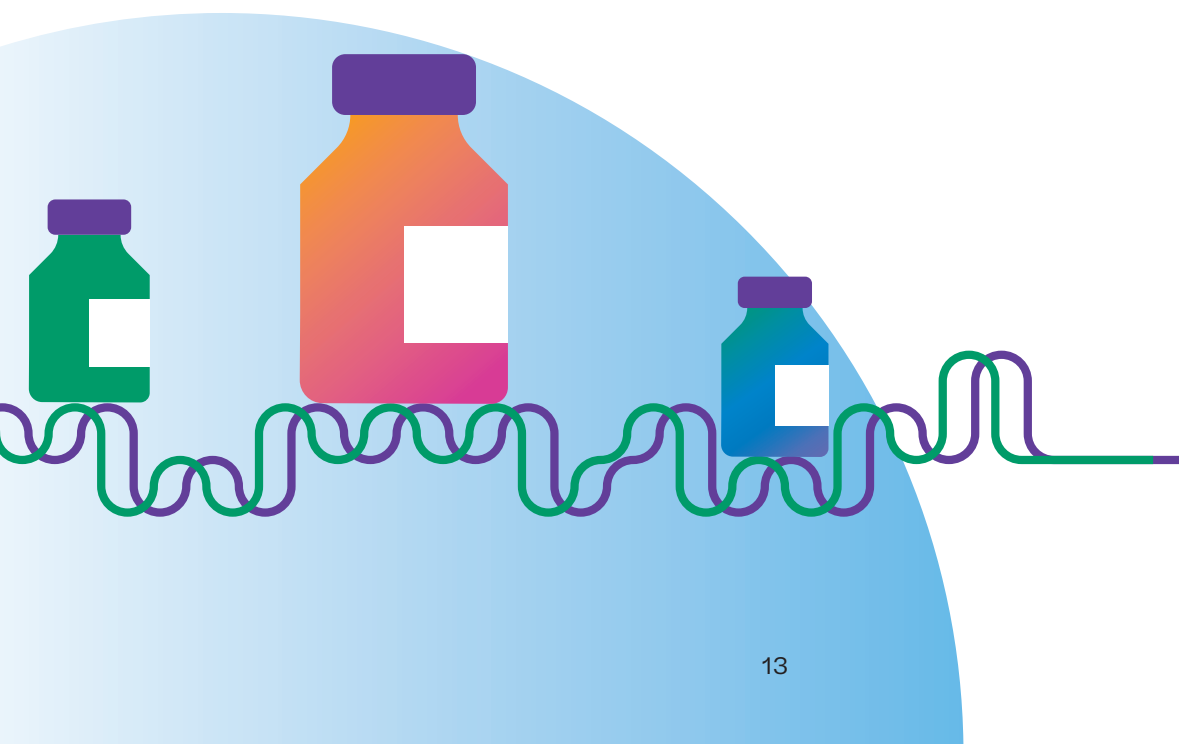
60 people

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.	<ul style="list-style-type: none">• 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none"> • 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.	<ul style="list-style-type: none">•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.	<ul style="list-style-type: none">•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.



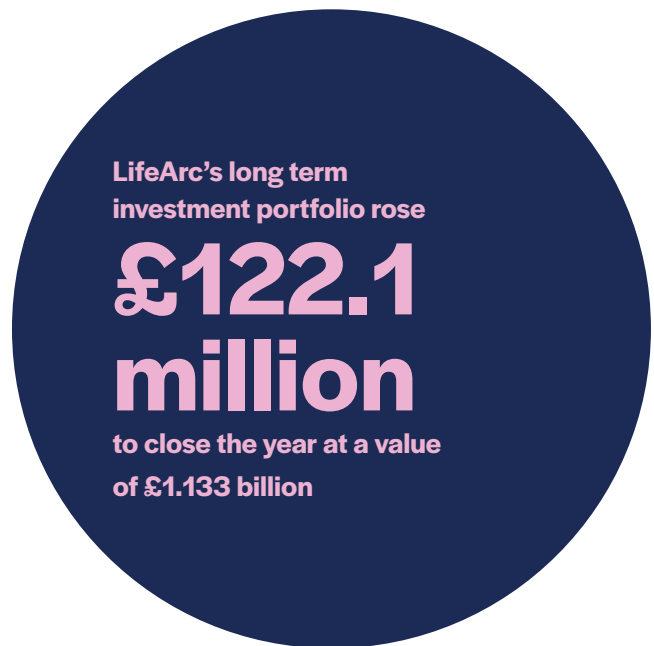
Investment portfolio review

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

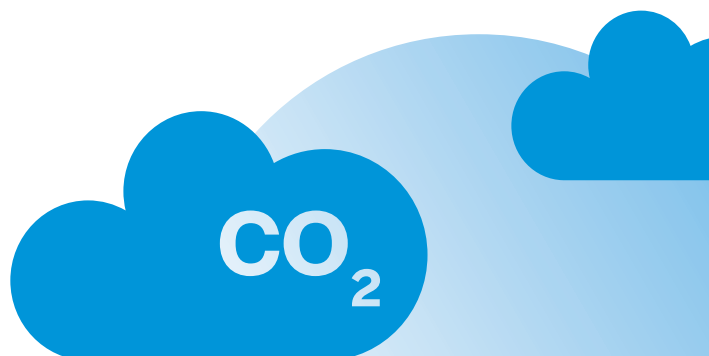
We are committed to reducing our energy use and greenhouse gas emissions. Here, we summarise LifeArc's consumption and emissions for 2023 and how we are approaching our responsibility to reduce our environmental impact.

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 CO₂e	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.



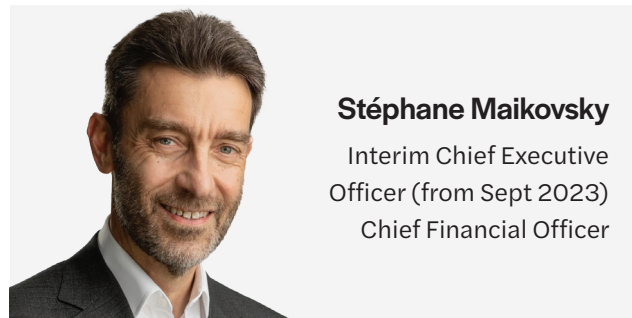
LifeArc trustees



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

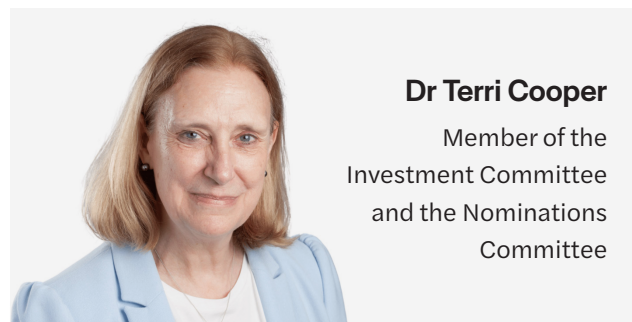
Stéphane joined LifeArc as Chief Financial Officer (CFO) and trustee in June 2022, heading up the Finance, Investment, LifeArc Ventures, Information Technology and Operational Effectiveness teams. He stepped up as interim CEO in 2023 to ensure the continued effectiveness and running of the organisation. 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

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



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