

THE KENNEDY TRUST FOR RHEUMATOLOGY RESEARCH

England & Wales · Charity number 260059

Details

Other names	THE MATHILDA AND TERENCE KENNEDY INSTITUTE OF RHEUMATOLOGY, THE MATHILDA AND TERENCE KENNEDY INSTITUTE OF RHEUMATOLOGY TRUST, THE KENNEDY INSTITUTE, THE KENNEDY INSTITUTE OF RHEUMATOLOGY TRUST
Status	Registered
Legal form	Charitable company
Company number	00963832
Registered	1970-01-29
Register	View on the Charity Commission register

Contact

Address	One Lyric Square London W6 0NB
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Website	www.kennedytrust.org

Activities

Objects: THE OBJECTS FOR WHICH THE COMPANY IS ESTABLISHED ARE:-1. TO PROVIDE FINANCIAL AND OTHER SUPPORT FOR RESEARCH AND DEVELOPMENT OF BASIC SCIENCE UNDERPINNING CLINICAL RESEARCH AND ITS TRANSLATION INTO IMPROVING ILL HEALTH CAUSED BY RHEUMATIC AND RELATED MUSCULOSKELETAL DISEASES; AND2. TO PROVIDE FINANCIAL AND OTHER SUPPORT FOR RESEARCH AND DEVELOPMENT OF CLINICAL AND SCIENTIFIC KNOWLEDGE OF RHEUMATOLOGY AND RELATED MUSCULOSKELETAL DISEASES.

Activities: The trust's mission is to investigate, study and carry out, or procure the carrying out of, research into the causes and means of treatment of rheumatism and allied diseases.

Classification

- **How:** Makes Grants To Organisations, Sponsors Or Undertakes Research
- **What:** The Advancement Of Health Or Saving Of Lives
- **Who:** People With Disabilities

Geography

- Scotland
- Throughout England And Wales

Finances

Period end	Income	Expenditure	Assets	Employees
2025-09-30	£11,323,000	£5,822,000	£333,409,000	4
2024-09-30	£10,657,000	£7,027,000	£301,908,000	4
2023-09-30	£8,903,000	£17,427,000	£271,903,000	3
2022-09-30	£8,718,000	£7,705,000	£279,118,000	3
2021-09-30	£10,801,000	£20,809,000	£306,428,000	3

Trustees

Name	Role	Appointed
PROFESSOR STEPHEN TOWNLEY HOLGATE	Chair	2013-05-09
Christopher John Coombe		2021-06-22
Dr Anthony Wood		2024-11-25
Dr Edith Margarethe Hessel		2024-11-25
Dr Paul Wayne Satchell		2021-06-22
Harsha Patel		2023-09-27
JOSEPH CRONLY		2024-07-23
Mark Stefano Dighero		2018-12-11
Prof Tracy Hussell		2021-10-12
Professor Michael Alexander Patton		2021-06-22
Professor Paul Emery		2024-11-25
Professor Paul Peter Tak		2024-11-25
Richard Kenneth Punt		2021-06-22

THE KENNEDY TRUST FOR RHEUMATOLOGY RESEARCH

England & Wales - Charity number 260059

Accounts



**The Kennedy Trust for Rheumatology Research
Annual Report & Accounts for the Year Ended 30 September 2025**

**Registered Charity: No 260059
Company No 963832**

Contents

Letter from the Chair	2
Trustees' Report.....	3
Background	3
Charitable objectives.....	3
Strategic themes	3
Strategic Report	3
Activities, achievements and performance	4
Financial Review	10
Principal risks and uncertainties	12
Structure, Governance and Management.....	13
Charity Information.....	14
Statement of Trustee Responsibilities.....	15
Independent Auditor's Report to the Members of The Kennedy Trust for Rheumatology Research....	16
Statement of Financial Activities	19
Balance Sheet.....	20
Statement of Cashflows	21
Notes to the Accounts	22

Letter from the Chair

I am delighted to introduce this year's Annual Report and Accounts. The Kennedy Trust continues its mission with ambition and energy, harnessing its resources to support a growing community of world-class researchers across the UK.

Our close relationship and support for the Kennedy Institute for Rheumatology Research in Oxford continues to thrive as we enter a new strategic phase of funding in 2026 with the recent signature of a £27.5m, five-year grant agreement covering 2026-2031. The ambition to see the therapeutic translation of key discoveries is at the heart of this, and to benefit as many patients suffering from debilitating and life-changing effects of arthritis as possible.

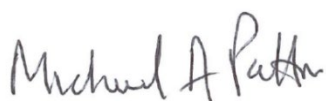
The Trust continues to build its status as a prominent funder for biomedical research excellence in the UK with an international reach through many collaborations across the globe. We are part of a vital network of funders in the UK providing training and support for the research community to maintain the UK's leading position in life sciences. Our relationship with Oxford University and others is vital to this endeavour.

As well as our expanding range of competitive research awards across the UK, we have recognised the importance of training and developing the research careers of our young scientists and have had an annual residential networking event in Birmingham, which furthers collaboration between the Trust funded researchers and students.

Throughout the year the Trust has supported a number of international research meetings in Oxford including "Cutting Edge in Osteoarthritis" and the "International Forum for Rheumatoid Arthritis" and we aim to continue this support.

The work and dedication of the Kennedy Trustees remains vital to the success of the Trust and I am grateful for their tireless support and the expertise they provide and to the work and dedication of the Trust's staff. This year we have had significant changes to our Board with the appointment of four new Trustees and the retirement of Professor Sir Stephen Holgate as Chair after six years. His wisdom, guidance and knowledge have left the charity in an excellent position. Professor Andy Cope also retired during the year as a Trustee and Chair of our Research Committee and I would like to thank both of them on behalf of the Trust for their outstanding contributions.

Through prudent management by our Finance and Investment Committee and the investment managers at JP Morgan, our investments have reached £360 million providing a secure future. We will maintain a steady course in the coming year, seeking to consolidate on our successes, and build on future opportunities to support the very best research aligned with our mission.



Professor Michael Patton

Chair

March 2026

Trustees' Report

Background

The Kennedy Trust for Rheumatology Research ("Trust") was founded in 1965 by a donation from Mathilda Kennedy, daughter of the founder of Marks and Spencer Michael Marks, and her husband Terence to support the establishment of the first institute of its kind investigating the fundamental causes of rheumatic and related musculoskeletal diseases. This resulted in the establishment of the Kennedy Institute of Rheumatology, now at the University of Oxford ("Institute"). The Institute is run independently, but is a recipient of funding from the Trust.

Over the past two decades, the Trust has accumulated substantial reserves from the proceeds of patents from treatments developed for the alleviation of the symptoms of rheumatic and musculoskeletal disease. It uses the returns from the investment of these proceeds to meet its charitable objectives through funding research, in the form of grants, with a significant proportion provided to support the Institute, along with an increased proportion to other centres.

Charitable objectives

The Trust's objectives are to provide support, infrastructure and training in research that enhances understanding of the basic mechanisms and clinical features of the rheumatic disorders and related immune mediated conditions, as well as the application of this research for the benefit of patients.

Strategic themes

To focus the key activities of the Trust and articulate how it delivers on its charitable objectives, the Trust adheres to the following strategic themes:

1. Maintain the agreed strategic course for its investments, based on the long-term asset allocation of financial assets.
2. Continue to prioritise available financial support for the Institute and work with Oxford University to maximise the value of this funding.
3. Strategically plan and focus on other research support where it can make the most difference and seek ways to leverage and maximise the impact of its research funding.

When setting the strategic themes, planning the work of the Trust and in preparing this report, Trustees have referred to the Charity Commission's general guidance on public benefit and are satisfied that the activities undertaken by the Trust meet the Commission's requirements.

Strategic Report

The Trustees are pleased to present their annual report together with the financial statements of the Trust for the year ended 30 September 2025 which are also prepared to meet the requirements for a directors' report, strategic report and accounts for the Companies Act purposes. A combined directors' report and Trustees' annual report has been prepared with strategic report content contained in activities, achievement and performance (from page 5) and the financial review (from page 10).

Activities, achievements and performance

Supporting excellence in research

The Trust continues to build its prominence as a funder of research within the UK biomedical research landscape, through a focus on supporting new talent and in stimulating ambitious new avenues of research funding. The Trust currently supports a portfolio of over 60 live awards, both within the Institute at Oxford University and at 12 other centres of excellence across the UK, with a combined value of £55 million.

We have developed a range of funding instruments and strategic enabling support for the Institute that support research where it is most needed and in a way that it intersects with the wider system to prime, synergise and amplify with other funding and support provided by research institutions across the UK.

The Trust inaugurated the Research Ignition Awards (RIAs) in 2023, with the aim of providing early funding support of up to £100,000 to pump-prime new avenues of research in rheumatic and musculoskeletal disease research in the UK. This seed funding is crucial in helping researchers to develop their early ideas and build the evidence they need to secure larger awards from other funders. Through a second RIA call this year, we have added to the existing portfolio of grants. All of these have been peer-reviewed by an independent expert panel, which recommended six new awards for funding to our Research Committee and Board of Trustees. We received over 40 applications to the call, which serves to illustrate the significant need in the UK for smaller, early-stage funding of this type and our aim in the scheme has been to provide rapid high-quality review of grant applications, such that the process is balanced appropriately for applicants and peer-review experts alike.

The new awards adds significantly to the diversity of research supported by the Trust, including the effect of loss of crucial proteins in the cartilage leading to the development of osteoarthritis, testing biophysical influences on joint development and disease and how changes in the immune system and ageing contribute to increased risk of developing rheumatoid arthritis.

Research Ignition Award spotlight: Dr Mahetab Amer, University of Manchester

Engineering 3D Cell-Instructive Microenvironments to Enhance Stem Cell Efficacy in Osteoarthritis

Osteoarthritis causes joint pain, stiffness, and reduced mobility for millions of people. This Research Ignition Award will support research into a drug-free, biomaterials-based strategy to improve joint repair by guiding how stem cells behave in damaged and inflamed environments. Using injectable materials with surface features that influence cell responses, Dr Amer's project will investigate why repair is impaired in osteoarthritis and how these engineered materials can help restore it. The findings will help lay the groundwork for future regenerative treatments that enhance the body's natural capacity to rebuild joint tissues.

Research Ignition Award spotlight: Dr Adrien Hallou, University of Oxford & Dr Ruby Peters, University of Sheffield

A label-free imaging method to determine the mechanical properties of human tissues in inflammatory diseases.

Collagen is one of the body's most abundant proteins, but when too much of it accumulates, tissues become abnormally stiff. Pathological remodelling of the collagen fibre networks that support tissues underlies many conditions, including psoriasis, inflammatory bowel disease, rheumatoid arthritis, and cancer. Clinicians routinely examine biopsies to assess collagen organisation as a marker of disease severity and to guide treatment. However, current methods cannot directly measure tissue stiffness, the defining feature of diseased tissues. There is a pressing need for simple, cost-effective and non-invasive tools that can link collagen structure to tissue stiffness in a clinical setting. Dr Hallou and Dr Peters propose to develop an AI-powered, image-based technology capable of estimating tissue stiffness directly from standard biopsies. Designed for use with equipment already common in healthcare settings, this approach will offer new insight into the relationship between collagen organisation and tissue mechanics, delivering a step-change in our understanding of extracellular matrix in rheumatological and inflammatory diseases.

The Trust also launched its new Transition Fellowship scheme in October 2024, with the aim of supporting talented postdoctoral researchers to develop an independent research career and progress towards higher-level appointments. Five fellowships were awarded this year of between £250k and £500k and these are for up to 5 years in any basic or clinical scientific discipline that has a clear relevance to rheumatic or related musculoskeletal, immunological or inflammatory diseases. The independent review panel shortlisted and then interviewed applicants in a highly competitive process, recommending those they felt most deserving to be funded. Providing crucial support at a pivotal career stage, these awards will also promote development of broader skills and expertise beyond in building an independent career in research.

Transition Fellowship spotlight: Dr Lakshanie Wickramasinghe (University of Oxford)

Keratin-17: the missing piece of the puzzle to link joint, skin and eye inflammation.

People living with Psoriatic Arthritis often develop vision problems due to a condition called Anterior Uveitis (AU) - a painful inflammation inside the eye that can lead to vision impairment or blindness. Current treatments, such as steroid eye drops, offer only temporary relief and can cause serious side effects. Dr Lakshanie Wickramasinghe's research aims to understand why inflammation develops in the eye and how it connects to inflammation in the joints and skin. Using cutting-edge microscopic imaging, new human and experimental models of AU, she will study how the protein Keratin-17 (KRT17) drives inflammation. She will also explore how mechanical stress - common to the skin, joints, and iris - can worsen this process. This research could lead to more effective, targeted treatments that address the root causes of uveitis, protecting both vision and joint health.

Transition Fellowship spotlight: Dr Anna Montgomery (King's College London)

The impact of aging and the monocyte/macrophage axis in arthritis

The impact of ageing and the monocyte/macrophage axis in arthritis. Dr Montgomery's research will focus on understanding what immune changes related to ageing contribute to increased risk of developing rheumatoid arthritis (RA). Her previous work, supported by data from other studies, suggests immune cells in the joint called macrophages are a key contributor to symptoms and progression of RA. In particular, macrophages that have developed from blood cells called monocytes (monocyte derived macrophages). Dr Montgomery has shown these monocyte derived macrophages are affected by ageing and become more damaging. During her Transition Fellowship she plans to investigate how ageing impacts blood monocytes, and if this influences the development of damaging pro-inflammatory joint macrophages that contribute to arthritis. By focusing her research on blood cells, Dr Montgomery aims to identify changes before disease onset that could determine arthritis susceptibility.

The Trust also supports fellowships for more senior investigators in building their own independent programmes of research and this year we launched our sixth call for Senior Research Fellows with support of £1.5 million over five years. Following intensive expert review, shortlisting and interview, the fellowship is expected to be awarded later in 2026.

Our MB PhD programme is recruiting for its fifth year, with over fifty students enrolled across five centres into this intercalated undergraduate medical training PhD programme. We have extended the scheme for a further year and have initiated a commissioned interim review to help inform the future of the scheme and the approach of the Trust to support vital doctoral training for clinician scientists in the future.

Connectivity within our community of funded researchers is hugely valuable and the Kennedy Network (Network), aims to bring together over 200 Trust-funded researchers and students across all our centres with the annual conference representing a highlight of the year. Held in Birmingham in February 2025, the three-day event hosted networking, presentations, prizes and travel awards and collaboration between different laboratories. The Network's fourth conference will be held in February 2026. The Network is also responsible for reviewing Travel Awards funded by the Trust, and three awards were made to talented young investigators to enable new connections and collaborations between laboratories in the UK and abroad.

The Trust continues to support research in partnership with other funders and in previous years we have supported, through the Daphne Jackson Trust, a number of fellowships to young researchers wishing to return to research after a career break. We continue to follow the progress of these fellows with interest.

This year also saw the deployment of funding through a new Strategic Opportunities Fund, designed to allow the Trust to support new opportunities in research and related activities that further the mission of the Trust. Of particular note this year has been the use of this fund to support a new and exciting partnership with Arthritis UK (formerly Versus Arthritis) to fund a new consortium to build a novel programme of patient and public involvement across the UK. There is a rapidly expanding appreciation amongst many funders of the importance of bringing an authentic patient perspective and voice to research and this new partnership builds on scoping work previously done by the Trust to explore how it can add value in this area.

Continuing commitment to the Kennedy Institute for Rheumatology

The Trust continues to support a significant core of research at the Institute, which continues to build its reputation as a unique international centre of excellence in rheumatic and related musculoskeletal and inflammatory diseases. The Institute currently hosts 237 international scientists, staff and students and the Trust directly supports almost one third of its 157 staff and over half of its 49 students.

The rich and supportive culture of research at the Institute is a vital ingredient to its success and something that the Director, Professor Dame Fiona Powrie and leadership team continue to build and develop through effective mentoring, a focus on diversity and an open culture for networking and learning.

The core funding provision of the Trust provides a crucial underpinning for the Institute, which enables the lead researchers to secure other sources of competitive grant funding to build their programmes of work across five core themes of discovery and translational research:

- Clinical translational and experimental medicine
- Computational biology
- Immunity and microbes
- Inflammation biology
- Tissue remodelling and repair

These are supported by state-of-the-art facilities and platforms, supported by the Trust along with other funding, all of which enable research group leaders at the Institute to tackle ambitious questions using highly innovative experimental techniques, including biological imaging, genomic analysis and deciphering of complex data sets. The leadership development programme at the Institute is world class and exemplified by the prestigious grants, prizes and awards secured by these talented scientists.

Kennedy Institute leadership spotlight: Dr Calliope Dendrou, who joined the Institute in 2023, and was awarded an Associate Professorship in 2024, was a recipient of a major Wellcome Discovery Award this year. The £3.83 million award aims to ‘stop the clock’ on chronic inflammation by understanding and controlling the immune system’s regulatory mechanisms, with a particular focus on liver diseases. There is the hope that this will ultimately lead to improved, earlier treatments. The research programme will see Dr Dendrou team up with scientists and clinician-scientists at the University of Birmingham, and with 2025 Nobel Prize winner Professor Shimon Sakaguchi from Osaka University.

The Institute also provides an exceptional environment for training the next generation of younger scientists at pre-doctoral and postdoctoral levels, most notably through The Kennedy Prize Studentship programme, supported by the Trust. With an uptake of seven new DPhil (PhD) students in 2025, Trust-funded clinical and non-clinical students are able to work on a diverse range of projects across the Institute’s 25 research groups. Several of these new students have also won joint support from other scholarly organisations, including Rhodes Scholarships, Medical Research Council and the Clarendon Fund, adding to the badge of excellence for the students attracted to work at the Institute.

The Institute’s doctoral graduates often go on to build careers at research centres in the UK and around the world and remain as alumni of the Kennedy Network of scientists. Our hope and expectation is that this growing family of next generation Kennedy-trained scientists will forge new pathways of deciphering the complexity of rheumatic and related conditions.

Kennedy studentship spotlight: Ruth Nanjala is a DPhil student funded by an (Africa Oxford) AfOx Kennedy Trust Prize Studentship and the Clarendon Fund. Alongside her work in Dr Yang Luo’s lab studying the Human Leukocyte Antigen region of the human genome, Ruth is committed to building capacity and communities. She has been involved with projects aimed at creating bioinformatics capacity in Africa, including the Pan African Bioinformatics Network. She is the Student Facilitator for the AfOx Programme, took part in the International Youth Day at the United Nations headquarters in 2025, and attended a Kenya Reception at Buckingham Palace. She recently received the Sir Cyril Taylor Young African Leaders Award.

The Trust is a strategic funding partner in the Institute's new MRC Centre of Research Excellence (MRC CoRE) grant jointly led with Manchester University. The research is focusing on Exosome Immunology and will receive up to £50 million over 14 years, leveraging the combined strength of teams at The University of Oxford and The University of Manchester in immunology, big data, and environmental science. The Trust is also pleased to be a strategic funding partner with a second MRC CoRE bid, currently in review and will contribute up to £400,000 towards training and development in early and late-stage translational science should the bid be successful in early 2026.

Reach, visibility and impact of our research funding

With an expanding portfolio of research grants, it remains important that the Trust is able to measure and articulate the impact it is having through its funded research. The generation of new knowledge through fundamental scientific discovery is a crucial foundation, but a priority for the Trust is also how this is translated for patient benefit. As the Institute evolves, it continues to push new boundaries of translational and clinical research through expanding partnerships and funding from industry, through new spin out companies, generation of new intellectual property and active identification of exploitable research.

Through our funding instruments and strategic funding to the Institute, and through the rigour of our expert peer-review processes, we aim to ensure that the Trust always supports excellence. This might be through the funding of students and new trainees, investigators taking their first steps towards independence, or through more established research groups building mature programmes of research. As reported in 2024, the Trust continues to think about how we measure and communicate the impact of our funding. To this end we have been developing a framework for impact and we plan to progress the development of an impact report in 2026.

Our grants report annually through Researchfish platform and this gives the Trust a valuable insight into the performance of our grants portfolio. For example, our direct support has enabled the leverage of over £90 million of follow-on funding from other funders from the current grants portfolio and over the last year has supported the generation of over 500 publications in peer-reviewed journals. This is an important metric of academic success and ensures research findings are disseminated to the international academic sphere with almost half of our awards publishing within the first year of funding.

Scientific collaborations and partnerships are another clear measure of the success of the Trust's funded research network and the 200+ partnerships and collaborations in the UK and across 18 countries worldwide, demonstrate the importance and breadth of the Trust's funding in enabling scientists to forge cohesion and build networks.

Kennedy Trust spotlight on impact: Professor Adam Croft, University of Birmingham

Professor Croft is one of the Trust's first Senior Research Fellows, awarded in 2020 and has focussed his research on the therapeutic targeting of a particular cell called a fibroblast. These cells are essential in helping maintain tissue health and interact with the immune system to maintain correctly regulated immune responses. Fibroblasts can however malfunction, leading to a range of inflammatory diseases and through his fellowship, Professor Croft is using a range of sophisticated methods to understand how this happens and applying this towards developing new therapies for diseases such as Rheumatoid Arthritis. This is a burgeoning field and Professor Croft, with his colleagues and collaborators at Birmingham University and other UK and international laboratories, is at the leading edge, generating multiple high impact publications, new exploitable knowledge and training the next generation of scientists. Ultimately, this is setting the stage for revolution in new modes of therapy for inflammatory diseases and sets to transform how we understand and, importantly, how we can more effectively treat these diseases.

This year, the Trust supported the International Forum for Rheumatoid Arthritis, hosted by the Institute. This international meeting attracts some of the very best researchers in the field from across the globe and it was a mark of esteem for it to be hosted by the Institute and the world class research supported by the Trust.

Looking ahead: building and aligning our capability to deliver excellence and relevance

The Trust has secured its role as a funder within the UK landscape through support for the Institute and the expanding schemes it has developed. Through directed funding for key infrastructure, research capability and scientific teams at the Institute, we have helped create a unique environment for the delivery of research. We now look to a new five-year phase of strategic enabling funding for the Institute starting with its new strategy 2026-2031, which will focus on progressing fundamental discovery research into the clinic. The Institute is extending its translational reach, building capability with new appointments and training of clinical research academics, and through its vital partnerships with industry. The Trust has agreed a provision of over £20 million for the next five-year period to help achieve this and we are currently working with Oxford University on a new agreement that will underpin the Institute's strategic funding.

The Trust is financially well resourced to continue its funding and support for research well into the future, and we are judicious with how we apply our support. Our Board and its sub-committees are vital to this success working closely with the Executive team in planning how our available funding is used to greatest effect.

With guidance from our new scientific Trustees and our Research Committee, we continue to plan ahead for future funding streams, so that we are able to develop consistency in vital funding available to the research community. To help achieve this we have started to review our funding schemes to understand the impact they are making and how they may be better aligned and developed to support researchers of the future. In addition, we will continue to scope new areas of strategic importance and particularly in areas where there is opportunity to partner or align with other research funders.

Financial Review

Investment income £10.9m	Total investment portfolio £359.7m	Total investment return after fees £35.6m (11%)
Grants awarded £3.8m	Grants paid £9.4m	Grant commitments £27.5m

From a financial perspective, the Trust has two key drivers of financial sustainability; how well the investments perform and how much the Trust spends on research grants. The Trust also received legacy income of £231,000 during the year (2024: £nil).

Investments (including policy and objectives)

The Trust relies on the dividends, distributions and capital gains derived from its investment portfolio to fund its charitable activities. The portfolio is mostly managed by JP Morgan as the Trust's responsible fiduciary manager. The Trust carries out no fundraising activities.

The portfolio is invested with the aim of providing sufficient returns to cover the Trust's grant giving, while preserving the real value of its assets over the long term. The principal objective for the portfolio is a total return on invested funds of UK CPI+3% per annum over the longer term. The Trust maintains a balanced portfolio with sufficient liquidity to meet short-term spending commitments and avoid the forced sale of long-term and less liquid assets.

In order to meet the portfolio's objective, JP Morgan continues to work towards the agreed long-term asset allocation of 40% equities, 45% alternatives (comprising private equity, infrastructure, property, transport and private credit) and 15% fixed income and cash. As at 30 September 2025, the portfolio comprised 49% equities, 35% alternatives and 16% fixed income and cash. The primary focus is on increasing the allocation to private equity over time.

The Trustees expect JP Morgan to consider the environmental, social and governance (ESG) policies of companies alongside other factors that may affect their long-term investment prospects. Given the Trust's objectives, tobacco investments are kept to an absolute minimum and excluded where practically possible in the context of the Trust's investments in pooled funds.

Investment Performance

As at 30 September 2025, the total investments were valued at £359.7m (2024: £332.9m) and had generated £10.9m (2024: £10.6m) in investment income from dividends and distributions and gains on investment of £26.0m (2024: £26.4m). After deduction of investment management fees of £1.3m (2024: £1.1m), total investment return was £35.6m (2024: £35.9m).

The return on investments after fees for the year to 30 September 2025 was 11.0% (2024: 13.9%), above the Trust's long-term target return of UK CPI+3%, which was 6.8% (2024: 4.7%).

Key factors influencing performance were:

Global equities: Equity markets delivered strong returns, with the portfolio benefitting from US market outperformance, driven by robust corporate earnings and strong investor enthusiasm for technology and artificial intelligence.

Alternatives portfolio: The Trust continued to build its allocation to alternatives, which performed well during the year. Private equity and private credit performed at the top end of their long-term targets, whilst infrastructure and transport investments provided consistent income. Gold delivered exceptional returns, benefitting from central bank buying and geopolitical uncertainty. The alternatives portfolio now represents 35% of total investments, progressing towards the 45% long-term target.

Currency hedging: Sterling weakness in late 2024 was a drag on portfolio performance due to the hedging policy in place at that time. In January 2025, the Trust aligned its currency hedging policy with JP Morgan's recommendations to hedge fixed income and infrastructure assets only.

Grants

Grants are awarded through specific research calls or under the Trust's agreement with the Institute, in accordance with the Trust's charitable objectives.

The Trust committed a further £3.8m of multi-year grant funding to 3 UK Universities and through a partnership with Arthritis UK during the 2025 financial year (2024: £5.3m, 7 UK institutes and Universities). These grants have been discussed in pages 5-9 above. This is included within the Statement of Financial Activities (page 19) under the heading 'Research Funding'. Including the allocated support and governance costs, the total Research Funding expense was £4.3m (2024: £5.8m). The overall portfolio of ongoing research with grant commitments still to be paid is £27.5m as at 30 September 2025 (2024: £33.1m) after discounting to present value. 65% of this balance is related to Institute funding (2024: 57%). The cash disbursement on grants was £9.4m (2024: £8.0m).

A new multi-year agreement with Oxford worth £27.5m, which covers the period from 2026 to 2031, was signed in March 2026, and will be reflected in the accounts for the year to 30 September 2026.

Further details on grants are shown in note 3 of the accounts.

Operating costs

The Trusts' annual operating costs are £0.7m (2024: £0.6m). 49% (2024: 41%) are comprised of staff costs.

Reserves

Total reserves as at 30 September 2025 were £333.4m (2024: £301.9m). If designated funds of £4.2m and a small endowment of £1.7m are excluded, this results in a general fund of £327.6m.

Whilst these may be considered 'free reserves', the Trust's policy is to maintain the real value of the level of reserves over the long-term, as the majority of these are invested to generate a sufficient return to fund current and future charitable activities. This is in line with the power conferred on the Trust and has been discussed with the Charity Commission. The Trustees consider the current level of reserves to be appropriate in light of the Trust's ambition to provide long-term support to scientists working in the fields of fundamental and translational research into musculoskeletal and related diseases.

Details of the designated and endowment funds are shown in note 12 of the accounts.

Principal risks and uncertainties

The Board of Trustees has responsibility for ensuring there are adequate and effective risk management protocols in place to manage the Trust's overall areas of risk. An annual review of the key risks is carried out by the Board and is supported in its assessment by the Finance and Investment Committee and General Purposes Committee.

The Trust has identified the following principal risks and steps to mitigate the risk:

Risk	Mitigation strategy
Investment Management The Trust solely relies on investments to generate a sufficient return to cover research expenditure. As is the nature with investment, there is some accepted risk of loss, as well as variable returns.	The Trust has engaged an external fiduciary manager, JP Morgan Private Bank, and pursues an asset allocation policy to diversify risk and conserve capital in real terms. There are regular reviews of the Trust's investment strategy and policy (in light of the Trust's financial plans) by the Finance and Investment Committee and the Trust's fiduciary manager. Quarterly performance reports are presented to the Finance and Investment Committee and annual presentations are made to the Board. Regular reviews of long-term expected returns compared with expected spending are performed.
Agreement with the University of Oxford The current 5-year agreement is due to end in July 2026. A new agreement worth £27.5m between The Trust, Oxford University and the Institute was signed in March 2026. This is a long-standing relationship which the Trust will continue to prioritise under the agreed strategic themes.	A temporary sub-committee was created to navigate the development of a new agreement, which aligns with the Institute's new strategy, on and finalise the grant agreement on terms that are appropriate for the Trust and its objectives.
External factors The Trust is subject to external forces such as the Financial Markets, liquidity and currency risk, as well as changes to legislation/guidance.	The Trust considers that its operations are unlikely to be impacted by short-term market volatility given the portfolio is well-diversified and there are sufficient liquid assets to meet its spending requirements. Trustees and the Executive team keep abreast of potential external changes which may impact the Trust.

Structure, Governance and Management

Governing Document

The Trust is a charitable company limited by guarantee incorporated on 13 October 1969 and is governed under its Articles of Association. The Charity is registered with the Charity Commission of England and Wales.

Structure and decision making

The Trust is governed by a Board of Trustees who meet quarterly as a minimum. There are three permanent sub-committees each with specific responsibilities, as set out in their Terms of Reference, and each reports to the Board on a regular basis:

General Purposes Committee: ensures that all matters relating to the Trust are effectively managed by the appropriate Committee or the Board. Its responsibilities include the structure, governance, and reputation of the Trust.

Finance and Investment Committee: responsible for the Trust's financials, investments, and audit and risk management for finance and investment matters.

Research Committee: has responsibility for all matters requiring scientific expertise and operates with a mix of Trustees and five non-trustees.

Recruitment and appointment of new Trustees

Trustees are recruited by the Board based upon their experience, professional qualifications, empathy and interest in the Trust's objectives and ability to further the Trust's performance and achievements. For each recruitment, a dedicated working group of Trustees shortlist candidates for interview and put forward a final recommendation to the Board of Trustees. Suitable candidates are identified through an open recruitment process with a specialist recruiter.

Once appointed, new Trustees are provided with an induction pack which highlights their fiduciary responsibilities, as well as containing relevant information about the Trust and their areas of responsibility. Trustee training is provided where considered necessary.

Trustees benefit from indemnity insurance to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Charity. The cost of this insurance in the year has been included within total insurance costs.

Pay and remuneration

The Trust considers salaries paid on an annual basis to ensure they are fair and appropriate for the positions and reflect any changes to the roles during the year. In addition, account is taken of changes in the cost of living.

The Finance and Investment Committee, with approval by the Board, reviews salaries of Key Management Personnel (KMP) on an annual basis as outlined above and makes recommendations to the Board for final approval.

The Trust appoints external recruitment agents to advise on KMP appointments. The Board or a delegated working group will determine the pay range for a vacancy prior to advertising, ensuring remuneration is in line with industry and market.

Charity Information

Registered Charity No: 260059
Registered Company No: 963832

Board of Trustees

Professor Michael Patton (Chair from 10 December 2025)
Professor Sir Stephen Holgate (Chair) (resigned 10 December 2025)
Mr. Christopher Coombe
Professor Andrew Cope (resigned 19 March 2025)
Mr. Joseph Cronly
Mr. Mark Dighero
Professor Paul Emery (appointed 25 November 2024)
Professor Edith Hessel (appointed 25 November 2024)
Professor Tracy Hussell
Mrs. Harsha Patel
Mr. Richard Punt
Dr. Paul Satchell
Professor Paul Peter Tak (appointed 25 November 2024)
Dr. Tony Wood (appointed 25 November 2024)

Sub-committees

General Purposes Committee

Mr. Mark Dighero (Chair), Mr. Richard Punt,
Professor Michael Patton (until 10 December 2025)
and Mr. Christopher Coombe (from 23 March 2026)

Finance and Investment Committee

Mr. Christopher Coombe (Chair), Mr. Mark Dighero,
Mrs. Harsha Patel, Dr. Paul Satchell and Mr. Joseph Cronly

Research Committee

Professor Andrew Cope (Chair to 19 March 2025),
Professor Tracy Hussell (Chair from 19 March 2025 to 10 December 2025), Mr. Richard Punt (until 10 December 2025) and Professor Edith Hessel (Chair from 10 December 2025). Non-Trustee members:
Professor Philip Conaghan, Professor Dirk Elewaut,
Professor Carl Goodyear, Professor Paul Lehner
and Professor Carola Vinuesa

*The Chair of the Board of Trustees attends
Committee meetings as an observer*

Key Management Personnel

Dr. Stephen Simpson (Chief Executive Officer)
Mrs. Hazel Middleton (Director of Finance and Operations)
Mrs. Jessica Lock (Interim Director of Finance and Operations from 7 July 2025)

President*

Professor Sir Ravinder Maini

Vice presidents*

Mr. Colin Barnes (until 28 August 2025)
Mr. James Davis
Dr. Gregory Winter

Registered Office

Boundary House
91 Charterhouse Street
London EC1M 6HR

Business Address

One Lyric Square
London W6 0NB

Independent Auditors

MHA
6th Floor
2 London Wall Place
London EC2Y 5AU

Bankers

Lloyds TSB Bank PLC
25 King Street
Hammersmith
London W6 9HW

Investment Advisers

J.P. Morgan SE
60 Victoria Embankment
London EC4Y 0JP

Legal Advisers

Stone King LLP
Boundary House
91 Charterhouse Street
London EC1M 6HR

**honorary positions and not a Trustee*

Statement of Trustee Responsibilities

The Trustees (who are also directors of the Trust 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 Accounting Practice).

Company law requires Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- 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 the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

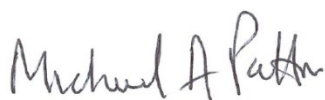
In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.
- The Trustees' Annual Report is approved by the Trustees of the charity. The Strategic Report, which forms part of the Annual Report, is approved by the Trustees in their capacity as Directors in company law of the charity.

Auditors

The auditors, MHA were appointed auditors during the year and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

By order of the Board of Trustees.



Professor Michael Patton
Chairman of the Board of Trustees
23 March 2026



Christopher Coombe
Chair of the Finance and Investment Committee

Independent Auditor's Report to the Members of The Kennedy Trust for Rheumatology Research

Opinion

We have audited the financial statements of The Kennedy Trust for Rheumatology Research (the 'charitable company') for the year ended 30 September 2025 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2025, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Trustees' assessment of the entity's ability to continue to adopt the going concern basis of accounting included critical reviews of budgets and forecasts provided.

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

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

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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' report (incorporating the Strategic Report and the Directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report has 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 15, 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 responsibilities for the audit of the financial statements

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

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

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

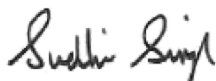
- Obtaining an understanding of the legal and regulatory frameworks that the entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements;
- Enquiry of management and those charged with governance to identify any instances of known or suspected instances of fraud;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of management about any instances of non-compliance with laws and regulations;
- Reviewing the control systems in place and testing the effectiveness of the controls;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

Use of this 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. Our audit work has been undertaken so that we might state to the charitable company's members 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 and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sudhir Singh FCA (Senior Statutory Auditor)

For and behalf of MHA Statutory Auditor
London,
United Kingdom

Date: 30 March 2026

MHA is the trading name of MHA Audit Services LLP, a limited liability partnership in England and Wales (registered number OC455542)

Statement of Financial Activities

(incorporating income and expenditure account)

For year ended 30 September 2025

	Note	Unrestricted	Endowment	Total	Total
		2025	2025	2025	2024
		£'000	£'000	£'000	£'000
Investment income		10,917	-	10,917	10,562
Income from donations and legacies		231	-	231	-
Income from charitable activities					
Co-funding of research initiatives		175	-	175	95
Total income		11,323	-	11,323	10,657
Costs of raising funds					
Investment advice	2	1,488	-	1,488	1,199
Expenditure on charitable activities					
Research funding	2,3	4,334	-	4,334	5,816
Other expenditure					
Exchange loss		-	-	-	12
Total expenditure		5,822	-	5,822	7,027
Net income before investment gains		5,501	-	5,501	3,630
Net gains on investments	7c	25,894	106	26,000	26,375
Net movement in funds		31,395	106	31,501	30,005
Total funds brought forward		300,352	1,556	301,908	271,903
Total funds carried forward	12	331,747	1,662	333,409	301,908

The detailed 2024 comparative Statement of Financial Activities is reported in note 18.

The notes on pages 22 to 36 form part of these financial statements.

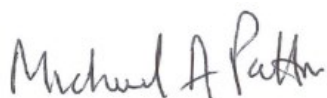
Balance Sheet

as at 30 September 2025

Company number: 963832

	Note	2025 £'000	2024 £'000
Fixed assets			
Tangible assets	14	7	1
Investments	7	358,985	332,941
		358,992	332,942
Current assets			
Debtors	8	628	472
Investments	7	750	-
Cash at bank and in hand		765	1,706
		2,143	2,178
Current liabilities (amounts falling due within one year)			
Sundry creditors and accruals	9	(200)	(128)
Grant payments due within one year	10	(13,946)	(13,301)
		(14,146)	(13,429)
Net current assets		(12,003)	(11,251)
Total assets less current liabilities		346,989	321,691
Creditors (amounts falling due after one year)			
Grant payments	10	(13,580)	(19,783)
Total net assets	11	333,409	301,908
Funds			
Unrestricted – Designated		4,170	8,921
Unrestricted – General		327,577	291,431
Unrestricted – Total		331,747	300,352
Endowment		1,662	1,556
Total funds	12	333,409	301,908

These Accounts were approved by the Trustees and authorised for issue on 23 March 2026.



Professor Michael Patton
Chairman of the Board of Trustees



Christopher Coombe
Chair of the Finance and Investment Committee

The notes on pages 22 to 36 form part of these financial statements.

Statement of Cashflows

For year ended 30 September 2025

	2025	2024
	£'000	£'000
Net cash used in operating activities (note a)	(9,707)	(8,099)
Net cash provided by investing activities (note b)	8,766	8,385
	<u>(941)</u>	<u>286</u>
Cash and cash equivalents at 1 October	1,706	1,420
Cash and cash equivalents at 30 September	765	1,706

a. Cash flows from operating activities

Net income for the year	31,501	30,005
Investment income	(10,917)	(10,562)
(Gains) on investments	(26,000)	(26,375)
Investment Management fees	1,348	1,101
Depreciation of tangible assets	3	1
(Decrease) in creditors	(5,486)	(3,165)
(Increase)/decrease in debtors	(156)	896
Net cash used in operating activities	(9,707)	(8,099)

b. Cash flows from investing activities

Payments to acquire investments	(263,456)	(76,324)
Receipts from sales of investments	265,065	75,469
Investment income	10,917	10,562
Purchase of tangible fixed assets	(9)	-
Decrease/(increase) in cash held by investment manager	603	(3,688)
Cash (outflow)/inflow from foreign exchange hedging	(3,006)	3,467
Investment Manager fees	(1,348)	(1,101)
Net cash provided by investing activities	8,766	8,385

As the Trust does not have any debt, an analysis of net debt has not been produced.

Notes to the Accounts

1. Summary of Significant Accounting Policies

(A) GENERAL INFORMATION AND BASIS OF PREPARATION

The Kennedy Trust for Rheumatology Research is a private company limited by guarantee registered in England. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the charity information on page 14 of these financial statements.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are presented in sterling which is the functional currency of the charity and rounded to the nearest £'000.

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

(B) FUNDS

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been restricted for particular purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent those assets which must be held permanently by the charity, principally the Maynard Jenour Fund and the Kennedy Endowment Fund. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. Investment management charges and legal advice relating to the fund are charged against the fund.

(C) INCOME RECOGNITION

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably, and it is probable that the income will be received.

Donations are recognised on receipt. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained, then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

Investment income is earned through holding assets for investment purposes such as shares and property. It includes dividends, interest and private market distributions. Where it is not practicable to identify investment management costs incurred within a scheme with reasonable accuracy the investment income is reported net of these costs. It is included within cost of raising funds when the amount can be measured reliably. Interest income is recognised using the effective interest method and dividend income is recognised as the charity's right to receive payment is established.

Income from royalty and license agreements is recognised throughout the year when there is reasonable assurance of receipt. Royalty and license income are recognised gross of the related revenue share obligations to the Inventors and other parties which are payable on recognition of the royalty income. License agreements also provide for the reimbursement of patent protection costs in certain cases.

(D) EXPENDITURE RECOGNITION

All expenditure is accounted for on an accruals basis, inclusive of VAT that cannot be recovered and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required, and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Costs of raising funds includes royalty sharing payments, intellectual property protection and investment advice;
- Expenditure on charitable activities includes research science funding and research infrastructure funding.

Grants payable to the Institute and to other third parties are within the charitable objectives. Where unconditional grants are offered, this is accrued as soon as the recipient is notified of the grant, as this gives rise to a reasonable expectation that the recipient will receive the grants. Where grants are conditional relating to performance then the grant is only accrued when any unfulfilled conditions are outside of the control of the charity.

The provision for a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the Trust that would permit the Trust to avoid making the future payment(s), settlement is probable and the effect of discounting is material. The discount rate used is the Trust's target rate of return on investment, currently UK CPI +3%. This discount rate is regarded by the Trustees as providing the most current available estimate of the opportunity cost of money reflecting the time value of money to the Trust. The effect of the rate applied has been quantified in the Annual Report in note 3.

Investment advice reflects the costs incurred by the Trust in managing its investment portfolios. The cost includes both internal costs and external consultancy and management costs. Cost is recognised in line with the accruals basis above.

(E) SUPPORT COSTS ALLOCATION

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs, governance costs and administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity and include grant management carried out by the Trust's employees. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable activities on a basis consistent with use of the resources. Premises overheads and other overheads have been allocated either on time spent or on another basis as appropriate.

(F) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended. The agreed capitalisation limit of tangible assets has been increased and agreed at £1,000.

Depreciation is calculated to write-off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Computer equipment	3 years
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(G) INVESTMENTS

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value with changes recognised in 'net gains /(losses) on investments' in the Statement of Financial Activities if the shares are publicly traded or their fair value can otherwise be measured reliably. The Trustees have deemed that the fair value of unlisted open ended investment companies (OEIC's) and illiquid property fund investments, equates to the charity's share of the Net Asset Value (NAV) of the assets held, based on the market prices as at the valuation date. Investment gains and losses are shown split between realised and unrealised.

(H) DEBTORS AND CREDITORS RECEIVABLE / PAYABLE WITHIN ONE YEAR

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

(I) PROVISIONS

Provisions are recognised when the charity has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

(J) LEASES

Rentals payable and receivable under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

(K) FOREIGN CURRENCY

Foreign currency transactions are initially recognised by applying to the foreign currency amount the best available exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate. Gains and losses on exchange are allocated to the appropriate resource.

Forward exchange contracts are used solely to manage the exposure to foreign exchange rate risks in respect of the Trust's investment portfolio.

(L) EMPLOYEE BENEFITS

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

The charity contributes to the personal pension schemes of the employees and all costs are charged to the Statement of Financial Activities in the year to which they relate. These costs are all allocated to unrestricted funds based on time spent on each activity.

(M) TAX

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. It therefore does not suffer tax on income or gains applied for charitable purposes.

(N) GOING CONCERN

The financial statements have been prepared on a going concern basis as the Trustees believe that no material uncertainties exist. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure are sufficient with the level of reserves for the charity to be able to continue as a going concern.

The Trust's investment portfolio is stress tested periodically with the assistance of its fiduciary manager JP Morgan. The Trustees concluded that even in the worst-case scenarios, funds available are considered to be comfortably adequate to ensure the solvency, resilience, and liquidity of the Trust.

(O) FINANCIAL INSTRUMENTS

The charity holds both basic and complex Financial Instruments. The Trust has elected to apply the provisions of Section 11 and Section 12 of FRS 102 in full in respect of financial instruments. The financial assets and financial liabilities of the Charity are as follows:

Debtors – trade and other debtors (including accrued royalty income) are basic financial instruments measured at amortised cost.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Liabilities – trade creditors, accruals and other creditors will be classified as financial instruments and are measured at amortised cost as detailed in notes 9 and 10. Taxation and social security are not included in the financial instruments disclosure. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is simply an obligation to deliver charitable services rather than cash or another financial instrument.

Investments – a number of investments held at the year-end are classified as complex financial instruments as they are unlisted open ended investment companies (OEIC's). Under Section 11.24 of FRS 102 SORP 2019 the subsequent measurement of complex financial instruments should be at fair value and all changes in the fair value should be recognised in the Statement of Financial Activities. The Trustees have deemed that the fair value of these investments equates to the charity's share of the Net Asset Value (NAV) of the assets held, based on the market prices as at the valuation date. The Trust deems its derivative instruments as complex financial instruments and the Trust's policy is explained below. All other investments are classified as basic financial instruments and held at their market value.

Derivative instruments – The Trust uses, from time to time, forward foreign currency contracts to reduce exposure to foreign exchange rates solely in respect of its investment portfolio. Derivative financial instruments are initially measured at fair value on the date the derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the SoFA.

(P) JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

- Allocation of support costs are made in line with the use of the resource
- Fund allocation
- Discounting of the multi-year grants liabilities to present value. Internal estimation is required in calculating the appropriate discount rate and determining when the liability will fall due
- Fair value of investments
- Foreign currency exchange rates.

There are no other key assumptions concerning the future or key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2 Analysis of expenditure

	Activity				2025
	Research funding £'000	Investment advice £'000	Governance £'000	Support £'000	Total £'000
Staff Costs (see note 5)	116	36	116	52	320
Grants (see note 3)	3,816	-	-	-	3,816
Network	62	-	-	-	62
Legal and Professional	7	1,348	62	34	1,451
Operating costs	30	-	35	108	173
	4,031	1,384	213	194	5,822
Governance Costs	159	54	(213)	-	-
Support Costs	144	50	-	(194)	-
Total	4,334	1,488	-	-	5,822

	Activity				2024
	Research funding £'000	Investment advice £'000	Governance £'000	Support £'000	Total £'000
Staff Costs (see note 5)	102	32	101	46	281
Grants (see note 3)	5,296	-	-	-	5,296
Network	7	-	-	-	7
Legal and Professional	19	1,101	32	15	1,167
Operating costs	44	-	11	126	181
Other	26	-	57	-	83
	5,494	1,133	201	187	7,015
Governance Costs	167	34	(201)	-	-
Support Costs	155	32	-	(187)	-
Total	5,816	1,199	-	-	7,015

3 Grants

Grants awarded:

The Trust issues grants to institutions only, in areas that have a clear relation to disease pathways of rheumatological and related musculoskeletal disorders:

	2025 £'000	2024 £'000
University of Oxford	3,269	1,907
King's College London	250	99
University of Birmingham	250	-
University of Cambridge	-	1,992
Queen Mary University of London	-	100
University of Leeds	-	100
University of East Anglia	-	100
University of Nottingham	-	99
Arthritis UK	50	-
Total grants awarded	3,819	4,397
Other adjustments		
Writebacks	(607)	(1,333)
Movement in grant discount	604	2,232
Total	3,816	5,296

The Trust discounts multi-year grant liabilities to present value and applies a discount rate of UK Core CPI +3%. As at 30 September 2025, the discount rate of 6.5% (2024: 6.2%), resulted in a discount of £1.9m (2024: £2.5m).

The current year impact of movement in the discount rate of £0.6m (2024: £2.2m) is recorded in charitable expenditure.

Grant commitments (£'000):

Grant commitment at 30 September 2023	35,746
<i>Movements in 2024:</i>	
Cash disbursements	(7,958)
New grants made	4,397
Writebacks	(1,333)
Movements in grant discount	2,232
Grant commitment at 30 September 2024	33,084
<i>Movements in 2025:</i>	
Cash disbursements	(9,374)
New grants made	3,819
Writebacks	(607)
Movements in grant discount	604
Grant commitment at 30 September 2025	27,526

4 Net expenditure for the year

Net expenditure for the year is stated after charging:

	2025 £'000	2024 £'000
Auditor's remuneration (for audit services only)	36	32
Exchange rate loss	-	12
Operating lease expense	93	90
Depreciation	3	1

5 Staff costs

	2025 £'000	2024 £'000
Staff salaries	268	235
National Insurance	24	23
Employer contributions to pensions	27	23
Other employee benefits	1	-
Total staff costs	320	281

Average staff numbers during the year comprise 4 members of staff (3.1 full time equivalent) (2024: 3.5 (2.7 full time equivalent)).

The key management personnel of the Charity are the Chief Executive and the Director of Finance and Operations; aggregate remuneration and benefits for the key management personnel is £252k (2024: £230k)

The table below summarises the number of employees who received £60,000 or more in the year:

	2025	2024
Employees paid between £60,000 and £70,000	1	1
Employees paid between £110,000 and £120,000	-	1
Employees paid between £120,000 and £130,000	1	-

6 Payments to Trustees

The members of the Board of Trustees receive no emoluments for their service.

Expenses totalling £4,923 (2024: £894) were reimbursed to 9 Trustees (2024: 5) and £3,368 (2024: £4,143) were paid directly by the Trust to third parties on behalf of 9 Trustees (2024: 9). These payments related mainly to travel and subsistence costs incurred in carrying out their duties as Trustees.

7 Investments

(a) Movement on investments:

	2025 £'000	2024 £'000
Market value brought forward	330,710	306,946
Net additions at cost	263,456	76,324
Disposals at market value	(265,065)	(75,469)
Gain on investments	29,006	22,909
	358,107	330,710
Outstanding forward contracts	-	1,569
Cash held by Investment Managers	1,628	662
Market Value carried forward	359,735	332,941
Historic cost of investments	348,415	322,144

(b) Investments comprise of:

	2025 £'000	2024 £'000
Equities	175,327	162,539
Fixed Income	56,259	56,756
Alternatives	126,521	92,468
UK Property Funds	-	18,947
Foreign currency forward contracts	-	1,569
Cash	1,628	662
Total	359,735	332,941

(c) Net gains/(losses) on investments

	2025 £'000	2024 £'000
Realised gains/(losses) on portfolio	9,601	(45)
Unrealised gains on portfolio	19,405	22,953
Cash (losses)/gains from FX hedging	(3,006)	3,467
Net gain in Statement of Financial Activities	26,000	26,375

Total fair value of listed investments held as at 30 September 2025 was £229.6m (2024: £220.6m) which are made up of equities, fixed income, REITs and gold.

8 Debtors

	2025	2024
	£'000	£'000
Accrued income	608	451
Prepayments	20	21
Total debtors	628	472

9 Sundry Creditors and Accruals

	2025	2024
	£'000	£'000
Other creditors and accruals	185	117
Taxation and social security	15	11
Total creditors	200	128

10 Creditors falling due after more than one year

The balance of grants payable is as follows:

	2025	2024
	£'000	£'000
Grant payments due between one and five years	15,278	21,802
Grant payments due after five years	229	512
Discounting of grant liabilities	(1,927)	(2,531)
Commitments due after one year	13,580	19,783

11 Analysis of net assets

	Unrestricted Funds £'000	Endowment Funds £'000	2025 Total £'000	Unrestricted Funds £'000	Endowment Funds £'000	2024 Total £'000
Fixed assets:						
Tangible fixed assets	7	-	7	1	-	1
Investments	357,323	1,662	358,985	331,385	1,556	332,941
Current Assets:						
Debtors	628	-	628	472	-	472
Investments	750	-	750	-	-	-
Cash at bank and in hand	765	-	765	1,706	-	1,706
	359,473	1,662	361,135	333,564	1,556	335,120
Current liabilities	(14,146)	-	(14,146)	(13,429)	-	(13,429)
Long-term liabilities	(13,580)	-	(13,580)	(19,783)	-	(19,783)
	331,747	1,662	333,409	300,352	1,556	301,908

12 Funds

	30 September 2024 £'000	Income £'000	Expenditure £'000	Transfers £'000	Investment Profits £'000	30 September 2025 £'000
Endowment Funds						
Maynard Jenour Fund	105	-	-	-	7	112
Kennedy Endowment Fund	1,451	-	-	-	99	1,550
Total Endowment Funds	1,556	-	-	-	106	1,662
Unrestricted Funds						
General Fund	291,431	11,323	(5,822)	4,751	25,894	327,577
Designated Funds						
Oxford Research Grant Fund 2021	8,921	-	-	(4,751)	-	4,170
Total Designated Funds	8,921	-	-	(4,751)	-	4,170
Total Unrestricted Funds	300,352	11,323	(5,822)	-	25,894	331,747
Total Funds	301,908	11,323	(5,822)	-	26,000	333,409

Endowment Funds

Maynard Jenour and Kennedy Endowment Funds represent donations received in the early years of the Trust, held as permanent endowments. The income is unrestricted and is applied to fund grants to support clinical research.

Designated Funds

The designated funds represent unrestricted amounts which the Trustees have allocated for specific purposes. The Trustees can reallocate these funds as required.

The Oxford Research Grant Fund 2021: represents the intention of the Trust to continue funding the Institute under the current agreement with the University of Oxford signed in October 2018. Under this agreement the Trust committed to provide funding of £4m per annum (adjusted for inflation) from 1 August 2021 until 31 July 2026. The designated fund is used to ringfence the expected funding under the agreement. £4.8m (2024: £4.1m) was released from the Oxford Research Grant Fund 2021 to General Funds constituting funding of this obligation for the year. No grant creditor for the possible future commitments has been shown as the Trust has the right to refuse payment if no suitable projects are put forward.

13 Funds (continued) – 2024 comparatives

	30 September 2023 £'000	Income £'000	Expenditure £'000	Transfers £'000	Investment Profits £'000	30 September 2024 £'000
Endowment Funds						
Maynard Jenour Fund	99	-	-	-	6	105
Kennedy Endowment Fund	1,367	-	-	-	84	1,451
Total Endowment Funds	1,466	-	-	-	90	1,556
Unrestricted Funds						
General Fund	257,396	10,657	(7,027)	4,120	26,285	291,431
Designated Funds						
Oxford Research Grant Fund 2021	13,041	-	-	(4,120)	-	8,921
Total Designated Funds	13,041	-	-	(4,120)	-	8,921
Total Unrestricted Funds	270,437	10,657	(7,027)	-	26,285	300,352
Total Funds	271,903	10,657	(7,027)	-	26,375	301,908

14 Tangible Fixed Assets

	Computer Equipment	2025 £'000	2024 £'000
Cost			
Cost as at the beginning of the year	5	5	5
Additions	9	9	-
Cost at the end of the year	14	14	5
Depreciation			
Accumulated depreciation at the beginning of the year	4	4	3
Depreciation	3	3	1
Accumulated depreciation at the end of the year	7	7	4
Net book value at beginning of the year	1	1	2
Net book value at end of the year	7	7	1

15 Operating Leases

The Trust has a lease on its current offices which can be terminated at the end of the minimum contract term on 31 March 2026.

These non-cancellable lease commitments and their period of expiry are:

	2025 £'000	2024 £'000
Under 1 year	47	47
2-5 years	-	-
>5 years	-	-
Total	47	47

16 Related Party Transactions

There were no related party transactions during the year.

Although not strictly a related party transaction, for transparency purposes, we have elected to disclose that one of the Trust's 2024 Research Ignition Awards was granted to the University of Cambridge during the year. The project was led by Professor Paul Lehner, a non-Trustee member of the Research Committee. The total grant awarded was £99,970, with £58,148 outstanding at the start of the year. £58,100 was paid during the year, £48 was written back and there were no payments remaining at the year end.

17 Post Balance Sheet Events

On 10 March 2026, an agreement was signed to provide £27.5m of strategic funding to the Kennedy Institute for Rheumatology Research from 1 August 2026 to 31 July 2031. This commitment will be recognised on the signing date of the agreement.

18

Detailed Comparatives for the Statement of Financial Activities

	Unrestricted Funds 2024 £'000	Endowment Funds 2024 £'000	Total Funds 2024 £'000
Investment income	10,562	-	10,562
Incoming from other trading activities			
Co-funding of research initiatives	95	-	95
Total income	10,657	-	10,657
Costs of raising funds			
Investment advice	1,199	-	1,199
Expenditure on charitable activities			
Research funding	5,816	-	5,816
Other expenditure	12	-	12
Exchange loss			
Total expenditure	7,027	-	7,027
Net income before investment gains	3,630	-	3,630
Net gains on investments	26,285	90	26,375
Net movement in funds	29,915	90	30,005
Total funds brought forward	270,437	1,466	271,903
Total funds carried forward	300,352	1,556	301,908

THE KENNEDY TRUST FOR RHEUMATOLOGY RESEARCH

England & Wales - Charity number 260059

Accounts



**The Kennedy Trust for Rheumatology Research
Annual Report & Accounts for the Year Ended 30 September 2024**

**Registered Charity: No 260059
Company No 963832**

Contents

Letter from the Chair	2
Trustees' Report	3
Background	3
Charitable objectives	3
Strategic themes	3
Strategic Report	3
Activities, achievements and performance	4
Financial Review	8
Principal risks and uncertainties	10
Structure, Governance and Management	11
Charity Information	12
Statement of Trustee Responsibilities	13
Independent Auditor's Report to the Members of The Kennedy Trust for Rheumatology Research....	14
Statement of Financial Activities	17
Balance Sheet	18
Statement of Cashflows	19
Notes to the Accounts	20

Letter from the Chair

I am delighted to introduce the Annual Report and Accounts for the year 2023/24 for the Kennedy Trust for Rheumatology Research ("Trust"). This has been another year of notable progress for the Trust, with exciting breakthroughs in research, new grants awarded, and streams of funding developed as well as a chance to celebrate decades worth of transformational scientific advancements supported by the Trust.

The Kennedy Institute of Rheumatology ("Institute") continues to advance frontiers of research across a range of novel themes, and this year reached a major milestone in celebrating a decade since it opened its new building at Oxford University, one of the largest and most impressive medical research campuses in Europe. The Institute is thriving under the Directorship of Professor Dame Fiona Powrie and its cast of principal investigators, group leaders, students and talented support staff.

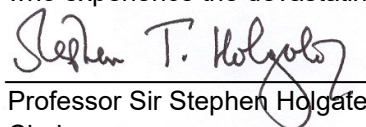
The expression 'world class' is often used in the realm of research funding, but the Trust can be rightly proud to attribute the term to the Institute; evidenced by the publication of its many impressive research findings in top-tier journals and its ability to attract the very best students and scientists from across the globe. The core funding provided by the Trust also enables the Institute to successfully compete for grants from other funders, which now comprise over 60% of the Institute's funding portfolio. This leverage is vital to the Institute's success and is made possible with the commitment of the Trust in prioritising its funds to the Institute and is enabling exciting new frontiers in translational and clinical research to be forged.

The Trust has a strong legacy in supporting research with relevance, and this year we celebrated a quarter-century milestone since the first approvals of Infliximab (anti-TNF α monoclonal antibody), the world's first biologic therapy for rheumatoid arthritis and inflammatory bowel disease. The pivotal studies at the Institute that were crucial to the development of this important drug were made possible by the funding of the Trust and Versus Arthritis. We have not wasted the opportunity to use the proceeds from its global success to invest in new research and build a sustainable future for the Trust and its work.

Recognising that biomedical research funding in the UK is under pressure and to meet this challenge, we continue to expand our ambitions to support research across the UK, and I'm excited about the potential of new funding for career-focused programmes we are planning for coming years. This funding offers researchers the opportunity to build their careers to help deliver the Trust's core mission.

The Trust's success also relies critically on the dedication and time given by its Trustees. These individuals bring a wealth of experience in different areas including finance, law and science and I would like to extend my strongest appreciation of their deep commitment to the Trust. I'm delighted that we are also expanding and evolving our Board, with new members from the world of private equity investment and science, including international academic leaders and those who join us from the pharma and biotechnology sectors. We have also expanded our Research Committee with three new non-Trustee experts, giving us ever greater confidence in placing independent scientific rigour at the heart of the research we fund. The Trust is supported ably by a small dedicated executive team for whose tireless work I extend my appreciation.

It is with a true sense of excitement that we look to new horizons for the Trust as it plans the next stage of its journey; supporting the Institute through a new agreement being developed with Oxford University, our new streams of funding across the UK and working with valued partner organisations and research centres to deliver science that has the potential to change lives for those many people and their families who experience the devastating effects of musculoskeletal disorders.



Professor Sir Stephen Holgate
Chair

19 March 2025

Trustees' Report

Background

The Kennedy Trust for Rheumatology Research ("Trust") was founded in 1965 by a donation from Mathilda Kennedy, daughter of the founder of Marks and Spencer Michael Marks, and her husband Terence to support the establishment of the first institute of its kind investigating the fundamental causes of rheumatic and related musculoskeletal diseases. This resulted in the establishment of the Kennedy Institute of Rheumatology, now at the University of Oxford ("Institute"). The Institute is run independently, but is a recipient of funding from the Trust.

Over the past two decades, the Trust has accumulated substantial reserves from the proceeds of patents from treatments developed for the alleviation of the symptoms of rheumatic and musculoskeletal disease. It uses the returns from the investment of these proceeds to meet its charitable objectives through funding research, in the form of grants, with a significant proportion provided to support the Institute, along with an increased proportion to other centres.

Charitable objectives

To provide financial and other support for basic and translational research into rheumatic and related musculoskeletal diseases. In meeting its charitable objectives, the Trust supports both basic and translational research primarily through its support of the Institute.

Strategic themes

To focus the key activities of the Trust and articulate how it delivers on its charitable objectives, the Trust adheres to the following strategic themes:

1. Maintain the agreed strategic course for its investments, based on the long-term asset allocation of financial assets.
2. Continue to prioritise available financial support for the Institute and work with Oxford University to maximise the value of this funding.
3. Strategically plan and focus on other research support where it can make the most difference and seek ways to leverage and maximise the impact of its research funding.

When setting the strategic themes, planning the work of the Trust and in preparing this report, Trustees have referred to the Charity Commission's general guidance on public benefit and are satisfied that the activities undertaken by the Trust meet the Commission's requirements.

Strategic Report

The Trustees are pleased to present their annual report together with the financial statements of the Trust for the year ended 30 September 2024 which are also prepared to meet the requirements for a directors' report, strategic report and accounts for the Companies Act purposes. A combined directors' report and Trustees' annual report has been prepared with strategic report content contained in activities, achievement and performance (from page 4) and the financial review (from page 8).

Activities, achievements and performance

Supporting excellence in research

The Trust continues to build its prominence as a funder of research within the UK biomedical research landscape, through a focus on supporting new talent and stimulating ambitious new avenues of research funding. The Trust currently supports a portfolio of over 50 live awards, both within the Institute at Oxford University and at 12 other centres of excellence across the UK.

We are increasingly focussed on developing funding instruments that support research where it is most needed. Far from simply filling gaps, we are intent on using our funds to help build and sustain the research ecosystem in the UK in the areas that meet our charitable objectives. Our ambition is that by nurturing new talent and providing carefully placed support, our funding intersects with the wider system in a way that synergises and amplifies with other funding and support provided by research institutions across the UK.

The Trust launched a new scheme in 2023, the Research Ignition Awards (“RIAs”) with the aim of providing early funding support of up to £100k to build capacity in rheumatic and musculoskeletal disease research in the UK. We know that this type of seed funding for researchers to develop early data is lacking in the UK, yet it can provide a vital life-line for embryonic research ideas to flourish. We are excited that ten of these ‘pump-priming’ grants were awarded by our Research Committee in October 2023, with most having started this year. They explore diverse research topics, ranging from the development of new pharmaceutical interventions for osteoarthritis to unpacking the mechanisms that lead to pathogenesis of systemic fibrosis. The second call for RIA's will launch early in 2025 and we look forward to supporting exciting new science to add to our existing portfolio.

Ignition highlight: Professor Ian Clark, Professor Alex MacGregor and Dr Rose Davidson, University of East Anglia.

The food we eat can affect arthritis, for example through inflammation, which can impact upon the structure of the joint and influence pain. Some foods have been linked to osteoarthritis in population studies, but the laboratory evidence supporting these connections is poor. This is because laboratory studies don't capture the complexity of how different foods interact. Researchers typically study one factor at a time, which limits their understanding of the bigger picture. In this project, Prof Clark, Dr Davidson and Prof MacGregor aim to overcome these limitations by using a more sophisticated approach which will allow them to test the effects of many dietary components simultaneously and understand how they interact. Ultimately, this will allow evidence-based advice enabling osteoarthritis patients to use diet in the self-management of their disease.

This year also saw the awarding of a sixth Senior Research Fellowship to Dr Tetsuo Hasegawa, at the University of Cambridge. His innovative project will generate a 3D molecular atlas of the synovium of the joint using unique imaging systems and investigate questions that will provide new strategies to target neuroimmune interactions in arthritis and joint pain. The value of this prestigious fellowship scheme cannot be underestimated in helping support young group leaders at a vital juncture in their career, as well as building much needed capacity at a senior level to help the Trust meet its mission. Dr Hasegawa joins five other Senior Research Fellows, who are already making great strides in building their careers and contributing to important knowledge in the field.

Fellowship highlight: The Trust is also delighted to have supported a further fellowship co-sponsored with the Medical Research Council through the Daphne Jackson Trust fellowship scheme that enables scientists to return to research after a period of absence. Our new fellow, Dr Kate Coldwell has started her fellowship in the laboratory of Professor Dame Fiona Powrie at the Institute. Dr Coldwell's work will focus on Primary Sclerosing Cholangitis ("PSC"), which is a rare liver disease causing damage to the bile ducts impacting the transport of bile between the liver and the gut. The Fellowship will analyse blood and faecal samples in patients with PSC to look at the impact this disrupted bile transport has on the gut microbiome (the community of bacteria living in the gut), gut health and the relationship with liver disease. It is hoped that data from the study will provide information on how gut and liver problems in patients with PSC could be managed by modification to diet or lifestyle.

To add to our suite of funding this year, Trustees approved an exciting new strategic scheme: the Transition Fellowships. The scheme aims to support talented postdoctoral researchers seeking to take their first step towards research independence and we expect to make our first awards in 2025.

An important element of research success is the cohesion and collaboration between scientists. In 2021 a new network was formed of Kennedy Trust funded students and scientists, the Kennedy Network ("Network"), which has the aim of building connections between the scientists and students that we fund. The Network has over 100 members and this year we refreshed the Steering Committee to oversee its activities and initiatives. This year, the Network supported travel bursaries to attend a conference focusing on translational medicine at Trinity College, Oxford, as well as a workshop focusing on the development of international careers in London. The Network's third residential conference was held in Birmingham in February 2025 and featured an exciting programme of speakers, networking and workshops. The Steering Committee has also achieved further success through the publication of a biannual newsletter to foster continued engagement and communication amongst Network members.

Continuing commitment to the Kennedy Institute of Rheumatology

The Institute remains a flagship of international research excellence in the field of rheumatic and related musculoskeletal and inflammatory diseases. The Trust continues to provide significant core funding to the Institute, which has over the past number of years been building on its legacy of translating discovery research into new potential therapies. The Institute currently hosts 222 international scientists, staff and students and the Trust directly supports just over a quarter of its 162 staff.

The rich and supportive culture of research at the Institute is a vital ingredient in its success and something that the Director, Professor Dame Fiona Powrie, and her senior leadership team continue to build and develop through effective mentoring, a focus on diversity and an open culture of networking and learning.

The core funding provision of the Trust provides crucial underpinning support for the Institute, which enables the lead researchers to secure other sources of competitive grant funding to build their programmes of work across five core themes of discovery and translational research:

- Clinical translational and experimental medicine
- Computational biology
- Immunity and microbes
- Inflammation biology
- Tissue remodelling and repair

These are supported by state of the art facilities and platforms, supported by the Trust along with other funding, all of which enable research group leaders at the Institute to tackle ambitious questions using highly innovative experimental techniques, including biological imaging, genomic analysis and deciphering of complex data sets.

Kennedy leadership highlight: Dr Fränze Progatzky

Dr Progatzky's research group is harnessing the power of imaging platforms at the Institute to understand how different cell types cooperate to sustain healthy tissue and how they cooperate in the response to injury and inflammation during disease, particularly in the intestine. The work has important implications for understanding tissue repair in conditions such as inflammatory bowel disease and arthritis and has been recognised through a prestigious Wellcome Trust Career Development Fellowship that was enabled through funding by the Kennedy Trust, which continues to support the work of Dr Progatzky's group.

The Institute provides an exceptional environment for training the next generation of scientists at pre-doctoral and postdoctoral levels, most notably through The Kennedy Prize Studentship programme, supported by the Trust. With an uptake of seven new DPhil students in 2024, the total number of Trust-funded clinical and non-clinical students represents almost half of the 60 students working across 25 research groups. Several of these new students have also won joint support from other scholarly organisations, including the Rhodes Trust, the Medical Research Council and the Clarendon Fund, adding to the badge of excellence for the students attracted to work at the Institute.

The Institute's DPhil (PhD) graduates often go on to build careers at research centres in the UK and around the world and remain as alumni members of the Kennedy Network. Our hope and expectation is that this growing family of next generation Kennedy-trained scientists will forge new pathways of deciphering the complexity of rheumatic and related conditions.

Kennedy studentship highlight: Julia Salafranca Gomez

Julia joined the Institute in 2021 on a Kennedy Trust Prize Studentship and has been focussing on the molecular regulation of neutrophils during inflammation, particularly in rheumatoid arthritis. Julia is using models of arthritis and human samples to study pathways in disease and identify new therapeutic targets.

The Trust is also delighted to continue to support the Africa Oxford (AfOx) Kennedy Trust Prize Studentship scheme, which is a cross-university platform based at the University of Oxford with the aim of facilitating equitable and sustainable collaborations between researchers at the University of Oxford and African Universities.

Building from foundations of excellence in discovery research, the steady growth of translational and clinical research at the Institute remains a priority for the Trust and we continue to support a dedicated Clinical Pathology platform to help enable the development of novel experimental medicine studies. Linked closely with this is the groundbreaking Arthritis Therapy Acceleration Programme ("A-TAP"), initiated by a £7m award by the Trust in 2017 to bring together a highly novel configuration of researchers at the Universities of Oxford and Birmingham with industry partners who combine their resources to undertake innovative experimental medicine studies and clinical trials of new therapeutics. The first iteration of A-TAP is now in its final year and the Trust will continue to work with the Institute to build on its success in future years, supporting and encouraging the deepening of successful partnerships with industry spearheaded by A-TAP. To this end, the Institute has created lead innovator positions adjacent to key platforms as a means of ensuring that innovation keeps pace with new science emerging at the Institute.

Reach, visibility and impact of our research funding

The value of medical research funding lies not only in the generation of new knowledge, but in how this can be harnessed and translated into new forms of treatment that benefits patients. We are confident that our funding is flowing to internationally competitive research groups and their scientific productivity is a valuable measure of their success and our own. The Trust continues to think about how we measure and communicate the impact of our funding, and we have been developing a framework for measuring and reporting impact.

Our grant recipients report annually through the Researchfish platform and this gives the Trust a useful snapshot of how our grant funding is performing. Over the last five years alone, over £89m of further funding has been reported by our award holders, demonstrating the importance of our support in stimulating new avenues of research. Over this period, our grants have generated over 500 publications in peer reviewed journals, revealing the scale of dissemination of new knowledge emanating from our support. Almost half of these awards started publishing within their first year, which suggests that our funding leads to efficient and productive research.

Our funding has also helped, directly and indirectly, support over 200 partnerships and collaborations in the UK and across 18 countries worldwide, demonstrating the importance and breadth of the Trust's funding in enabling scientists to forge cohesion and build networks.

We continue to showcase our research using our website and social media channels, and this year we celebrated perhaps our greatest single impact with the publication of a new booklet chronicling the development of anti-TNF therapies. The development of this form of treatment began with research at the Institute in the 1990's and has brought huge benefits to human health, helping spawn a new generation of therapeutic biologic drugs for the treatment of a range of inflammatory diseases. The ultimate demonstration of the impact of anti-TNF therapy is the millions of people whose lives it has transformed, but the considerable financial legacy it has provided has also enabled the Trust to sustain its investment into new research and a new generation of research talent. This is a true testament to how research can have a lasting multigenerational impact, from which the Trust will continue to build.

Looking ahead: building and aligning our capability to deliver excellence and relevance

The Trust remains ambitious about the future of its work to support worldclass research. This year the Institute celebrates a decade as a beacon of research excellence under its Director Professor Dame Fiona Powrie. At the Institute, we have helped build key infrastructure, research capability and scientific teams that together form a unique environment for the delivery of research. Together with the Institute and Oxford University, we are now exploring how the Trust can most effectively fund and support the long-term success of this worldclass fulcrum of research.

To help us do this we continue to carefully manage our resources: in our available funding, in our planning and operations and in supporting an effective Board and sub-committees. Over the year, we recruited Mr Joe Cronly as a new Trustee and member of the Finance and Investment Committee. Joe comes with a wealth of experience in private equity investment, which forms a key element of the Trust's investment portfolio and which is vital to our ability to sustainably fund research. Joe replaces Mr Ed Buckley, who retired from the Board and Finance and Investment Committee in 2024 having served for six years, over which time he brought considerable knowledge and experience in helping the Trust manage its key investments.

We have also recruited four new scientific Trustees and are delighted to welcome highly respected research leaders in academia and industry to the Board: Professor Paul Peter Tak, Professor Edith Hessel, Professor Paul Emery and Dr Tony Wood. We also welcome three new non-Trustee members to our Research Committee: Professor Philip Conaghan, Professor Dirk Elewaut and Professor Carola Vinuesa. We are truly excited about the new scientific capacity these individuals bring to the Trust and are confident that their combined experience will bring fresh ideas to how we support the delivery, translation and exploitation of our funded research.

With guidance from our Research Committee, we continue to plan ahead for future funding streams, so that we are able to develop consistency in the way in which we fund the research community. In addition, we will continue to scope new areas of strategic importance, particularly where there is opportunity to partner or align with other research funders.

There is an expanding appreciation amongst many funders of the importance of bringing an authentic patient perspective and voice to research. In July 2024 we hosted a joint workshop with like-minded funders and patient partners to explore the opportunities and challenges of incorporating meaningful Patient and Public Involvement (“PPI”) practices into all aspects of our work. Feedback from this meeting has already informed updates to the application and review process for our first Transition Fellowship call, and we have updated our Researchfish reporting process to highlight and monitor the PPI activities undertaken by our funded researchers. We will continue to explore how we might bring the voice of those with direct experience of arthritis and other inflammatory conditions into other aspects of our research activities and delivery of funding.

This year we also expanded the small executive team of the Trust with the addition of a new Operations Support Officer. This has been an important development of the Trust’s executive functions and is enabling a new approach to how we organise and plan our work, deliver research funding and support the Board and its sub-committees.

Financial Review

Investment income £10.6m	Grants awarded £5.3m	Total Reserves £301.9m
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From a financial perspective, the Trust has two key drivers of financial sustainability; how well the investments perform and how much the Trust spends on research grants.

Investments (including policy and objectives)

The Trust relies on the dividends, distributions and capital gains derived from its investment portfolio to fund its charitable activities. The portfolio is mostly managed by JP Morgan as the Trust’s responsible fiduciary managers. The Trust carries out no fundraising activities.

The portfolio is invested with the aim of providing sufficient returns to cover the Trust’s grant giving, while preserving the real value of its assets over the long-term. Thus, the principal objective for the portfolio is a total return on invested funds of UK CPI+3% per annum over the longer term. The Trust has a balanced portfolio with sufficient liquidity to meet short-term spending commitments and avoid the forced sale of long-term and less liquid assets. In order to meet the portfolio’s objective, JP Morgan continues to work towards the agreed long-term asset allocation of 45% alternatives, 40% equities and 15% fixed income and cash. The Trust’s Investment Policy was reviewed and updated in November 2023.

The Trustees expect JP Morgan to consider the environmental, social and governance (ESG) policies of companies alongside other factors that may affect their long-term investment prospects. Given the Trust’s objectives, tobacco investments are kept to an absolute minimum and excluded where practically possible in the context of the Trust’s investments in pooled funds.

As at 30 September 2024, the total investments were valued at £332.9m (2023: £305.5m) and had generated £10.6m (2023: £8.7m) in income from dividends and distributions.

The return on investments for the year to 30 September 2024 was 13.9% (2023: 5.5%), above the Trust's long-term target return of UK CPI+3%. Key factors influencing performance were:

- Global equities: Gains were driven by easing inflation and strong corporate earnings, with the portfolio significantly benefiting from its U.S. equity market allocation. Investments in the Nasdaq and Semiconductor indices stood out, delivering exceptional returns. These sectors experienced robust growth due to strong investor enthusiasm for artificial intelligence, and a backdrop of a resilient economic environment.
- China equities: Performance in this allocation was a drag on returns. Despite government interventions such as interest rate cuts and liquidity injections, the Chinese economy struggled with persistent challenges. Weak consumer demand, deflationary pressures, and ongoing geopolitical tensions continued to weigh heavily on market performance, limiting the impact of stimulus efforts.

The Trust has continued to increase its allocation to Alternatives, with new investments in Global Transportation and additional commitments to Private Equity with the overall exposure increasing from \$7.2m to \$19.0m.

Grants

Grants are awarded through specific research calls or under the Trust's agreement with the Institute, in accordance with the Trust's charitable objectives.

The Trust committed a further £5.3m of multi-year grant funding to 7 UK institutes and Universities during the 2024 financial year (2023: 15.4m, 4 UK institutes and Universities). These grants have been discussed in pages 4-8 above. This is included within the SOFA (page 17) under the heading 'Research Funding'. Including the allocated support and governance costs, the total spend on Research Funding was £5.8m (2023: £15.9m). In 2023, a single award of £8.3m was given to the University of Oxford by the Trust to support the creation of two new permanent University Statutory Chairs at the Institute through a joint endowment between the University and the Trust.

This adds to the overall portfolio of ongoing research, with grant commitments still to be paid totalling £33.1m as at 30 September 2024 (2023: £35.7m). 57% of this balance is related to Institute funding (2023: 68%).

Reserves

Total reserves as at 30 September 2024 were £301.9m (2023: £271.9m). If designated funds of £8.9m and a small endowment of £1.6m are excluded, this results in a general fund of £291.4m.

Whilst these may be considered 'free reserves', the Trust's policy is to maintain the real value of the level of reserves over the long-term, as the majority of these are invested to generate a sufficient return to fund current and future charitable activities. This is in line with the power conferred on the Trust and has been discussed with the Charity Commission. The Trustees consider the current level of reserves to be appropriate in light of the Trust's ambition to provide long-term support to scientists working in the fields of fundamental and translational research into musculoskeletal and related diseases.

Details of the designated and endowment funds are in note 12 of the accounts.

Principal risks and uncertainties

The Board of Trustees has responsibility for ensuring there are adequate and effective risk management protocols in place to manage the Trust's overall areas of risk. An annual review of the key risks is carried out by the Board and is supported in its assessment by the Finance and Investment Committee and General Purposes Committee.

The Trust has identified the following principal risks and steps to mitigate the risk:

Risk	Mitigation strategy
Investment Management: The Trust solely relies on investments to generate a sufficient return to cover research expenditure. As is the nature with investment, there is some accepted risk of loss, as well as variable returns.	The Trust has engaged an external fiduciary manager, JP Morgan, and pursues an asset allocation policy to diversify risk and conserve capital in real terms. There are regular reviews of the Trust's investment strategy and policy (in light of the Trust's financial plans) by the Finance and Investment Committee and the Trust's fiduciary manager. Quarterly performance reports are presented to the Finance and Investment Committee and annual presentations are made to the Board. Regular reviews of long-term expected returns compared with expected spending are performed.
Relationship with the University of Oxford: The current 5 year agreement is due to end in July 2026. The Trust has entered into discussions with Oxford University and the Institute on the future funding terms. This is a historic relationship which the Trust will continue to prioritise under the agreed strategic themes.	A temporary sub-committee has been created to navigate the development of a new agreement, which aligns with the Institute's new strategy, on agreed terms that are appropriate for the Trust and its objectives.
External factors The Trust subject to external forces such as the Financial Markets and changes to legislation/guidance.	The Trust considers that its operations are unlikely to be impacted by short-term market volatility given the portfolio is well-diversified and there are sufficient liquid assets to meet its spending requirements. Trustees and the Executive keep abreast of potential external changes which may impact the Trust.

Structure, Governance and Management

Governing Document

The Trust is a charitable company limited by guarantee incorporated on 13 October 1969 and is governed under its Articles of Association. The Charity is registered with the Charity Commission of England and Wales.

Structure and decision making

The Trust is governed by a Board of Trustees who meet quarterly as a minimum. There are three permanent sub-committees each with specific responsibilities, as set out in their Terms of Reference, and each reports to the Board on a regular basis:

General Purposes Committee: ensures that all matters relating to the Trust are effectively managed by the appropriate Committee or the Board. Its responsibilities include the structure, governance, and reputation of the Trust.

Finance and Investment Committee: responsible for the Trust's financials, investments, and audit and risk management for finance and investment matters.

Research Committee: has responsibility for all matters requiring scientific expertise and operates with five non-trustees.

Recruitment and appointment of new Trustees

Trustees are recruited by the Board based upon their experience, professional qualifications, empathy and interest in the Trust's objectives and ability to further the Trust's performance and achievements. A dedicated working group of Trustees shortlist candidates for interview and put forward a final recommendation to the Board of Trustees. Suitable candidates are identified through an open recruitment process with a specialist recruiter.

Once appointed, new Trustees are provided with an induction pack which highlights their fiduciary responsibilities, as well as containing relevant information about the Trust and their areas of responsibility. Trustee training is provided where considered necessary.

Trustees benefit from indemnity insurance to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default or breach of trust or breach of duty of which they may be guilty in relation to the Charity. The cost of this insurance in the year has been included within total insurance costs.

Pay and remuneration

The Trust considers salaries paid on an annual basis to ensure they are fair and appropriate for the positions and reflect any changes to the roles during the year. In addition, account is taken of changes in the cost of living.

The Finance and Investment Committee, with approval by the Board, reviews salaries of Key Management Personnel (KMP) on an annual basis as outlined above and makes recommendations to the Board for final approval.

The Trust appoints external recruitment agents to advise on KMP appointments. The Board or a delegated working group will determine the pay range for a vacancy prior to advertising, ensuring remuneration is in line with industry and market.

Charity Information

Registered Charity No: 260059
Registered Company No: 963832

Board of Trustees

Professor Sir Stephen Holgate (Chair)
Mr. Edmund Buckley (resigned 20 June 2024)
Mr. Christopher Coombe
Professor Andrew Cope
Mr. Joseph Cronly (appointed 23 July 2024)
Mr. Mark Dighero
Professor Paul Emery (appointed 25 November 2024)
Mrs. Margaret Frost (resigned 7 December 2023)
Professor Edith Hessel (appointed 25 November 2024)
Professor Tracy Hussell
Mrs. Harsha Patel
Professor Michael Patton
Mr. Richard Punt
Dr. Paul Satchell
Professor Paul Peter Tak (appointed 25 November 2024)
Ms. Victoria White (resigned 8 November 2023)
Dr. Tony Wood (appointed 25 November 2024)

Sub-committees

General Purposes Committee

Mr. Mark Dighero (Chair), Professor Sir Stephen Holgate, Professor Michael Patton, Mr. Richard Punt and Ms. Victoria White (to 8 November 2023)

Finance and Investment Committee

Mr. Christopher Coombe (Chair from 1 November 2023), Mrs. Margaret Frost (Chair to 31 October 2023), Mr. Edmund Buckley (to 20 June 2024), Mr. Mark Dighero, Professor Sir Stephen Holgate, Mrs. Harsha Patel, Dr. Paul Satchell and Mr. Joseph Cronly (from 23 July 2024)

Research Committee

Professor Andrew Cope (Chair), Professor Tracy Hussell, Mr. Richard Punt and Professor Sir Stephen Holgate. Non-Trustee members: Professor Brigitta Stockinger (to 14 February 2024), Professor Philip Conaghan (from 24 April 2024), Professor Dirk Elewaut (from 24 April 2024), Professor Carl Goodyear, Professor Paul Lehner and Professor Carola Vinuesa (from 24 April 2024)

Key Management Personnel

Dr. Stephen Simpson (Chief Executive Officer)
Mrs. Hazel Middleton (Director of Finance and Operations)

President*

Professor Sir Ravinder Maini

Vice presidents*

Mr. Colin Barnes
Mr. James Davis
Dr. Greg Winter

Registered Office

Boundary House
91 Charterhouse Street
London EC1M 6HR

Business Address

One Lyric Square
London W6 0NB

Independent Auditors

MHA
6th Floor
2 London Wall Place
London EC2Y 5AU

Bankers

Lloyds TSB Bank PLC
25 King Street
Hammersmith
London W6 9HW

Investment Advisers

J.P. Morgan SE
60 Victoria Embankment
London EC4Y 0JP

Legal Advisers

Stone King LLP
Boundary House
91 Charterhouse Street
London EC1M 6HR

**honorary positions and not a trustee*

Statement of Trustee Responsibilities

The Trustees (who are also directors of the Trust 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 Accounting Practice).

Company law requires Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- 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 the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

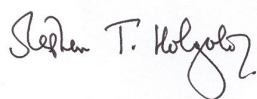
In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.
- The Trustees' Annual Report is approved by the Trustees of the charity. The Strategic Report, which forms part of the Annual Report, is approved by the Trustees in their capacity as Directors in company law of the charity.

Auditors

The auditors, MHA were appointed auditors during the year and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

By order of the Board of Trustees.



Professor Sir Stephen Holgate
Chairman of the Board of Trustees
19 March 2025



Christopher Coombe
Chair of the Finance and Investment Committee

Independent Auditor's Report to the Members of The Kennedy Trust for Rheumatology Research

Opinion

We have audited the financial statements of The Kennedy Trust for Rheumatology Research (the 'charitable company') for the year ended 30 September 2024 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the 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 Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2024, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Trustees' assessment of the entity's ability to continue to adopt the going concern basis of accounting included critical reviews of budgets and forecasts provided.

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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' report (incorporating the Strategic Report and the Directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report has 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on Page 13, 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 responsibilities for the audit of the financial statements

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

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements;
- Enquiry of management and those charged with governance to identify any instances of known or suspected instances of fraud;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of management about any instances of non-compliance with laws and regulations;
- Reviewing the control systems in place and testing the effectiveness of the controls;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

Use of this 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. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' 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 and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Sudhir Singh FCA (Senior Statutory Auditor)

For and behalf of

MHA

Statutory Auditor

London, United Kingdom

Date:

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Statement of Financial Activities

(incorporating income and expenditure account)

For year ended 30 September 2024

	Note	Unrestricted	Endowment	Total	Total
		2024	2024	2024	2023
		£'000	£'000	£'000	£'000
Investment Income		10,562	-	10,562	8,740
Income from other Trading Activities					
Co-funding of Research Initiatives		95	-	95	163
Total income		10,657	-	10,657	8,903
Costs of Raising Funds					
Investment Advice	2	1,199	-	1,199	970
Royalty Sharing Payments	2	-	-	-	499
Expenditure on Charitable Activities					
Research Funding	2,3	5,816	-	5,816	15,943
Other Expenditure					
Exchange loss		12	-	12	15
Total expenditure		7,027	-	7,027	17,427
Net income/(expenditure) before investment gains/ (losses)		3,630	-	3,630	(8,524)
Net gains on investments	7c	26,285	90	26,375	1,309
Net movement in funds		29,915	90	30,005	(7,215)
Total funds brought forward		270,437	1,466	271,903	279,118
Total funds carried forward	12	300,352	1,556	301,908	271,903

The detailed 2023 comparative Statement of Financial Activities is reported in note 18

The notes on pages 20 to 34 form part of these financial statements

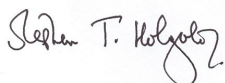
Balance Sheet

as at 30 September 2024

Company number: 963832

	Note	2024 £'000	2023 £'000
Fixed Assets			
Tangible assets	14	1	2
Investments	7	332,941	305,489
		332,942	305,491
Current Assets			
Debtors	8	472	1,368
Cash at bank and in hand		1,706	1,420
		2,178	2,788
Current Liabilities (amounts falling due within one year)			
Sundry accruals and creditors	9	(128)	(630)
Grant payments due within one year		(13,301)	(13,479)
		(13,429)	(14,109)
Net current assets		(11,251)	(11,321)
Total assets less current liabilities		321,691	294,170
Creditors (amounts falling due after one year)			
Grant payments	10	(19,783)	(22,267)
Total net assets	11	301,908	271,903
Funds			
Unrestricted – Designated		8,921	13,041
Unrestricted – General		291,431	257,396
Unrestricted – Total		300,352	270,437
Endowment		1,556	1,466
Total funds	12	301,908	271,903

These Accounts were approved by the Trustees and authorised for issue on 19 March 2025.



Professor Sir Stephen Holgate
Chairman of the Board of Trustees



Christopher Coombe
Chair of the Finance and Investment Committee

The notes on pages 20 to 34 form part of these financial statements.

Statement of Cashflows

For year ended 30 September 2024

	2024	2023
	£'000	£'000
Net Cash used in Operating Activities (Note a)	(8,099)	(17,778)
Cashflow from Investing Activities (Note b)	8,385	17,401
	286	(377)
Cash and Cash Equivalents at 1 October	1,420	1,797
Cash and Cash Equivalents at 30 September	1,706	1,420

a. Net Cash used in Operating Activities

Net income/(expenditure) for the year	30,005	(7,215)
Investment income	(10,562)	(8,740)
(Gains) on investments	(26,375)	(1,309)
Add back investment management costs	1,101	918
Add back depreciation of tangible assets	1	2
(Decrease) in creditors	(3,165)	(645)
Decrease/(Increase) in debtors	896	(789)
Net Cash Flow from Operating Activities	(8,099)	(17,778)

b. Cash Flow from Investing Activities

Payments to acquire investments	(76,324)	(142,320)
Receipts from sales of investments	75,469	113,544
Investment income	10,562	8,740
(Increase)/ decrease in cash held by investment manager	(3,688)	34,657
Cash inflow from foreign exchange hedging	3,467	3,698
Investment Manager fees	(1,101)	(918)
Net Cash Flow from Investing Activities	8,385	17,401

As the Trust does not have any debt, an analysis of net debt has not been produced.

Notes to the Accounts

1. Summary of Significant Accounting Policies

(A) GENERAL INFORMATION AND BASIS OF PREPARATION

The Kennedy Trust for Rheumatology Research is a private company limited by guarantee registered in England. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the charity information on page 12 of these financial statements.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are presented in sterling which is the functional currency of the charity and rounded to the nearest £'000.

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

(B) FUNDS

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been restricted for particular purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent those assets which must be held permanently by the charity, principally the Maynard Jenour Fund and the Kennedy Endowment Fund. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. Investment management charges and legal advice relating to the fund are charged against the fund.

(C) INCOME RECOGNITION

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably, and it is probable that the income will be received.

Donations are recognised on receipt. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained, then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

Investment income is earned through holding assets for investment purposes such as shares and property. It includes dividends, interest and private market distributions. Where it is not practicable to identify investment management costs incurred within a scheme with reasonable accuracy the investment income is reported net of these costs. It is included within cost of raising funds when the amount can be measured reliably. Interest income is recognised using the effective interest method and dividend income is recognised as the charity's right to receive payment is established.

Income from royalty and license agreements is recognised throughout the year when there is reasonable assurance of receipt. Royalty and license income are recognised gross of the related revenue share obligations to the Inventors and other parties which are payable on recognition of the royalty income. License agreements also provide for the reimbursement of patent protection costs in certain cases.

(D) EXPENDITURE RECOGNITION

All expenditure is accounted for on an accruals basis, inclusive of VAT that cannot be recovered and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required, and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Costs of raising funds includes royalty sharing payments, intellectual property protection & investment advice;
- Expenditure on charitable activities includes research science funding and research infrastructure funding.

Grants payable to the Institute and to other third parties are within the charitable objectives. Where unconditional grants are offered, this is accrued as soon as the recipient is notified of the grant, as this gives rise to a reasonable expectation that the recipient will receive the grants. Where grants are conditional relating to performance then the grant is only accrued when any unfulfilled conditions are outside of the control of the charity.

The provision for a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the Trust that would permit the Trust to avoid making the future payment(s), settlement is probable and the effect of discounting is material. The discount rate used is the Trust's target rate of return on investment, currently UK CPI +3%. This discount rate is regarded by the Trustees as providing the most current available estimate of the opportunity cost of money reflecting the time value of money to the Trust. The effect of the rate applied has been quantified in the Financial Report in note 3.

Royalty sharing payments are calculated by applying a formula for the distribution of royalty income agreed by the Trustees and Versus Arthritis, which reflects current UK university practice. Such payments are accrued in line with the corresponding royalty income.

Investment advice reflects the costs incurred by the Trust in managing its investment portfolios. The cost includes both internal costs and external consultancy and management costs. Cost is recognised in line with the accruals basis above.

(E) SUPPORT COSTS ALLOCATION

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs, governance costs and administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity and include grant management carried out by the Trust's employees. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable activities on a basis consistent with use of the resources. Premises overheads and other overheads have been allocated either on time spent or on another basis as appropriate.

(F) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended. The agreed capitalisation limit of tangible assets has been increased and agreed at £1,000.

Depreciation is calculated to write-off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Computer equipment	3 years
--------------------	---------

(G) INVESTMENTS

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value with changes recognised in 'net gains /(losses) on investments' in the Statement of Financial Activities if the shares are publicly traded or their fair value can otherwise be measured reliably. The Trustees have deemed that the fair value of unlisted open ended investment companies (OEIC's) and illiquid property fund investments, equates to the charity's share of the Net Asset Value (NAV) of the assets held, based on the market prices as at the valuation date. Investment gains and losses are shown split between realised and unrealised.

(H) DEBTORS AND CREDITORS RECEIVABLE / PAYABLE WITHIN ONE YEAR

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

(I) PROVISIONS

Provisions are recognised when the charity has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

(J) LEASES

Rentals payable and receivable under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

(K) FOREIGN CURRENCY

Foreign currency transactions are initially recognised by applying to the foreign currency amount the best available exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate. Gains and losses on exchange are allocated to the appropriate resource.

Forward exchange contracts are used solely to manage the exposure to foreign exchange rate risks in respect of the Trust's investment portfolio.

(L) EMPLOYEE BENEFITS

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

The charity contributes to the personal pension schemes of the employees and all costs are charged to the Statement of Financial Activities in the year to which they relate. These costs are all allocated to unrestricted funds based on time spent on each activity.

(M) TAX

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. It therefore does not suffer tax on income or gains applied for charitable purposes.

(N) GOING CONCERN

The financial statements have been prepared on a going concern basis as the Trustees believe that no material uncertainties exist. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure are sufficient with the level of reserves for the charity to be able to continue as a going concern.

In arriving at this conclusion, the Trust's investment portfolio has been stress tested with the assistance of its fiduciary manager JP Morgan. The Trustees concluded that even in the worst case scenarios, funds available are considered to be comfortably adequate to ensure the solvency, resilience, and liquidity of the Trust.

(O) FINANCIAL INSTRUMENTS

The charity holds both basic and complex Financial Instruments. The Trust has elected to apply the provisions of Section 11 and Section 12 of FRS 102 in full in respect of financial instruments. The financial assets and financial liabilities of the Charity are as follows:

Debtors – trade and other debtors (including accrued royalty income) are basic financial instruments measured at amortised cost.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Liabilities – trade creditors, accruals and other creditors will be classified as financial instruments and are measured at amortised cost as detailed in notes 10 and 11. Taxation and social security are not included in the financial instruments disclosure. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is simply an obligation to deliver charitable services rather than cash or another financial instrument.

Investments – a number of investments held at the year-end are classified as complex financial instruments as they are unlisted open ended investment companies (OEIC's). Under Section 11.24 of FRS 102 SORP 2019 the subsequent measurement of complex financial instruments should be at fair value and all changes in the fair value should be recognised in the Statements of Financial Activities. The Trustees have deemed that the fair value of these investments equates to the charity's share of the Net Asset Value (NAV) of the assets held, based on the market prices as at the valuation date. The Trust deems its derivative instruments as complex financial instruments and the Trust's policy is explained below. All other investments are classified as basic financial instruments and held at their market value.

Derivative instruments – The Trust uses Forward foreign currency contracts to reduce exposure to foreign exchange rates solely in respect of its investment portfolio. Derivative financial instruments are initially measured at fair value on the date the derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the SoFA.

(P) JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

- Allocation of support costs are made in line with the use of the resource
- Fund allocation
- Discounting of the multi-year grants liabilities to present value. Internal estimation is required in calculating the appropriate discount rate and determining when the liability will fall due
- Fair value of investments
- Foreign currency exchange rates.

There are no other key assumptions concerning the future or key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2 Analysis of Expenditure

	Activity					
	Research Funding £'000	Investment Advice £'000	Royalty Sharing payments £'000	Governance £'000	Support £'000	2024 Total £'000
Staff Costs (see note 5)	102	32	-	101	46	281
Grants (see note 3)	5,296	-	-	-	-	5,296
Network	7	-	-	-	-	7
Legal and Professional	19	1,101	-	32	15	1,167
Operating costs	44	-	-	11	126	181
Other	26	-	-	57	-	83
	5,494	1,133	-	201	187	7,015
Governance Costs	167	34	-	(201)	-	-
Support Costs	155	32	-	-	(187)	-
Total	5,816	1,199	-	-	-	7,015

	Activity					
	Research Funding £'000	Investment Advice £'000	Royalty Sharing payments £'000	Governance £'000	Support £'000	2023 Total £'000
Staff Costs (see note 5)	84	33	-	92	42	251
Grants (see note 3)	15,402	-	-	-	-	15,402
Network	47	-	-	-	-	47
Legal and Professional	47	918	3	33	21	1,022
Operating costs	22	-	-	11	116	149
Other	29	-	496	16	-	541
	15,631	951	499	152	179	17,412
Governance Costs	143	9	-	(152)	-	-
Support Costs	169	10	-	-	(179)	-
Total	15,943	970	499	-	-	17,412

3 Grants awarded

The Trust issues grants to institutions only, in areas that have a clear relation to disease pathways of rheumatological and related musculoskeletal disorders:

	2024	2023
	£'000	£'000
University of Oxford	1,907	5,241
University of Cambridge	1,992	-
Queen Mary University of London	100	68
University of Leeds	100	-
University of East Anglia	100	-
University of Nottingham	99	-
King's College London	99	-
University of Oxford – Statutory Chairs*	-	8,264
University of the West of England	-	50
University of Birmingham	-	98
Total grants awarded	4,397	13,721
Other adjustments		
Writebacks	(1,333)	(315)
Movement in grant discount	2,232	1,996
Total	5,296	15,402

The Trust discounts multi-year grant liabilities to present value, and applies a discount rate of UK Core CPI +3%. As at 30 September 2024, the total rate of 6.2% (2023: 9.1%), resulted in a discount of £2.5m (2023: £4.8m).

The current year impact of £2.2m (2023: £2.0m) is recorded in charitable expenditure.

*A single award of £8.3m, given to the University of Oxford by the Trust to support the creation of two new permanent University Statutory Chairs at the Institute through a joint endowment between the University and the Trust.

4 Net expenditure for the year

Net expenditure for the year is stated after charging:

	2024 £'000	2023 £'000
Auditors remuneration (for audit services only)	32	33
Exchange rate loss	12	15
Operating lease expense	90	83
Depreciation	1	2

5 Staff Costs

	2024 £'000	2023 £'000
Staff salaries	235	210
National Insurance	23	20
Employer contributions to pensions	23	21
Total Staff Costs	281	251

Average staff numbers during the year comprise 3.5 members of staff (2.7 full time equivalent) (2023: 3 (2.4 full time equivalent)).

The key management personnel of the Charity are the Chief Executive and the Director of Finance and Operations; aggregate remuneration and benefits for the key management personnel is £230k (2023: £230k)

The table below summarises the number of employees who received £60,000 or more in the year:

	2024	2023
Employees paid between £60,000 and £70,000	1	-
Employees paid between £110,000 and £120,000	1	1

6 Payments to Trustees

The members of the Board of Trustees receive no emoluments for their service.

Expenses totalling £894 (2023: £1,691) were reimbursed to 5 Trustees (2023: 5) and £4,143 (2023: £3,025) were paid directly by the Trust to third parties on behalf of 9 Trustees (2023: 8). These payments related mainly to travel and subsistence costs incurred in carrying out their duties as Trustees.

7 Investments

(a) Movement on Investments:

	2024 £'000	2023 £'000
Market Value brought forward	306,946	280,559
Net Additions at Cost	76,324	142,320
Disposals at Market Value	(75,469)	(113,544)
Gain/(loss) on investments	22,909	(2,389)
	330,710	306,946
Outstanding forward contracts	1,569	(2,027)
Cash held by Investment Managers	662	570
Market Value carried forward	332,941	305,489
Historic Costs of Investments	322,144	325,312

(b) Investments comprise of:

	2024 £'000	2023 £'000
Equities	162,539	135,649
Fixed Income	56,756	60,176
Alternatives	92,468	81,554
UK Property Funds	18,947	29,567
Foreign currency forward contracts	1,569	(2,027)
Cash	662	570
Total	332,941	305,489

(c) Net gains/(losses) on investments

	2024 £'000	2023 £'000
Realised (losses) on portfolio	(45)	(62)
Unrealised gains/(losses) on portfolio	22,953	(2,327)
Cash gains from FX hedging	3,467	3,698
Net gain/ (loss) in Statement of Financial Activities	26,375	1,309

Total fair value of listed investments held as at 30 September 2024 were £220.6m (2023: £197.9m) which are made up of equities, fixed income, REIT's and gold.

During 2023, the Trust fully redeemed the residual illiquid holdings in SEI managed vehicles with the net proceeds of £0.38m invested by the Trust's fiduciary manager JP Morgan.

8 Debtors

	2024	2023
	£'000	£'000
Other Accrued Income	451	1,349
Sundry Debtors	21	19
Total Debtors	472	1,368

9 Sundry Creditors and Accruals

	2024	2023
	£'000	£'000
Royalties Payable	-	496
Other Creditors and Accruals	117	127
Taxation and Social Security	11	7
Total Creditors	128	630

10 Creditors falling due after more than One Year

The balance of grants payable is as follows:

	2024	2023
	£'000	£'000
Grant Payments due between one and five years	21,802	25,170
Grant Payments due after five years	512	1,859
Discounting of grant liabilities	(2,531)	(4,762)
Commitments due after One Year	19,783	22,267

11 Analysis of Net Assets

	Unrestricted Funds £'000	Endowment Funds £'000	2024 Total £'000	Unrestricted Funds £'000	Endowment Funds £'000	2023 Total £'000
Fixed Assets:						
Tangible Fixed Assets	1	-	1	2	-	2
Investments	331,385	1,556	332,941	304,023	1,466	305,489
Current Assets						
Debtors	472	-	472	1,368	-	1,368
Cash at Bank and In Hand	1,706	-	1,706	1,420	-	1,420
	333,564	1,556	335,120	306,813	1,466	308,279
Current Liabilities	(13,429)	-	(13,429)	(14,109)	-	(14,109)
Long Term Liabilities	(19,783)	-	(19,783)	(22,267)	-	(22,267)
	300,352	1,556	301,908	270,437	1,466	271,903

12 Funds

	30 September 2023 £'000	Income £'000	Expenditure £'000	Transfers £'000	Investment Profits £'000	30 September 2024 £'000
Endowment Funds						
Maynard Jenour Fund	99	-	-	-	6	105
Kennedy Endowment Fund	1,367	-	-	-	84	1,451
Total Endowment Funds	1,466	-	-	-	90	1,556
Unrestricted Funds						
General Fund	257,396	10,657	(7,027)	4,120	26,285	291,431
Designated Funds						
Oxford Research Grant Fund 2021	13,041	-	-	(4,120)	-	8,921
Total Designated Funds	13,041	-	-	(4,120)	-	8,921
Total Unrestricted Funds	270,437	10,657	(7,027)	-	26,285	300,352
Total Funds	271,903	10,657	(7,027)	-	26,375	301,908

Endowment Funds

Maynard Jenour and Kennedy Endowment Funds represent donations received in the early years of the Trust, held as permanent endowments. The income is unrestricted and is applied to fund grants to support clinical research.

Designated Funds

The designated funds represent unrestricted amounts which the Trustees have allocated for specific purposes. The Trustees can reallocate these funds as required.

The Oxford Research Grant Fund 2021: represents the intention of the Trust to continue funding the Institute under the current agreement with the University of Oxford signed in October 2018. Under this agreement the Trust committed to provide funding of £4m per annum (adjusted for inflation) from 1 August 2021 until 31 July 2026. The designated fund is used to ringfence the expected funding under the agreement. £4.1m (2023: £4.4m) was released from the Oxford Research Grant Fund 2021 to General Funds constituting funding of this obligation for the year. No grant creditor for the possible future commitments has been shown as the Trust has the right to refuse payment if no suitable projects are put forward.

13 Funds – continued 2023 Comparatives

	30 September 2022 £'000	Income £'000	Expenditure £'000	Transfers £'000	Investment Profits £'000	30 September 2023 £'000
Endowment Funds						
Maynard Jenour Fund	95	-	-	-	4	99
Kennedy Endowment Fund	1,310	-	-	-	57	1,367
Total Endowment Funds	1,405	-	-	-	61	1,466
Unrestricted Funds						
General Fund	259,252	8,903	(16,928)	4,921	1,248	257,396
Designated Funds						
Oxford Research Grant Fund 2021	17,403	-	-	(4,362)	-	13,041
Legal Expense Fund	1,058	-	(499)	(559)	-	-
Total Designated Funds	18,461	-	(499)	(4,921)	-	13,041
Total Unrestricted Funds	277,713	8,903	(17,427)	-	1,248	270,437
Total Funds	279,118	8,903	(17,427)	-	1,309	271,903

Legal Expense Fund: Up until 2011, the Trustees set aside 10% of gross royalty income to cover the costs of compliance with licence agreements and to defend the Trust's patent rights in the event of litigation. Trustees confirmed in December 2023 that the balance remaining should be distributed to the beneficiaries on the percentage of royalties due based on the patent rights' expiration and the expectation that no future claims are expected. As the end of the patent period was during the financial year to 30 September 2023, this release was reflected in the 2023 accounts.

14 Tangible Fixed Assets

	Computer Equipment	2024 £'000	2023 £'000
Cost			
Cost as at the beginning of the year	5	5	5
Additions	-	-	-
Disposals	-	-	-
Cost at the end of the year	5	5	5

Depreciation

Accumulated depreciation at the beginning of the year	3	3	1
Disposals	-	-	-
Depreciation	1	1	2
Accumulated depreciation at the end of the year	4	4	3
Net book value at beginning of the year	2	2	4
Net book value at end of the year	1	1	2

15 Operating Leases

The Trust has a lease on its current offices which can be terminated at the end of the minimum contract term on 31 March 2025.

These non-cancellable lease commitments and their period of expiry are:

	2024 £'000	2023 £'000
Under 1 year	47	43
2-5 years	-	-
>5 years	-	-
Total	47	43

16 Related Party Transactions

On release of the legal expenses fund in 2023 (see note 12), a final payment of £131,859 was due to the Trust's President, Professor Sir Ravinder Maini.

Professor Sir Ravinder Maini was an employee of the Institute, responsible with Professor Sir Marc Feldmann for the invention which subsequently led to the generation of royalty income. Under a royalty distribution arrangement agreed with Versus Arthritis, and in line with standard UK university practice, he and Professor Feldmann were entitled to an equal share of royalty income.

Professor Maini was a Trustee of the Charity, who resigned in December 2018. He was given approval by the Charity Commission to continue to receive payment of his share of royalty income. In the prior year, £131,859 was receivable by Professor Maini. This was paid during the 2024 financial year and no amounts were outstanding at the year end.

Professor Maini ceased to be a Trustee in December 2018.

In the prior year, The Trust provided £6,000 sponsorship of the British Society of Immunology (BSI) Immunology Awards. Trustee Professor Tracy Hussell is currently President of the BSI and was also President at the time of the award in the prior year. No such transactions were made in the 2023/24 year.

Although not strictly a related party transaction, for transparency purposes, we have elected to disclose that one of the Trust's Research Ignition Awards was granted to the University of Cambridge during the year. The project is led by Professor Paul Lehner, a non-Trustee member of the Research Committee. The total grant awarded was £99,970, with £58,148 remaining at the year-end.

17 Post Balance Sheet Events

In June 2024, notice was provided to the Investment Managers of Savills Charity Property Fund and Mayfair PITCH for the redemption of the Trust's holdings in UK Property Funds. The funds will be reinvested.

As at 30 September 2024 the Trust continued to hold the assets, subject to redemption post year-end:

	Value at the year-end	Receipts post year- end (net of fees)
	£'000	£'000
Savills Charity Property Fund	9,999	2,488
Mayfair PITCH	8,948	8,945

18

Detailed Comparatives for the Statement of Financial Activities

	Unrestricted Funds 2023 £'000	Endowment Funds 2023 £'000	Total Funds 2023 £'000
Investment Income	8,740	-	8,740
Incoming from other trading activities			
- Co-funding of Research Initiatives	163	-	163
Total Income	8,903	-	8,903
Costs of Raising Funds			
- Investment Advice	970	-	970
- Royalty Sharing Payments	499	-	499
Expenditure on Charitable Activities			
- Research Funding	15,943	-	15,943
Other Expenditure	15	-	15
- Exchange loss			
Total Expenditure	17,427	-	17,427
	(8,524)	-	(8,524)
Net expenditure before investment gains			
Net gains on investments	1,248	61	1,309
Net movement in funds	(7,276)	61	(7,215)
Total Funds brought forward	277,713	1,405	279,118
Total Funds carried forward	270,437	1,466	271,903

THE KENNEDY TRUST FOR RHEUMATOLOGY RESEARCH

England & Wales - Charity number 260059

Accounts



**The Kennedy Trust for Rheumatology Research
Annual Report & Accounts for the Year Ended 30 September 2023**

**Registered Charity: No 260059
Company No 963832**

Contents

Letter from the Chair	2
Trustees' Report.....	3
Background	3
Charitable objectives.....	3
Strategic themes	3
Strategic Report	3
Activities, achievements and performance	4
Financial Review	8
Principal risks and uncertainties	10
Structure, Governance and Management.....	11
Charity Information.....	12
Statement of Trustee Responsibilities.....	13
Independent Auditor's report.....	14
Statement of Financial Activities	17
Balance Sheet.....	18
Statement of Cashflows	19
Notes to the Accounts	20

Letter from the Chair

This has been a year of great progress for the Trust, in times of significant challenge. Our funding of research across the UK has continued to grow and develop, including our critical support for the Kennedy Institute of Rheumatology at the University of Oxford, which continues to produce world class science and ever greater progress towards its translation for the benefit of human health. The Institute remains under the excellent leadership of Professor Dame Fiona Powrie and her senior leadership colleagues, supported by some of the UK's best scientists and their teams. The major advancements being made by the Institute were endorsed by our independent review board of leading scientific experts, who visited the Institute in November 2022 and whose report to our Board congratulated it on an impressive track record and approach across its core themes and in the training of new scientists. Our Trustees too enjoyed visiting the Institute on the Board's annual away day in October 2022, where we spent valuable time with students and group leaders.

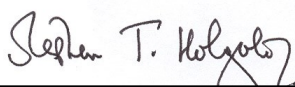
The Trust has recently supported keystone appointments in the form of two new permanent Statutory Chairs, co-sponsored with the University of Oxford, which have been named in recognition of two of our most prominent researchers who led the development of anti-TNF as a viable therapy for a range of inflammatory disorders: Professor Sir Ravinder Maini and Professor Sir Marc Feldmann. I would like to congratulate the first incumbents of the Chairs, knowing that they will help lead a deepening of our commitment to the Institute and will generate a legacy of leadership in the fields of translational medicine for many years to come.

The Trust continues to contribute to the success of the wider UK biomedical landscape with our new Research Ignition Award scheme launched in 2023, as well as through our partnerships and other routes to supporting the next generation of basic and clinical research talent through fellowships and studentships.

We have welcomed a new Trustee this year, Harsha Patel, who joined the Board and the Finance and Investment Committee (FIC) with a wealth of experience in the financial investment sector. We also said goodbye to Margaret Frost who, after 12 years, retired from the Board and as Chair of our FIC in December 2023. I would personally like to thank Margaret for all that she has done in her long service on the Board, particularly overseeing the successful transition to our current fiduciary managers, JP Morgan in 2021. I would also like to thank our other retiring Trustee, Victoria White, for her advice to and work with the Trust.

I am also delighted to announce that Trustee Chris Coombe took the helm of the FIC in November, and I am certain that the excellent work of this committee and its strong relationship with JP Morgan remains in very good hands with Chris's experience and knowledge. Indeed, it is imperative that we maintain our clear strategic oversight of our investments, since these are the principal source of income for the Trust, enabling us to fund our portfolio of research in Oxford and beyond.

Finally, I would like to extend my thanks to the Trustees and staff of the Kennedy Trust for their time and enthusiastic commitment to supporting excellent research and their roles in running our committees. I would especially like to offer my thanks to Stephen Simpson who has brought his extensive experience in strategic research funding into his role as our CEO, Hazel Middleton who has so ably taken on the position of Financial Controller and Zoe Montanaro, who has increased the breadth of her responsibilities as Programme Manager for Research and Policy. They are a brilliant team and extend themselves to deliver our charitable objectives and service our subcommittees.



Professor Sir Stephen Holgate
Chair

19 March 2024

Trustees' Report

Background

The Kennedy Trust for Rheumatology Research (Trust) was founded in 1965 by a donation from Matilda Kennedy, daughter of the founder of Marks and Spencer Michael Marks, and her husband Terence to support the establishment of the first institute of its kind investigating the fundamental causes of rheumatic and related musculoskeletal diseases. This resulted in the establishment of the Kennedy Institute of Rheumatology, now at the University of Oxford (Institute).

Over the past two decades, the Trust has accumulated substantial reserves from the proceeds of patents from treatments developed for the alleviation of the symptoms of rheumatic and musculoskeletal disease. It uses the returns from the investment of these proceeds to meet its charitable objectives through funding research, in the form of grants, with a significant proportion provided to support the Institute, along with an increasing proportion to other centres.

Charitable objectives

To provide financial and other support for basic and translational research into rheumatic and related musculoskeletal, immunological, and inflammatory diseases. In meeting its charitable objectives, the Trust supports both basic and translational research primarily through its support of the Institute.

Strategic themes

During 2022, the following strategic themes were put in place to focus the key activities of the Trust and articulate how it delivers on its charitable objectives:

1. Maintain the agreed strategic course for its investments, based on the long-term asset allocation of financial assets.
2. Continue to prioritise available financial support for the Institute and work with Oxford University to maximise the value of this funding.
3. Strategically plan and focus on other research support where it can make the most difference and seek ways to leverage and maximise the impact of its research funding.

When setting the strategic themes, planning the work of the Trust and in preparing this report, Trustees have referred to the Charity Commission's general guidance on public benefit and are satisfied that the activities undertaken by the Trust meet the Commission's requirements.

Strategic Report

The Trustees are pleased to present their annual report together with the financial statements of the Trust for the year ended 30 September 2023 which are also prepared to meet the requirements for a directors' report, strategic report and accounts for the Companies Act purposes. A combined directors' report and Trustees' annual report has been prepared with strategic report content contained in activities, achievement and performance (from page 4) and the financial review (from page 8).

Activities, achievements and performance

Setting the pace: planning and delivery

The Trust invests in world class research, through the Institute at Oxford University as well as a widening base of UK research funding outside of Oxford. This is achieved through focussed funding schemes, support for individual research careers and partnerships with other funders. In addition the Trust must maintain focus on the impact and management of its grant funding, governance and support for the Board and its sub-committees, as well as oversight of operational and investment responsibilities. This year, the Trust has put in place a comprehensive Operational Plan that ties together strategic funding and business as usual activities with our investments, budget, resources and timelines for delivery. The plan allows the executive team and Trustees a clearer view of planned activities for the coming financial year, as well as a rolling two-year horizon with indicative budget set against this. Important areas of upcoming operational work will include the development of a clear strategy for intellectual property emerging from Trust-funded research and the inclusion of the patient voice in shaping our science.

The Trust is run by a small team responsible for operational delivery, working closely and effectively with its Board of Trustees and the three sub-committees (page 11). In terms of strengthening the skills and capacity at the Trust, the role of Programme Manager for Research and Policy has been developed this year from the existing Grants Manager post. This recognises the growing importance of effective grants and policy management oversight at the Trust and further development of the Trust executive team will be reviewed over the coming year.

Supporting new science

The Trust continues to support research across the UK, through its fellowships, studentship schemes and partnerships with other funders. This year the Trust committed £1m to an ambitious new funding initiative; the Research Ignition Awards (RIAs). The concept for this pump-priming grant scheme emerged through the strategic work of the Research Committee in 2022, exploring new ways in which the Trust could harness its funds to support research across the UK. It is the Trust's ambition that these grants will kindle new areas of research in areas that create further understanding of rheumatic, degenerative and related inflammatory conditions towards new therapies and treatments. The RIAs are intended to provide a means for researchers to initiate early-stage research that will eventually form the basis of ambitious larger-scale programmes of research funding.

The inaugural call opened in the spring and 37 applications were received from fourteen institutions. Evaluation of the applications was undertaken by an independent expert review panel convened by the Trust to undertake a fast-tracked single stage peer-review process that involved assessment of the awards across ten criteria including novelty, potential impact, feasibility and conceptual clarity. Ten awards of between 12 and 24 months duration were approved by the Board in October 2023 to commence in the coming financial year.

This year also saw new funding for two new fellowships co-sponsored by the Trust and the Medical Research Council through the Daphne Jackson Trust. These two fellowships provide essential funding for researchers to rejoin their research careers in new host laboratories after an extended leave of absence for parental leave or other personal commitments in their lives. It is planned that the partnership with the Daphne Jackson Trust will continue in the coming years as one of the Trust's approaches to supporting the next generation of research leaders.

Building on ideas explored at a joint workshop with funders and researchers in 2020, the Trust and Versus Arthritis launched a new call for grants in 2022 with a focus on the understanding and treatment of fatigue, which is an area of unmet need impacting the lives of those with long-term inflammatory conditions. A competitive field of applications was reviewed by a joint independent expert panel in March and a single award was made to Assistant Professor Emma Dures, whose team at the University of West of England will undertake a comprehensive scoping review on the ways of measuring, assessing and treating severe fatigue associated with musculoskeletal and other chronic disorders.

Our MB PhD scheme is now in the third year of its five-year programme, with recruitment of 30 students so far across the five centres in Birmingham, Oxford, Glasgow, Edinburgh and Manchester. The scheme offers an intercalated degree, in which undergraduate clinical training is combined with a PhD and designed to build capacity in the UK for clinician scientists entering careers in research. A workshop was held in November 2023 bringing together programme leads, other experts, funders and students, to explore the success and challenges of the Trust's scheme and understand the wider needs in the UK for training the next generation of clinician scientists. Findings from the workshop have been shared with the Research Committee and Board of Trustees to support thinking and planning for the remainder of the scheme and potential future support for this type of training.

The Trust now supports five national senior research fellowships, which are designed to enable the most promising mid-career researchers to build their teams and programmes in cutting edge areas of research. The two most recent fellows were funded in 2022 and have made a strong start to building their programmes of research. The Trust has since committed £2m for a new round which opened in October 2023, and an international selection panel will be convened to review the applications and interview shortlisted applicants in the summer of 2024 and recommend a single fellowship award for Board approval.

The Kennedy Network was established in 2021 to bring together past and present fellows and students, supported by the Trust, for networking, sharing technologies and science, collaboration, and training. The second Spring Conference of the Network held in March 2023 in Manchester was very successful, with a range of speakers and sessions designed to share support and understanding across research. Prizes were given for talks and poster presentation, as well as group pitches from students for novel grant proposals. The conference was a fantastic example of the breadth and strength of the scientists and their research supported by the Trust. It was clear that the event was seen as a great opportunity for networking. The Network Steering Group, made up of network members themselves, will use dedicated funding from the Trust to plan new networking and academic training events in 2024, in addition to travel grants and a bi-annual newsletter.

Continuing commitment to the Kennedy Institute

The Institute in Oxford remains the primary focus of support by the Trust, co-sponsored by the University of Oxford through a multi-annual funding agreement with the Trust. This core funding provides stable long-term support and allows the Institute to secure competitive funding and support from other sources such as UKRI, the Wellcome Trust, Cancer Research UK, Versus Arthritis and industry. This additional external funding demonstrates the success of the Trust's model of support and its growth over the past five years to over 60% as a proportion of the overall Institute's grant funding, speaks to its success as a flagship biomedical institute at Oxford. Through its combined funding portfolio, the Institute supports 215 scientists and students, of which the Trust directly supports just over a quarter of the staff and half of its 62 students, who work across 25 research groups.

The Institute has five strategic research themes (Immunity and Microbes, Inflammation Biology, Tissue Remodelling and Repair, Computational Biology and Clinical Translation and Experimental Medicine) supported by cutting-edge technology platforms, financed in large part by the Trust to enable basic discovery research to feed a growing translational programme, exemplified by the Arthritis Therapy Acceleration Programme (A-TAP). The challenges of building capacity in specialised areas such as bioinformatics and data science, as noted in the 2021/22 Annual Report, have been met by the Institute through a clear strategic emphasis on training new talent, as well as recruiting key new staff through Trust support and other awards.

This year, the Trust has worked closely with Oxford University to support the creation of two new permanent University Statutory Chairs at the Institute through a joint endowment between the University and the Trust through a substantial single gift of £8.3m from the Trust. This represents a distinct one-off commitment by the Trust, undertaken after detailed negotiation and due diligence towards a formal agreement with Oxford. The high-profile posts will provide a vital long-term strategic addition to the

Institute's long-term capability and a strengthening of the foundations of research supporting the Trust's mission.

Both Chairs have been named in recognition of the co-inventors of the discovery of using anti-TNF as a treatment for rheumatic and other inflammatory disorders: Professor Sir Marc Feldmann and Professor Sir Ravinder Maini. Professor Tonia Vincent has been appointed to the *Kennedy Trust Maini Feldmann Professor of Translational Musculoskeletal Sciences* and Professor Chris Buckley has been appointed to the *Kennedy Trust Feldmann Maini Professor of Translational Musculoskeletal Sciences*. When the Institute moved to Oxford in 2011, the Trust became a Member of the Chancellor's Court of Benefactors. In 2023, the continued exceptional support that the Trust has provided to the University of Oxford has been further recognised in being invited to The Chancellor's Court of Benefactors Fellowship received by our Chair Professor Sir Stephen Holgate, on behalf of the Trust.

Each year, the Institute recruits a new cohort of doctoral students (Oxford DPhil) through a specific annual application for funding from the Trust under its funding agreement with the Institute. These students are recruited from a national and international pool and the Institute and Oxford attract high calibre individuals via a rigorously competitive process. Some of these come with a proportion of their funding secured from other sources, representing valuable leverage on the funding from the Trust. In 2021 the Institute launched the Africa Oxford Kennedy Trust Prize Studentship program for inspiring talented students from Africa to build capacity in inflammatory research on the African continent and this year the inaugural DPhil student, Ruth Nanjala from Kenya joined the Institute in the laboratory of Dr Yang Luo.

In partnership with Versus Arthritis in 2022 the Trust approved £2m towards the funding of a new Tissue Biology platform at the Institute to develop a pipeline for translational research into musculoskeletal and inflammatory disease. In the past year, much progress has been made in establishing expertise and technologies required for the platform, which will, for example, facilitate new experimental medicine studies in collaboration with the Oxford Clinical Trials Research Unit.

Further platform capability at the Institute was established under its funding agreement with the Trust for data science (£2.1m) and clinical pathology (£1.5m) which will support the analysis of tissue pathology and associated biomarkers for use in clinical studies. Ultimately, the impact of this funding will be to increase the ability to decipher the huge amounts of data emerging from the Institute's discovery research, and, in the case of clinical pathology, run more agile trials across different types of disease that share similar pathways. The Institute leads the way in these types of pre-clinical and clinical innovations, which hold great promise for improving the speed and efficiency by which new treatments for diseases can benefit the patient.

The next phase of Trust funding for the Institute is due to begin in 2026 and the Trust will start negotiation with Oxford University and the Institute in 2024, with a view to developing a new agreement that best supports the Institute in the next phase of its scientific vision.

Understanding and growing our Impact

Being able to measure and understand the impact of the research supported by the Trust is vital in terms of setting the strategic direction of new funding, ensuring value for money and increasing the likelihood that outcomes and impact of research are fully realised. It also contributes significantly to the Trust's visibility and reach within the wider ecosystem of research funding in the UK. The Trust gathers annual data across its research awards using Research Fish, the grant monitoring data platform to which all funded researchers must submit their reports. Sixty awards reported in the reporting period 2022/ 2023 with a combined grant value of £67.7m . In terms of outputs, over 400 publications were generated from these awards, with 4 patents filed and 63 new research tools or methodologies developed. An important element of any successful grant funding is the direct or indirect funding that it can leverage, and a substantial £59m of follow-on awards have been reported to date on the back of these Trust funded grants.

Two other areas of work over the past year also contribute to the Trust's understanding of impact:

The first is the quadrennial review undertaken by the Trust's Strategic Research Board (TSRB), an independent evaluation panel convened by the Trust from leading national and international researchers. The TSRB visited the Institute in November 2022 to evaluate its research progress against its strategy. The report from the TSRB provided critical feedback to the Trust and Institute, specifically noting the Institute's excellence in leadership at all levels, its growth in new funding, as well as its capacity to recruit key new posts and expand its student numbers.

In its report, the TSRB made special note of the resilience over the major recent challenges created by Covid19 and Brexit noting that notwithstanding these *"Funding sources continue to diversify and grow, with the foundational funding by the Trust being added to a diverse portfolio of competitive grant funding and other key funding sources"*.

In terms of new technology and data science the TSRB noted that *"The incorporation of cutting-edge imaging methods and the addition of data science is expected to synergise well with existing research themes and means that the Institute is well-placed to leverage the current and future capabilities of machine-learning and AI. For example, the imaging platform and the expertise of Marco Fritzsch and others in light sheet microscopy, is state of the art"*.

In a second key area of work on our impact over the past year, the Trust has begun developing a new Research Impact Framework, which will be used to help understand the impact of its research and how this directly flows from its strategic funding. The work has been undertaken with an expert in the field of research impact and the first draft of the framework is in the process of review and challenge by Trustees. The aim is that it will also form the basis of an ongoing strategic review of Trust research funding and enable the Trust to strengthen its reach and visibility, as well as producing clear narrative on its research achievements. Ultimately, it is planned that the Framework will be used for annual impact reporting, which we expect will feed into the Annual Report and Accounts from 2023/2024.

Extending our reach and visibility

Through its programmes of funding, the Trust continues to make a valuable contribution to the wider UK research ecosystem. As well as through direct funding, membership of the Association of Medical Research Charities and partnerships and relationships with UK research funders each contribute to the growth of the Trust's visibility and influence.

The Trust has a rich legacy of impactful research, most notably leading the development of a new class of treatments for inflammatory conditions, such as rheumatoid arthritis in the form of biologic anti-TNF therapeutics. This year saw the completion of a major project to catalogue the extensive archive of material that tells this story, undertaken by a dedicated archivist working with the Wellcome Collection. The catalogue was fully accessible from the end of October 2023 via the Wellcome Collection (<https://wellcomecollection.org/works/wc6anqf4>) and is a valuable resource in understanding the journey from discovery science to its translation to the direct benefit of many people living with debilitating inflammatory disorders. We are planning to use this resource in the coming year to help tell the Trust's story of impactful research.

Part of the key role for the Chief Executive is to engage and develop relationships within the wider research community and Dr Stephen Simpson has spent time over the year attending events held by the AMRC, Academy of Medical Sciences, the British Society for Immunology, British Society for Rheumatology and other networks. This year we were delighted to sponsor the first British Society for Immunology Awards recognising the achievements of individuals in the field of immunology research.

We continue to use social media and our website in communicating our news and will look over the coming year to better harness these channels.

Financial Review

Investment income £8.7m	Grants awarded £15.4m	Total Reserves £271.9m
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From a financial perspective, the Trust has two key drivers of financial sustainability; how well the investments perform and how much the Trust spends on research grants.

Investments (including policy and objectives)

The Trust relies on the dividends, distributions and capital gains derived from the investment portfolio, to fund its charitable activities. These are managed by JP Morgan as the Trust's responsible fiduciary managers. The Trust carries out no fundraising activities.

The portfolio is required to provide sufficient excess returns to cover the Trust's grant giving, while preserving the real value of its assets over the long-term. Thus, the principal objective for the portfolio is a total return on invested funds of UK CPI+3% per annum over the longer term. This is achieved through a balanced portfolio that has sufficient liquidity to meet short-term spending commitments and avoid the forced sale of long-term and less liquid assets. In order to meet this objective, JP Morgan continue to work toward the agreed long-term asset allocation of 45% alternatives, 40% equities and 15% fixed income and cash.

The Trustees expect JP Morgan to consider the ESG policies of companies alongside other factors that may affect their long-term investment prospects. Given the Trust's objectives, tobacco investments are kept to an absolute minimum and excluded where practically possible in the context of the Trust's investments in pooled funds.

As at 30 September 2023, the total investments were valued at £305.5m (2022: £313.8m) and had generated £8.7m (2022: £8.0m) in income from dividends and distributions.

A significant one-off drawdown of £8.3m was made to fund two permanent Chairs at the Institute (see page 5 and 6) resulting in the sizable decrease to the value of the portfolio in 2023.

The return on investments for the year to 30 September 2023 was 5.5% (2022: -6.6%), below the Trust's long-term target return. The following factors are deemed to have contributed significantly to this:

- The benchmark is based on the long-term asset allocation which the Trust is currently on the journey towards and is expected to take a further 3-5 years to reach.
- Challenging market conditions remained through the year, with high inflation and consequently high interest rates.
- The majority of returns in equities was produced by seven stocks within the tech industry, to which the Trust was under-exposed.

Grants

The Trust committed a further £15.4m of multi-year grant funding, to 4 UK institutes and Universities during the 2023 financial year (2022: £8.7m, 3 UK institutes and Universities). These grants have been discussed in pages 4-7 above. This is included within the SOFA (page 17) under the heading 'Research Funding'. Including the allocated support and governance costs, the total spend on Research Funding was £15.9m (2022: £6.1m).

This adds to the overall portfolio of ongoing research, with grant commitments still to be paid, totalling £35.7m as at 30 September 2023 (2022: £36.8m). 68% of this balance is related to Institute funding (2022: 68%).

Reserves

Total reserves as at 30 September 2023 were £271.9m (2022: £279.1m). If designated funds of £13.0m and a small endowment of £1.5m are excluded, this results in a general fund of £257.4m.

Whilst these may be considered 'free reserves', the Trust's policy is to maintain the real value of the level of reserves over the long-term, as the majority of these are invested to generate a sufficient return to fund current and future charitable activities. This is in line with the power conferred on the Trust and has been discussed with the Charity Commission. The Trustees consider the current level of reserves to be appropriate in light of its ambition to provide long-term support to scientists working in the fields of fundamental and translational research into musculoskeletal and related diseases.

Details of the designated and endowment funds are in note 13 of the accounts.

Principal risks and uncertainties

The Board of Trustees has responsibility for ensuring there are adequate and effective risk management protocols in place to manage the Trust's overall areas of risk. An annual review of the Risk Register is carried out by the Board and is supported in its assessment by the Finance and Investment Committee and General Purposes Committee.

The Trust has identified the following principal risks and steps to mitigate the risk:

Risk	Mitigation strategy
Shortfall in available finance due to investment challenges The Trust solely relies on the investment returns to fund charitable activities. Therefore, a reduction of expected returns is a risk, either due to financial markets (including inflation and geopolitical stress) or failure to earn an appropriate return from the assets.	The Trust has engaged an external fiduciary manager, JP Morgan and pursues an asset allocation policy to diversify risk and conserve capital in real terms. There are regular reviews of investment strategy and policy (in light of the Trust's financial plans) by the Finance and Investment Committee and the Trust's fiduciary manager. Quarterly performance reports are presented to the Finance and Investment Committee and annual presentations to the Board. Regular reviews of long-term expected returns compared with expected spending are performed. The Trust considers that it is unlikely to be impacted by short-term market volatility given the portfolio is well-diversified and there are sufficient liquid assets to meet its spending requirements.
Loss of Staff and Trustees With a small staff team of three, the Trustees are highly engaged where the Trust can benefit from their expertise. Therefore, knowledge and understanding of the Trust is concentrated on a small number of individuals and turnover can have a significant impact.	The Trust has a policy of reviewing the number, skills and diversity of Trustees and seeks new ones as necessary. The Trustees have considered and discussed the development and strengthening of the Trust's staff. Remuneration is benchmarked at appointment and is routinely reviewed.
Cyber Security Attacks from ransomware, spyware, phishing and website security continues to be risks to the Trust	The Executive team carried out a review in October 2023 to assess the mitigation strategy for Cyber Security risks. Cyber security is under constant review and updates are made in line with best practice.

Structure, Governance and Management

Governing Document

The Trust is a charitable company limited by guarantee incorporated on 13 October 1969 and is governed under its Articles of Association. The Charity is registered with the Charity Commission of England and Wales.

Structure and decision making

The Trust is governed by a Board of Trustees who meet quarterly as a minimum. There are three sub-committees each with specific responsibilities, as set out in their Terms of Reference, and each reports to the Board on a regular basis:

General Purpose Committee: ensures that all matters relating to the Trust are effectively managed by the appropriate Committee or the Board. Its responsibilities include the structure, governance, and reputation of the Trust.

Finance and Investment Committee: responsible for the Trust financials, investments, audit and risk management for finance and investment matters.

Research Committee: has responsibility for all matters requiring scientific expertise and operates with three non-trustees.

Matters not reserved for decision by the Board of Trustees or Committees are delegated to the Chief Executive Officer.

Recruitment and appointment of new Trustees

Trustees are recruited by the Board based upon their experience, professional qualifications, empathy and interest in the Trust's objectives and ability to further the Trust's performance and achievements. The sub-committees shortlist candidates whose area of expertise falls within their committee's responsibilities and put forward final candidates to the Board of Trustees. Suitable candidates are identified through an open recruitment process with a specialist recruiter.

Once appointed, new Trustees are provided with an induction pack which includes their fiduciary responsibilities, as well as relevant information about the Trust and their area of responsibility.

Pay and remuneration

The Trust considers salaries paid on an annual basis to ensure they are fair and appropriate for the positions and reflect any changes to the roles during the year. In addition, account is taken of changes in the cost of living.

The Finance and Investment Committee, with approval by the Board, reviews salaries of Key Management Personnel (KMP) on an annual basis as outlined above and make recommendations to the Board for final approval.

The Trust appoints external recruitment agents to advise on KMP appointments. The Board or a delegated working group will determine the pay range for a vacancy prior to advertising, ensuring remuneration is in line with industry and market.

Charity Information

Registered Charity No: 260059
Registered Company No: 963832

Board of Trustees

Professor Sir Stephen Holgate (Chair)
Mr. Edmund Buckley
Mr. Christopher Coombe
Professor Andrew Cope
Mr. Mark Dighero
Mrs. Margaret Frost (resigned 7 December 2023)
Professor Tracy Hussell
Mrs. Harsha Patel (appointed 27 September 2023)
Professor Michael Patton
Mr. Richard Punt
Dr. Paul Satchell
Ms. Victoria White (resigned 8 November 2023)

Sub-committees

General Purpose Committee

Mr. Mark Dighero (Chair), Professor Sir Stephen Holgate, Professor Michael Patton, Mr. Richard Punt and Ms. Victoria White (to 8 November 2023)

Finance and Investment Committee

Mr. Christopher Coombe (Chair from 1 November 2023), Mrs. Margaret Frost (Chair to 31 October 2023), Mr. Edmund Buckley, Mr. Mark Dighero, Professor Sir Stephen Holgate, Mrs. Harsha Patel and Dr. Paul Satchell

Research Committee

Professor Andrew Cope (Chair), Professor Tracy Hussell, Professor Michael Patton, Mr. Richard Punt and Professor Sir Stephen Holgate. Non-Trustee members: Professor Carl Goodyear, Professor Paul Lehner and Professor Gitta Stockinger

Officers

Dr. Stephen Simpson (Chief Executive Officer)
Mrs. Hazel Middleton (Company Secretary from 28 March 2023)
Mrs. Susan Johanson (Company Secretary to 28 March 2023)

President*

Professor Sir Ravinder Maini

Registered Office

Boundary House
91 Charterhouse Street
London EC1M 6HR

Business Address

One Lyric Square
London W6 0NB

Independent Auditors

MHA MacIntyre Hudson
6th Floor
2 London Wall Place
London EC2Y 5AU

Bankers

Lloyds TSB Bank PLC
25 King Street
Hammersmith
London W6 9HW

Investment Advisers

J.P. Morgan SE
60 Victoria Embankment
London EC4Y 0JP

Legal Advisers

Stone King LLP
Boundary House
91 Charterhouse Street
London EC1M 6HR

**an honorary position and not a trustee*

Statement of Trustee Responsibilities

The Trustees (who are also directors of the Trust 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 Accounting Practice).

Company law requires Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- 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 the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

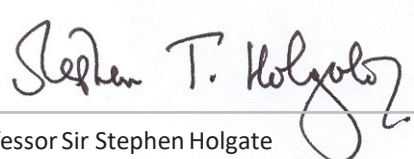
In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.
- The Trustees' Annual Report is approved by the Trustees of the charity. The Strategic Report, which forms part of the Annual Report, is approved by the Trustees in their capacity as Directors in company law of the charity.

Auditors

The auditors, MHA were appointed auditors during the year and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

By order of the Board of Trustees.



Professor Sir Stephen Holgate
Chairman of the Board of Trustees

19 March 2024



Christopher Coombe
Chair of the Finance and Investment Committee

Independent Auditor's report

Opinion

We have audited the financial statements of The Kennedy Trust for Rheumatology Research (the 'charitable company') for the year ended 30 September 2023 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 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 Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Trustees' assessment of the entity's ability to continue to adopt the going concern basis of accounting included critical reviews of budgets and forecasts provided.

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

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

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine

whether this gives rise to 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' report (incorporating the Strategic Report and the Directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report has 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on Page 13, 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

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

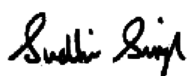
- Obtaining an understanding of the legal and regulatory frameworks that the entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements;
- Enquiry of management and those charged with governance to identify any instances of known or suspected instances of fraud;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of management about any instances of non-compliance with laws and regulations;
- Reviewing the control systems in place and testing the effectiveness of the controls;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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

Use of this 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. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' 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 and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sudhir Singh FCA (Senior Statutory Auditor)

For and behalf of

MHA

Statutory Auditor

London, United Kingdom

Date: 27 March 2024

MHA is the trading name of MacIntyre Hudson LLP, a limited liability partnership in England and Wales (registered number OC312313)

Statement of Financial Activities

(incorporating income and expenditure account)

For year ended 30 September 2023

	Note	Unrestricted 2023 £'000	Endowment 2023 £'000	Total 2023 £'000	Total 2022 £'000
Investment Income		8,740	-	8,740	8,015
Income from other Trading Activities					
Co-funding of Research Initiatives		163	-	163	-
Royalty Income		-	-	-	684
Other Income					
Exchange gain		-	-	-	19
Total income		8,903	-	8,903	8,718
Costs of Raising Funds					
Investment Advice	2	970	-	970	1,073
Intellectual Property Protection	2	-	-	-	14
Royalty Sharing Payments	2	499	-	499	474
Expenditure on Charitable Activities					
Research Funding	2,3	15,943	-	15,943	6,144
Other Expenditure					
Exchange loss		15	-	15	-
Total expenditure		17,427	-	17,427	7,705
Net (expenditure)/ income before investment gains/ (losses)		(8,524)	-	(8,524)	1,013
Net gains/(losses) on investments	8c	1,248	61	1,309	(28,323)
Net movement in funds		(7,276)	61	(7,215)	(27,310)
Total funds brought forward		277,713	1,405	279,118	306,428
Total funds carried forward	13	270,437	1,466	271,903	279,118

The detailed 2022 comparative Statement of Financial Activities is reported in note 17.

The notes on pages 20 to 33 form part of these financial statements

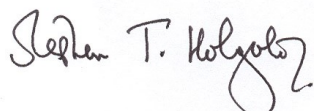
Balance Sheet

as at 30 September 2023

Company number: 963832

	Note	2023 £'000	2022 £'000
Fixed Assets			
Tangible assets	15	2	4
Investments	8	305,489	313,759
		305,491	313,763
Current Assets			
Debtors	9	1,368	579
Cash at bank and in hand		1,420	1,797
		2,788	2,376
Current Liabilities (amounts falling due within one year)			
Sundry accruals and creditors	10	(630)	(194)
Grant payments due within one year		(13,479)	(10,161)
		(14,109)	(10,355)
Net current assets		(11,321)	(7,979)
Total assets less current liabilities		294,170	305,784
Creditors (amounts falling due after one year)			
Grant payments	11	(22,267)	(26,666)
Total net assets	12	271,903	279,118
Funds			
Unrestricted - Designated		13,041	18,461
Unrestricted - General		257,396	259,252
Unrestricted - Total		270,437	277,713
Endowment		1,466	1,405
Total funds	13	271,903	279,118

These Accounts were approved by the Trustees and authorised for issue on 19 March 2024



Professor Sir Stephen Holgate
Chairman of the Board of Trustees



Christopher Coombe
Chair of the Finance and Investment Committee

The notes on pages 20 to 33 form part of these financial statements

Statement of Cashflows

For year ended 30th September 2023

	2023	2022
	£'000	£'000
Net Cash used in Operating Activities (Note a)	(17,778)	(8,072)
Cashflow from Investing Activities (Note b)	17,401	6,774
	<u>(377)</u>	<u>(1,298)</u>
Cash and Cash Equivalents at 1st October	1,797	3,095
Cash and Cash Equivalents at 30 September	1,420	1,797

a. Net Cash used in Operating Activities

Net (expenditure) for the year	(7,215)	(27,310)
Investment income	(8,740)	(8,015)
(Gains)/losses on investments	(1,309)	28,323
Add back investment management costs	918	824
Add back depreciation of tangible assets	2	1
(Decrease) in creditors	(645)	(1,983)
(Increase)/decrease in debtors	(789)	88
Net Cash Flow from Operating Activities	(17,778)	(8,072)

b. Cash Flow from Investing Activities

Payments to acquire investments	(142,320)	(97,727)
Receipts from sales of investments	113,544	143,431
Investment income	8,740	8,015
Purchase of tangible fixed assets	-	(5)
Decrease/(increase) in cash held by investment manager	34,657	(34,939)
Cash inflow from foreign exchange hedging	3,698	(11,177)
Investment Manager fees - cash element	(918)	(824)
Net Cash Flow from Investing Activities	17,401	6,774

As the Trust does not have any debt, an analysis of net debt has not been produced.

Notes to the Accounts

1. Summary of Significant Accounting Policies

(A) GENERAL INFORMATION AND BASIS OF PREPARATION

The Kennedy Trust for Rheumatology Research is a company limited by guarantee registered in England. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the charity information on page 12 of these financial statements.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are presented in sterling which is the functional currency of the charity and rounded to the nearest £'000.

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

(B) FUNDS

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent those assets which must be held permanently by the charity, principally the Maynard Jenour Fund and the Kennedy Endowment Fund. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. Investment management charges and legal advice relating to the fund are charged against the fund.

(C) INCOME RECOGNITION

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably, and it is probable that the income will be received.

Donations are recognised on receipt. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained, then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

Investment income is earned through holding assets for investment purposes such as shares and property. It includes dividends, interest and private market distributions. Where it is not practicable to identify investment management costs incurred within a scheme with reasonable accuracy the investment income is reported net of these costs. It is included within cost of raising funds when the amount can be measured reliably. Interest income is recognised using the effective interest method and dividend income is recognised as the charity's right to receive payment is established.

Income from royalty and license agreements is recognised throughout the year when there is reasonable assurance of receipt. Royalty and license income are recognised gross of the related revenue share obligations to the Inventors and other parties which are payable on recognition of the royalty income. License agreements also provide for the reimbursement of patent protection costs in certain cases.

(D) EXPENDITURE RECOGNITION

All expenditure is accounted for on an accruals basis, inclusive of VAT that cannot be recovered and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required, and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Costs of raising funds includes royalty sharing payments, intellectual property protection & investment advice;
- Expenditure on charitable activities includes research science funding and research infrastructure funding.

Grants payable to the Institute and to other third parties are within the charitable objectives. Where unconditional grants are offered, this is accrued as soon as the recipient is notified of the grant, as this gives rise to a reasonable expectation that the recipient will receive the grants. Where grants are conditional relating to performance then the grant is only accrued when any unfulfilled conditions are outside of the control of the charity.

The provision for a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the Trust that would permit the Trust to avoid making the future payment(s), settlement is probable and the effect of discounting is material. The discount rate used is the Trust's target rate of return on investment, currently CPI +3%. This discount rate is regarded by the Trustees as providing the most current available estimate of the opportunity cost of money reflecting the time value of money to the Trust. The effect of the rate applied has been quantified in the Financial Report in note 3

Royalty sharing payments are calculated by applying a formula for the distribution of royalty income agreed by the Trustees and Versus Arthritis, which reflects current UK university practice. Such payments are accrued in line with the corresponding royalty income.

Investment advice reflects the costs incurred by the Trust in managing its investment portfolios. The cost includes both internal costs and external consultancy and management costs. Cost is recognised in line with the accruals basis above.

(E) SUPPORT COSTS ALLOCATION

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs, governance costs and administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity and include grant management carried out by the Trust's employees. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable activities on a basis consistent with use of the resources. Premises overheads and other overheads have been allocated either on time spent or on another basis as appropriate.

(F) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended. The agreed capitalisation limit of tangible assets has been increased and agreed at £1,000.

Depreciation is calculated to write-off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Computer equipment	3 years
--------------------	---------

(G) INVESTMENTS

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value with changes recognised in 'net gains /(losses) on investments' in the Statement of Financial Activities if the shares are publicly traded or their fair value can otherwise be measured reliably. The Trustees have deemed that the fair value of unlisted open ended investment companies (OEIC's) and illiquid property fund investments, equates to the charity's share of the Net Asset Value (NAV) of the assets held, based on the market prices as at the valuation date. Investment gains and losses are shown split between realised and unrealised.

(H) DEBTORS AND CREDITORS RECEIVABLE / PAYABLE WITHIN ONE YEAR

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

(I) PROVISIONS

Provisions are recognised when the charity has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

(J) LEASES

Rentals payable and receivable under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

(K) FOREIGN CURRENCY

Foreign currency transactions are initially recognised by applying to the foreign currency amount the best available exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate. Gains and losses on exchange are allocated to the appropriate resource.

Forward exchange contracts are used solely to manage the exposure to foreign exchange rate risks in respect of the Trust's investment portfolio.

(L) EMPLOYEE BENEFITS

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

The charity contributes to the personal pension schemes of the employees and all costs are charged to the Statement of Financial Activities in the year to which they relate.

(M) TAX

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. It therefore does not suffer tax on income or gains applied for charitable purposes.

(N) GOING CONCERN

The financial statements have been prepared on a going concern basis as the Trustees believe that no material uncertainties exist. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure are sufficient with the level of reserves for the charity to be able to continue as a going concern.

In arriving at this conclusion, the Trust's investment portfolio has been stress tested with the assistance of its fiduciary manager JP Morgan. The Trustees concluded that even in the worst case scenarios, funds available are considered to be comfortably adequate to ensure the solvency, resilience, and liquidity of the Trust.

(O) FINANCIAL INSTRUMENTS

The charity holds both basic and complex Financial Instruments. The Trust has elected to apply the provisions of Section 11 and Section 12 of FRS 102 in full in respect of financial instruments. The financial assets and financial liabilities of the Charity are as follows:

Debtors – trade and other debtors (including accrued royalty income) are basic financial instruments measured at amortised cost.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Liabilities – trade creditors, accruals and other creditors will be classified as financial instruments, and are measured at amortised cost as detailed in notes 10 and 11. Taxation and social security are not included in the financial instruments disclosure. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is simply an obligation to deliver charitable services rather than cash or another financial instrument.

Investments – a number of investments held at the year-end are classified as complex financial instruments as they are unlisted open ended investment companies (OEIC's). Under Section 11.24 of FRS 102 SORP 2019 the subsequent measurement of complex financial instruments should be at fair value and all changes in the fair value should be recognised in the Statements of Financial Activities. The Trustees have deemed that the fair value of these investments equates to the charity's share of the Net Asset Value (NAV) of the assets held, based on the market prices as at the valuation date. The Trust deems its derivative instruments as complex financial instruments and the Trust's policy is explained below. All other investments are classified as basic financial instruments and held at their market value.

Derivative instruments – The Trust uses Forward foreign currency contracts to reduce exposure to foreign exchange rates solely in respect of its investment portfolio. Derivative financial instruments are initially measured at fair value on the date the derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the SoFA.

(P) JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

- Allocation of support costs are made in line with the use of the resource
- Fund allocation
- Discounting of the provisions for multi-year grants liabilities to present value. Internal estimation is required in calculating the appropriate discount rate and determining when the liability will fall due
- Fair value of investments
- Foreign currency exchange rates.

There are no other key assumptions concerning the future or key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2 Analysis of expenditure

	Activity						2023 Total £'000
	Research Funding £'000	Investment Advice £'000	Intellectual Property Protection £'000	Royalty Sharing payments £'000	Governance £'000	Support £'000	
Staff Costs (see note 5)	84	33	-	-	92	42	251
Grants (see note 3)	15,402	-	-	-	-	-	15,402
Network	47	-	-	-	-	-	47
Legal and Professional	47	918	-	3	33	21	1,022
Operating costs	22	-	-	-	11	116	149
Other	29	-	-	496	16	-	541
	15,631	951	-	499	152	179	17,412
Governance Costs	143	9	-	-	(152)		
Support Costs	169	10	-	-		(179)	
Total	15,943	970	-	499	-	-	17,412

	Activity						2022 Total £'000
	Research Funding £'000	Investment Advice £'000	Intellectual Property Protection £'000	Royalty Sharing payments £'000	Governance £'000	Support £'000	
Staff Costs	97	40	6	10	92	-	245
Grants	5,758	-	-	-	-	-	5,758
Statutory Chairs	-	-	-	-	-	-	-
Network	19	-	-	-	-	-	19
Legal and Professional	13	972	1	9	32	3	1,030
Operating costs	28	-	-	-	6	156	190
Other	20	-	-	432	11	-	463
	5,935	1,012	7	451	141	159	7,705
Governance Costs	98	29	3	11	(141)		
Support Costs	111	32	4	12		(159)	
Total	6,144	1,073	14	474	-	-	7,705

3 Grants awarded

The Trust issues grants to institutions only, in areas that have a clear relation to disease pathways of rheumatological, musculoskeletal and related inflammatory disorders:

	2023	2022
	£'000	£'000
University of Oxford – Statutory Chairs*	8,264	-
University of Oxford	5,241	4,065
University of the West of England	50	-
Queen Mary University of London	68	-
University of Birmingham	98	-
University College London	-	2,234
University of Leeds	-	2,429
Total grants awarded	13,721	8,728
Other adjustments		
Writebacks	(315)	(1,158)
Movement in grant discount provision	1,996	(1,812)
Total	15,402	5,758

The Trust discounts multi-year grant liabilities to present value, and applies a discount rate of UK Core CPI +3%. As at 30 September 2023, the total rate of 9.1% (2022: 9.5%), resulted in a discount provision of £4.8m (2022: £6.8m).

The current year impact of £2.00m (2022: -£1.8m) is recorded in charitable expenditure.

*A single award of £8.3m, given to the University of Oxford to support the creation of two new permanent University Statutory Chairs at the Institute through a joint endowment between the University and the Trust (see pages 5-6).

4 Net expenditure for the year

Net expenditure for the year is stated after charging:

	2023	2022
	£'000	£'000
Auditors remuneration (for audit services only)	33	32
Exchange rate loss/ (gain)	15	(19)
Operating lease expense	83	80
Depreciation	2	1

5 Staff Costs

	2023 £'000	2022 £'000
Staff salaries	210	204
National Insurance	20	20
Employer contributions to pensions	21	20
Total Staff Costs	251	244

Average staff numbers during the year comprise 3 part-time (2.4 full time equivalent) members of staff. (2022: 3 part-time (2.2 full time equivalent)).

The key management personnel of the Charity are the Chief Executive and the Company Secretary; aggregate remuneration and benefits for the key management personnel is £230k (2022: £222k)

The table below summarises the number of employees who received £60,000 or more in the year:

	2023	2022
Employees paid between £80,000 and £90,000	-	1
Employees paid between £110,000 and £120,000	1	-

6 Payments to Trustees

The members of the Board of Trustees receive no emoluments for their service.

Expenses totalling £1,691 (2022: £2,760) were reimbursed to 5 Trustees (2022: 4) and £3,025 (2022: £3,154) were paid directly by the Trust to third parties on behalf of 8 Trustees (2022: 12). These payments related mainly to travel and subsistence costs incurred in carrying out their duties as Trustees.

7 Related Party Transactions

On release of the legal expenses fund (see note 13), a final payment of £131,859 is due to the Trust's President, Professor Sir Ravinder Maini.

Professor Sir Ravinder Maini was an employee of the Institute, responsible with Professor Feldmann for the invention which subsequently led to the generation of royalty income. Under a royalty distribution arrangement agreed with Versus Arthritis, and in line with current UK university practice, he and Professor Feldmann are entitled to an equal share of royalty income.

Following Professor Maini's appointment as a Trustee of the Trust, Charity Commission approval was obtained for the continuing payment of his share of the royalty income. In 2023 £131,859 (2022: £115,046) was receivable by Professor Maini and the payment was outstanding at the year end (2022 - £17,824).

Professor Maini ceased to be a Trustee in December 2018.

In April 2023, The Trust provided £6,000 sponsorship of the British Society of Immunology (BSI) Immunology Awards. Trustee, Professor Tracy Hussell is currently president of the BSI.

8 Investments

(a) Movement on Investments:

	2023 £'000	2022 £'000
Market Value brought forward	280,559	343,409
Net Additions at Cost	142,320	97,727
Disposals at Market Value	(113,544)	(143,431)
Gain/(Loss) on investments	(2,389)	(17,146)
	306,946	280,559
Outstanding forward contracts	(2,027)	(4,480)
Cash held by Investment Managers	570	37,680
Market Value carried forward	305,489	313,759
Historic Costs of Investments	325,312	327,101

(b) Investments comprise of:

	2023 £'000	2022 £'000
Equities	135,649	148,158
Fixed Income	60,176	58,539
Alternatives	81,554	37,873
UK Property Funds	29,567	35,989
Foreign currency forward contracts	(2,027)	(4,480)
Cash	570	37,680
Total	305,489	313,759

(c) Net gains/(losses) on investments

	2023 £'000	2022 £'000
Realised gain/(losses) on portfolio	(62)	(3,243)
Unrealised gain/(losses) on portfolio	(2,327)	(13,903)
Cash gain/(loss) from FX hedging	3,698	(11,177)
Net gain/ (loss) in Statement of Financial Activities	1,309	(28,323)

During the year, the Trust fully redeemed the residual illiquid holdings in SEI managed vehicles with the net proceeds of £0.38m (2022: £31.53m) invested by the Trust's fiduciary manager JP Morgan.

9 Debtors

	2023	2022
	£'000	£'000
Royalty Accrued Income	-	108
Other Accrued Income	1,349	453
Sundry Debtors	19	18
Total Debtors	1,368	579

10 Sundry Creditors and Accruals

	2023	2022
	£'000	£'000
Royalties Payable	496	67
Other Creditors and Accruals	127	121
Taxation and Social Security	7	6
Total Creditors	630	194

11 Creditors falling due after more than One Year

The balance of grants payable is as follows:

	2023	2022
	£'000	£'000
Grant Payments due between one and five years	25,170	30,022
Grant Payments due after five years	1,859	3,403
Discounting of grant liabilities	(4,762)	(6,759)
Commitments and Provisions due after One Year	22,267	26,666

	Unrestricted Funds £'000	Endowment Funds £'000	2023 Total £'000	Unrestricted Funds £'000	Endowment Funds £'000	2022 Total £'000
Fixed Assets:						
Tangible Fixed Assets	2	-	2	4	-	4
Investments	304,023	1,466	305,489	312,354	1,405	313,759
Current Assets						
Debtors	1,368	-	1,368	579	-	579
Cash at Bank and In Hand	1,420	-	1,420	1,797	-	1,797
	306,813	1,466	308,279	314,734	1,405	316,139
Current Liabilities	(14,109)	-	(14,109)	(10,355)	-	(10,355)
Long Term Liabilities	(22,267)	-	(22,267)	(26,666)	-	(26,666)
	270,437	1,466	271,903	277,713	1,405	279,118

13 Funds

	30 September 2022 £'000	Income £'000	Expenditure £'000	Transfers £'000	Investment Profits £'000	30 September 2023 £'000
Endowment Funds						
Maynard Jenour Fund	95	-	-	-	4	99
Kennedy Endowment Fund	1,310	-	-	-	57	1,367
Total Endowment Funds	1,405	-	-	-	61	1,466
Unrestricted Funds						
General Fund	259,252	8,903	(16,928)	4,921	1,248	257,396
Designated Funds						
Oxford Research Grant Fund 2021	17,403	-	-	(4,362)	-	13,041
Legal Expense Fund	1,058	-	(499)	(559)	-	-
Total Designated Funds	18,461	-	(499)	(4,921)	-	13,041
Total Unrestricted Funds	277,713	8,903	(17,427)	-	1,248	270,437
Total Funds	279,118	8,903	(17,427)	-	1,309	271,903

Endowment Funds

Maynard Jenour and Kennedy Endowment Funds, represent donations received in the early years of the Trust, held as permanent endowments. The income is unrestricted and is applied to fund grants to support clinical research.

Designated Funds

The designated funds represent unrestricted amounts which the Trustees have allocated for specific purposes. The Trustees can reallocate these funds as required.

The Oxford Research Grant Fund 2021: represents the intention of the Trust to continue funding the Institute under the current agreement with the University of Oxford signed in October 2018. Under this agreement the Trust committed to provide funding of £4m per annum (adjusted for inflation) from 1 August 2021 until 31 July 2026. The designated fund, is used to ringfence the expected funding under the agreement. £4.4m (2022: £4.0m) was released from the Oxford Research Grant Fund 2021 to General Funds constituting funding of this obligation for the year. No grant creditor for the possible future commitments has been shown as the Trust has the right to refuse payment if no suitable projects are put forward.

Legal Expense Fund: Up until 2011, the Trustees set aside 10% of gross royalty income to cover the costs of compliance with licence agreements and to defend the Trust's patent rights in the event of litigation. Trustees confirmed in December 2023 that the balance remaining should be distributed to the beneficiaries on the percentage of royalties due based on the patent rights expiration and the expectation that no future claims are expected. As the end of the patent period was during the financial year to 30 September 2023, this release has been reflected in the accounts.

14 Funds - continued
2022 Comparatives

	30 September 2021	Income/ (Expenditure)	Expenditure from Designated	Transfers	Investment Losses	30 September 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Endowment Funds						
Maynard Jenour Fund	105	-	-	-	(10)	95
Kennedy Endowment Fund	1,470	-	-	-	(160)	1,310
Total Endowment Funds	1,575	-	-	-	(170)	1,405
Unrestricted Funds						
General Fund	282,350	1,013	9	4,033	(28,153)	259,252
Designated Funds						
Legal Expense Fund	1,067	-	(9)	-	-	1,058
Oxford Research Grant Fund 2021	21,436	-	-	(4,033)	-	17,403
Total Designated Funds	22,503	-	(9)	(4,033)	-	18,461
Total Unrestricted Funds	304,853	1,013	-	-	(28,153)	277,713
Total Funds	306,428	1,013	-	-	(28,323)	279,118

15 Tangible Fixed Assets

		2023	2022
		£'000	£'000
	Computer Equipment	Total	Total
Cost			
Cost as at the beginning of the year	5	5	-
Additions	-	-	5
Disposals	-	-	-
Cost at the end of the year	5	5	5
Depreciation			
Accumulated depreciation at the beginning of the year	1	1	-
Disposals	-	-	-
Depreciation	2	2	1
Accumulated depreciation at the end of the year	3	3	1
Net book value at beginning of the year	4	4	-
Net book value at end of the year	2	2	4

16 Operating Leases

The Trust has a lease on its current offices which can be terminated at the end of the minimum contract term on 31 March 2024.

These non-cancellable lease commitments and their period of expiry are:

	2023	2022
	£'000	£'000
Under 1 year	43	40
2-5 years	-	-
>5 years	-	-
Total	43	40

17 Detailed Comparatives for the Statement of Financial Activities

	Unrestricted Funds 2022 £'000	Endowment Funds 2022 £'000	Total Funds 2022 £'000
Investment Income	8,015	-	8,015
Incoming from other trading activities			
- Royalty Income	684	-	684
Other Income			
- Exchange gain	19	-	19
Total Income	8,718	-	8,718
Costs of Raising Funds			
- Investment Advice	1,073	-	1,073
- Intellectual Property Protection	14	-	14
- Royalty Sharing Payments	474	-	474
Expenditure on Charitable Activities			
- Research Funding	6,144	-	6,144
Total Expenditure	7,705	-	7,705
Net Income before Investment (Losses)	1,013	-	1,013
Net (Losses) on Investments	(28,153)	(170)	(28,323)
Net (Expenditure)	(27,140)	(170)	(27,310)
Total Funds brought forward	304,853	1,575	306,428
Total Funds carried forward	277,713	1,405	279,118

THE KENNEDY TRUST FOR RHEUMATOLOGY RESEARCH

England & Wales - Charity number 260059

Accounts



**The Kennedy Trust for Rheumatology Research
Annual Report & Accounts for the Year Ended 30 September 2022**

**Registered Charity: No 260059
Company No 963832**

The Kennedy Trust for Rheumatology Research

Annual Report & Accounts for the Year Ended 30 September 2022

Contents

Page:

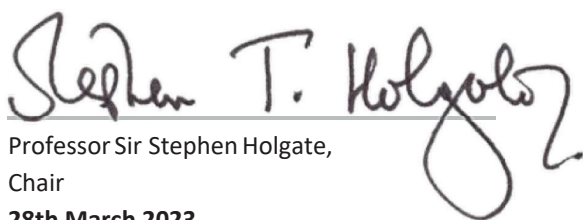
INTRODUCTION FROM THE CHAIR.....	3
TRUSTEES' REPORT	4
GOVERNANCE	4
STRATEGIC REPORT	7
IMPACT REPORT	12
FINANCIAL REPORT	14
REVIEW OF INVESTMENT ACTIVITIES.....	16
CHARITY INFORMATION	24
INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE KENNEDY TRUST FOR RHEUMATOLOGY RESEARCH	27
ACCOUNTS	31

INTRODUCTION FROM THE CHAIR

Major global challenges continue to simultaneously threaten the rate of progress of medical research in the UK on the one hand and stimulate researchers towards new avenues of innovation and ground-breaking science on the other. To help meet both this year, the Kennedy Trust for Rheumatology Research has continued to strategically plan and prioritise its resources in ways that we believe best enable our ongoing sustainable support for world-class research while at the same time keeping our focus on encouraging translation of discovery science into practical benefits for patients with musculoskeletal and related diseases. For example, under Professor Dame Fiona Powrie's leadership as Director at the Kennedy Institute in Oxford, we have supported the growth in cutting-edge technology platforms and new senior leadership positions, including a new statutory chair, whose teams deliver science of the highest international quality and competitiveness. Equally, our crucial support for future research talent at Oxford and elsewhere in the UK is one of our hallmarks and includes the development of five unique funding hubs for MB PhD training in order to help grow clinical science as a rewarding career option in medicine. Despite setbacks to medical research resulting from the Covid-19 pandemic, we have continued to work with others over the year to help achieve our mission, maintaining strategic partnerships with UK funders and centres of research excellence in universities across the UK.

On a more personal level, I would like to thank our amazingly committed Trustees for their invaluable time and energy in helping us make a difference. We've seen a number of changes in the year - saying goodbye to long-serving Trustees and welcoming new members to our executive team and our committees. I would like to thank our outgoing Trustees who retired from the Board, Professor Hill Gaston, Mr. David Paterson, and Mrs. Jennifer Johnson, for their years of service and the extraordinary difference they have made to the Trust's work. Also, the Trust's outgoing Chief Executive, Mr. Pierre Espinasse who, over his 11-year tenure, has worked tirelessly with Trustees to help transform the Trust into the successful medical research charity it now has become. Pierre was instrumental in helping with the move of the Kennedy Institute from London to Oxford and enabling us to realise the value of the royalties from anti-TNF drug patents, which we continue to re-invest in research. With Pierre's departure, we are working with our new CEO Dr Stephen Simpson, who joined the Trust in the Spring. Stephen has had an amazing career in supporting science and joined us from our partner charity, Versus Arthritis where he was Director of Research.. Finally, I would like to share my appreciation of our excellent fiduciary managers at JP Morgan and the other organisations who support the Trust in maintaining excellence in all its legal and governance activities.

Research into rheumatological and related inflammatory disorders remains one of the most exciting, challenging and progressive areas of biomedical research of the day and I believe the Trust has the experience, and fortitude to ensure major advances in the coming years through the careful investment, management and deployment of its resources to make a difference.



Professor Sir Stephen Holgate,
Chair

28th March 2023

TRUSTEES' REPORT

GOVERNANCE

The Trust is governed by a Board of Trustees (shown on page 5) and has three sub-committees, as laid out below. Each has specific responsibilities (as set out in their Terms of Reference) and each report to the Board on a regular basis.

New Trustees are provided with an induction pack which includes their fiduciary responsibilities, as well as relevant information about the Trust. The continuing development of all Trustees is met by an annual scientific update and presentations (often by invited external speakers) on various relevant issues, along with governance and other updates.

The Trust has provided indemnity insurance for the Trustees during the year.

Trustees are recruited by the Board based upon their experience, professional qualifications, empathy and interest in the Trust's objectives and ability to further the Trust's performance and achievements. A recruitment committee is appointed that shortlists, interviews and puts forward final candidates to the Board of Trustees.

In preparing this report, Trustees have referred to the Charity Commission's general guidance on public benefit and are satisfied that the activities undertaken by the Trust meet the Commission's requirements.

Governing Document

The Trust is a charitable company limited by guarantee incorporated on 13 October 1969 and is governed under its Articles of Association. The Charity is registered with the Charity Commission of England and Wales.

Charitable Objectives

To provide financial and other support for basic and translational research into rheumatic and related musculoskeletal, immunological, and inflammatory diseases. In meeting its charitable objectives, the Trust supports both basic and translational research primarily through its support of the Kennedy Institute of Rheumatology.

The Board

- Professor Sir Stephen Holgate (Chair)
- Mr. Edmund Buckley
- Mr. Christopher Coombe
- Professor Andrew Cope
- Mr. Mark Dighero
- Mrs. Margaret Frost
- Professor Hill Gaston (resigned 22 June 2022)
- Professor Tracy Hussell (appointed 12 October 2021)
- Mrs. Jennifer Johnson (resigned 22 June 2022)
- Mr. David Paterson (resigned 12 October 2021)
- Professor Michael Patton
- Mr. Richard Punt
- Dr. Paul Satchell
- Ms. Victoria White

Finance and Investment Committee (FIC)

The purpose of the FIC is to formulate the Trust's financial and investment policies, agree these with the Board of Trustees, be responsible for overseeing the implementation of the agreed policies, and implement a risk management strategy for finance and investment matters.

The composition of the FIC during the year was as follows:

- Mrs. Margaret Frost (Chair)
- Mr. Edmund Buckley
- Mr. Christopher Coombe
- Mr. Mark Dighero
- Professor Sir Stephen Holgate
- Dr. Paul Satchell
- Mr. David Paterson (resigned 12 October 2021)

General Purposes Committee (GPC)

The purpose of the GPC is to ensure that all matters relating to the Trust are effectively managed by the appropriate Committee or the Board. Its responsibilities include the structure, governance, and reputation of the Trust.

The composition of the GPC during the year was as follows:

- Mr. Mark Dighero (Chair from 1 April 2022)
- Mrs. Jennifer Johnson (Chair until 1 April 2022, resigned 22 June 2022)
- Professor Sir Stephen Holgate
- Professor Michael Patton
- Mr. Richard Punt
- Ms. Victoria White

Research Committee (RC)

The Research Committee has responsibility for all matters requiring scientific expertise.

The composition of the RC during the year was as follows:

Trustees:

- Professor Andrew Cope (Chair)
- Professor Hill Gaston (resigned 22 June 2022)
- Professor Tracy Hussell (appointed as Trustee 12 October 2021)
- Mr. Richard Punt (appointed 20 September 2022 as a non-voting member)

Non-trustees (appointed to the RC for a three-year period):

- Professor Tracy Hussell (until 12 October 2021)
- Professor Carl Goodyear
- Professor Paul Lehner
- Professor Neil Sebire (resigned 16 May 2022)
- Professor Gitta Stockinger

Ex-Officio:

- Professor Sir Stephen Holgate

Ex Officio

Mr. Pierre Espinasse (until 30 June 2022), Dr. Stephen Simpson (CEO Designate 1 April to 30 June 2022, Chief Executive Officer from 30 June 2022), Mrs. Susan Johanson (Secretary until 28 March 2023) and Mrs. Hazel Middleton (Secretary from 28 March 2023) are Ex Officio non-voting members of all the Committees.

STRATEGIC REPORT

The Trustees are pleased to present their annual report together with the financial statements of the charity for the year ended 30 September 2022 which are also prepared to meet the requirements for a directors' report and accounts for the Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

KEY ACHIEVEMENTS

Trust Strategy and Operations

Strategic development

In meeting its charitable objectives, the Kennedy Trust continues to support basic science, as well as an increasing focus on the support of translational and clinical research to help accelerate benefit for people with the lived experience of different inflammatory disorders.

In 2021, key strategic principles were agreed by the Trustees to prioritise support for the Kennedy Institute of Rheumatology at Oxford ("the Institute") and to continue to make a difference with ambitious wider funding, with a strong focus on excellence and crucial support for younger scientists. To take this forward, the Research Committee held a series of strategic discussions this year, starting with a brainstorming session in the Spring to consider where the Trust should focus its funding beyond its substantial commitments for the Institute. Three principal concepts emerged for consideration: firstly, smaller-scale awards that would provide proof of concept and 'pump-prime' larger scale funding, secondly, awards with a focus on transitional stages of research careers towards independence and thirdly, larger scale team-science orientated funding. It has been agreed that the pump-priming awards will have the greatest immediate impact and are deliverable in the shorter-term. A pilot scheme for these awards is currently planned to be rolled out in 2023 and the Trust's Research Committee will continue to consider the other areas identified and will make recommendations to the Board to launch new schemes at suitable junctures depending on resources and strategic need.

Operations

Following the appointment of JP Morgan as Fiduciary Manager for the Trust's investment portfolio in 2021 and successful completion of the transition of the Trust's investments to a more strategic long-term asset allocation, the office has been able to settle to 'business as usual' with a strong and effective working relationship between the executive, the Finance and Investment Committee and the JP Morgan team (see Review of Investment Activities). Similarly, the executive continues to support the work of the General Purposes Committee and the Research Committee to ensure policies, new funding and research activities are put into practice.

The transition between outgoing and incoming Chief Executive Officer was completed successfully in June and a new Financial Controller has been recruited to start work with the Trust at the end of November 2022, with a transition planned with the outgoing Financial Controller until the Spring of 2023. Otherwise, the team has remained of equivalent size and has continued to be effective in delivering on the wide range of Trust business.

The Trust continues to carefully monitor grant performance through self-reporting by grant holders and through the quarterly report to the Board by the Institute Director.

A cycle of development and revision of key policies was undertaken by the Trust and managed by the executive team supporting review by the GPC. This has included, for example, development of a new policy for Grant Awarding.

Association of Medical Research Charities

This was our second year as member of the Association of Medical Research Charities (“AMRC”) and the Trust continues to benefit from the work that the AMRC undertakes as part of its representation of over 150 UK medical research charities and the research they support. The Trust has been involved in various areas of AMRC work and continues to engage wherever there is relevance and value to the Trust’s mission.

Supporting the Kennedy Institute for Rheumatology

Institute update

The Institute remains the Trust’s primary focus of support. The Institute is a key hub within the growing biomedical campus at Oxford, forging new strategic links with other Oxford institutes, including the Botnar Research Centre and the newly established Institute for Development & Regenerative Medicine, with which it has a formal partnership based around the new microscopy and imaging technology platform: the Zeiss Centre of Excellence for advanced imaging.

The Institute has continued to grow its research base and recruit excellent scientists and trainees at all levels. At the end of September 2022, the Institute had a total of 215 staff and students (excluding visiting academics), comprising 155 staff on payroll and 60 DPhil students. The post-pandemic period has continued to see recovery and output of world-class science, although recruitment in specialised areas such as bioinformatics and data science remain challenging and something the Institute is placing particular emphasis on solving.

The Institute’s Director, Professor Fiona Powrie was this year appointed Dame Commander of the Most Excellent Order of the British Empire (DBE), for services to Medical Science. Professor Dame Powrie has been transformational to our understanding of how the gut bacteria and the immune system interact. She continues to be an inspirational role model for young scientists, in particular for the many young women beginning careers in biomedical science. Professor Dame Powrie was appointed deputy chair of the Board of Governors of the Wellcome Trust this year and was able to attend the inauguration ceremony this year in Washington DC to recognise her election as an International Fellow of the National Academy of Sciences in 2020.

As at the end of September 2022, the total grant portfolio of the Institute exceeded £80 million with over one third coming from the Trust of which £4.1m was awarded in the current year. This represents relative growth in the value of grants supported by other funders and demonstrates the significant capacity of the Institute to attract competitive new funding based on the core support of the Trust, including a significant proportion of industry-based investment.

The Institute is organised around five key technology platforms that were originally set out in the Director's scientific vision. The last of these to be funded is the Tissue Biology Platform, which is jointly funded by the Kennedy Trust (£2.5m) and Versus Arthritis (£1m). An expert panel met over the summer of 2022 to evaluate the proposed funding for the platform and included independent scientists and patient partners. The platform funding was recommended based on the increased capability it gives for the Institute to deliver in the critical area of cartilage biology and the unmet need of osteoarthritis and its effective treatment.

Clinical pathology and the Arthritis Therapy Acceleration Programme ("A-TAP")

This pilot programme was originally funded by the Trust in 2017 to help enable the translation of basic research findings into innovative new approaches to treating diseases. A direct result has been the development of the newly established Clinical Pathology platform, which aims to accelerate delivery of new medicines through harnessing approaches and technologies for innovative clinical trials. The investment in A-TAP has stimulated strong interest from industry, with a number of partner companies now involved in the initiative and represents a powerful example of reinvestment of the Trust's funds derived from the anti-TNF royalties towards the development of new drugs and treatments.

Major appointments

The Institute's Deputy Director, Professor Michael Dustin has been elected to the position of Statutory Chair in Molecular Immunology. The Chair is a jointly funded post between the Trust and the University of Oxford through an award originally approved in 2021 and a new agreement that was ratified to begin in November 2022. This new statutory chair represents a major element of the Trust's relationship with the University that will help further strengthen the central role of the Institute as an integral part of the Oxford biomedical campus. Professor Dustin is recognised as a world leader in immune cell imaging and will anchor this important area of science within the Institute and Oxford. His recruitment was published in the University Gazette in September and an inaugural lecture for him is planned for 2023.

Associate Director posts in Tissue Biology and Data Science have also been awarded to Professors Tonia Vincent and Irena Udalova respectively, securing important positions to the senior team and recognising their leadership in these two pivotal areas of science at the Institute. Growth in Data Science is core to biomedical research and the Institute has further maintained its strength in the area through the appointment this year of Dr Yang Luo, a Principal Investigator from Harvard Medical School. Her lab will investigate how genetic variations contribute to diseases of the immune system.

Two of the Institute group leaders, Jelena Bezbradica and Audrey Gerard were made Associate Professors during the year.

Studentships and training

A hallmark of the Institute is its excellent training programme and graduate studies. Each year the Institute applies under the agreement with the Trust for the support for a cohort of new students to add to the 60 DPhil students already training at the Institute. The KTPSS DPhil programme advertises six projects annually and this year included the growing area of computational/data science..

Whole Institute retreat

The Institute has a focus on providing a supportive and interactive environment and provides many ways in which students, scientific staff and group leaders can work together, share ideas, and support one another. This was exemplified this year by the whole Institute retreat, held this Autumn, with a particular emphasis on scientific presentations of more junior scientists and students.

Independent scientific review of the Institute

The Trust carries out a full independent review of the Institute every 4 years, with a Trust Scientific Review Board comprising international and leading UK scientists. A review took place on 14/15 November running concurrently with the Institute's own Scientific Advisory Board review. This is an opportunity for the Trust to understand how well its investment is being utilised and where any concerns or challenges exist. We look forward to including the outputs of this review in the 2022/23 Annual Report and Accounts.

Other funding

Senior Research Fellowships

Two new Senior Research Fellows were supported this year, following a competitive process of application, peer review and panel interviews. Dr Elizabeth Rosser at UCL (awarded £2.2m) is investigating the impact of gut bacteria on the immune system in the autoimmune condition Lupus and Dr Sinisa Savic at Leeds (awarded £2.4m) is exploring how mutations in a particular type of immune cell affect the development of inflammatory disorders. The two new fellows join the three existing fellows and will be important in realising the Trust's mission to support younger research leaders across the UK.

MB PhD scheme

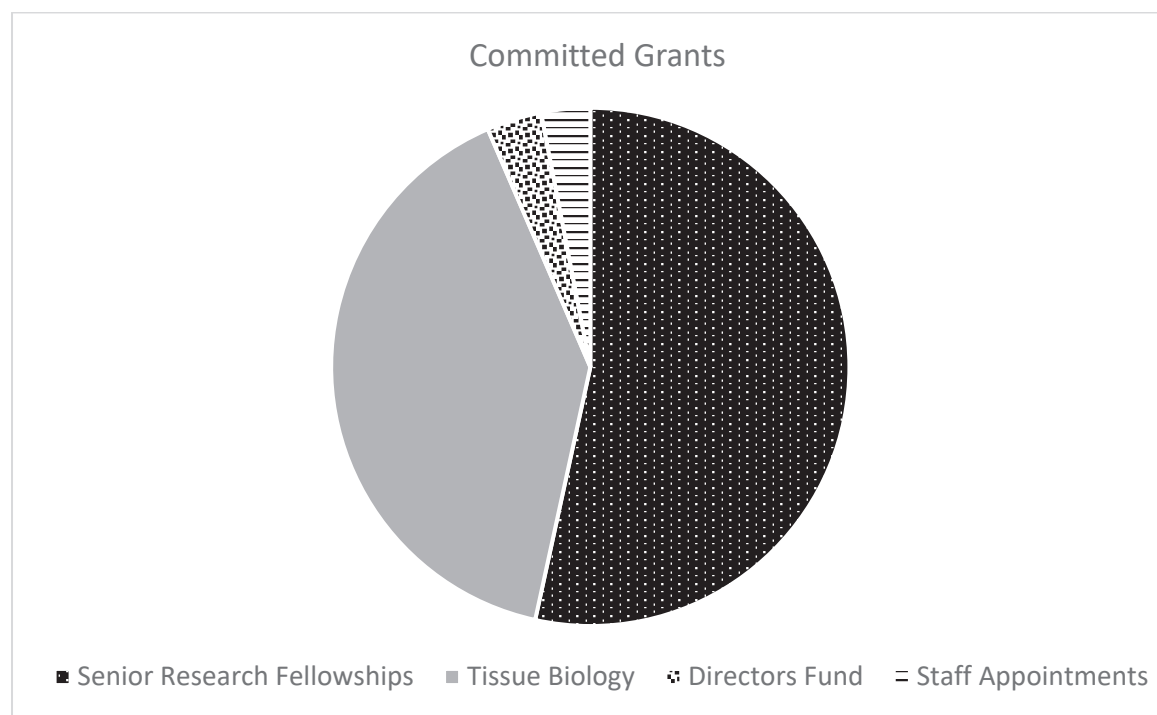
This scheme (Medical Bachelor MBChB, combined with a PhD degree) is supported by the Trust and designed to support the new research talent with clinical training, allowing the training for a PhD in combination with the completion of a medical degree. These types of scientists are vital to the translation of discovery to effective treatments. The scheme is in its second year, and each of the universities running the programme has continued to recruit, with a total of 17 students now enrolled since the start of the scheme across the sites.

Joint funding and partnerships

Following a joint workshop with funders and researchers in 2020 and after some delay, largely because of the pandemic, the Kennedy Trust and Versus Arthritis launched a new call for grants this year with a focus on the understanding and treatment of fatigue. Severe fatigue is a central, yet poorly understood part of life for many who suffer long-term inflammatory conditions and the work funded under this call will help better understand the evidence for new lines of investigation. An expert panel has been convened and will meet to review the applications early in 2023.

The Trust has continued its partnership with the Daphne Jackson Trust, which does important work to support the re-entry of researchers into the workplace after time away from research. Applicants are currently being evaluated and supported in their applications, and final interviews and decisions will happen in early 2023. We are delighted that the Medical Research Council have agreed to provide co-funding this year for this valuable initiative.

Grant Funding during the Year



	£'000	%
Senior Research Fellowships: Non-Institute	4,662	54%
Tissue Biology: The Institute	3,499	40%
Directors Fund: The Institute	300	3%
Staff Appointments: The Institute	266	3%
	<u>8,727</u>	<u>100%</u>

Two Senior Research Fellowships totalling £4,662,331 were awarded to Dr Sinisa Savic at the University of Leeds (£2,428,817) and Dr Elizabeth Rosser at University College London (£2,233,514).

During the year, the Trust issued four grants to the Kennedy Institute at the University of Oxford totalling £4,064,774 being:

- Tissue Biology Platform (£3,499,082) co-funded by the Kennedy Trust (£2,499,082) and Versus Arthritis (£1,000,000).
- Directors Fund (£300,000) being the annual Director of the Institute's discretionary spend award.
- Two staff appointments (£265,692) representing salary support for Associate Professors Jelena Bezbradica (£132,684) and Audrey Gerard (£133,008).

Maini Feldmann Prize

The ongoing development of the Maini Feldmann Prize is intended to recognise the breakthrough of Professor Sir Ravinder Maini and Professor Sir Marc Feldmann in developing treatments for people suffering rheumatoid arthritis and other chronic inflammatory disorders. It is hoped that progress will be made towards its launch in 2023/24.

Wellcome archiving work

In 2021, the Trust agreed that it should undertake the archiving of the documents and papers associated with the discovery of anti-TNF therapy by Professors Sir Marc Feldmann and Sir Ravinder Maini. This is based on the importance of the work to the history of the Trust and its importance to global health of millions benefiting from this form of therapeutic treatment. A professional archivist has been secured and is being hosted at the Wellcome Trust archiving department in London. The work is now well underway and is expected to be completed in mid-2023.

Kennedy Network

The Kennedy Network was established in 2021 to bring together past and present fellows and students supported by the Trust, for networking, sharing technologies and science, collaboration, and training. This has become especially important in light of the growth of non-Institute training and independent research supported by the Trust across the UK. The network steering group is now fully established and planning activities for 2023/24, including a network conference in Spring 2023. Its inaugural newsletter was distributed in December 2022.

IMPACT REPORT

Research impact

The Trust carried out its second annual Researchfish reporting period between March and April 2022. Data was submitted by grant recipients for 53 awards, with a total grant value of £50.6m.

There were a number of notable research success stories over the year, including:

- A collaboration between the Institute and Oxford Population Health's Health Economics Research Centre that found anti-TNF treatment (adalimumab) is likely to be a cost-effective treatment for people affected by early-stage Dupuytren's disease, which affects more than 5 million people in the UK and causes the fingers to irreversibly curl into the palm due to nodules of tissue forming cords under the skin, impairing hand function and quality of life.
- Advanced microscopy techniques developed by the laboratory of Professor Dustin have been used to uncover a new mechanism of immune-based attack on virally infected or cancer cells, with potential to also understand inflammatory pathways.
- Work arising jointly from the Osteoarthritis Centre of Excellence at the Institute led by Professor Tonia Vincent, has described a mechanism by which growth factors are released after cartilage mechanical injury to initiate regeneration of cartilage and why this fails in osteoarthritis. This is a potentially important new step in understanding the mechanical influences on the development of osteoarthritis.
- The success of the growing translational research at the Institute has been exemplified by the fact that several molecules identified by discovery research at the Institute are currently being investigated as targets with therapeutic potential in clinical trials.

A number of key highlights arose from this year's self-reporting from grants at the Institute and elsewhere:

364 unique publications were produced with over half published through an open access route:

- 88 examples of research dissemination, including newspaper, TV and radio interviews, podcast appearances and workshops.
- 5 research prizes were received, including the Iain T Boyle Award awarded to Dr Anjali Kusumbe for her significant progress and contribution to the field of bone and calcified tissue.
- 55% of awards reported at least one collaboration or partnership as a direct result of Kennedy Trust funding, illustrating the value and relevance of this funded research.
- Significant leverage of Trust investment was reported, with £59m of effective funding from other sources based on the Trust's awards. This included £9.4m from the Medical Research Council (MRC) and £6.9m from the European Commission.
- Three new patents were published.

Intellectual Property

The Trust owned a broad portfolio of patents, which included the key US, Canadian and European anti-TNF therapy patents which were licensed out and which together were responsible for generating the Trust's past royalty income. The Trust's remaining Supplementary Protection Certificates came to an end on 31 August 2022.

At the point of completion of the end of the Trust's patents this year, the estimated accumulated royalties returned to the Trust have been in excess of £230m over almost three decades. This has crucially enabled the Trust to continue to make major investments in research through the provision of substantial support for ground-breaking research at the Institute, as well as an extending range of funding across the UK. It has further brought about security for the Trust's future through our managed investment funds (see Financial Report section) allowing the Trust to plan sustainable research funding with relative confidence.

Towards the future

Although the impact of the Covid pandemic has reduced considerably with time, its residual effects along with significant world and economic events this year have presented a number of challenges. The Trust is currently developing a new strategic plan under which it will seek to continue to carefully build a sustainable approach in supporting its research investments. Trustees have reaffirmed the priority of enabling the Institute to continue on its successful trajectory as a world-class centre for research into rheumatological and inflammatory conditions. A priority will be to support deepening roots in Oxford and to secure funding from other sources, including government and industry.

The Trust will also continue to develop partnerships and relations with other institutions and funders in the UK biomedical ecosystem relevant to its mission and seek innovative and sustainable means of supporting new research talent and stimulating and supporting new bold research. For example, Trustees have supported plans for a new pilot scheme of pump-priming awards in 2023 – the *Research Ignition Awards* – which it is hoped will enable researchers to undertake higher-risk research and build new programmes in areas that might otherwise be more difficult. The Trust will seek to continue with an annual round of Senior Research Fellowships to help build the UK talent base of research leaders in inflammatory and rheumatological disease science. It will be confirmed

in 2023 when the next round will commence. The partnerships with the Daphne Jackson Trust and Versus Arthritis are important examples of maximising the impact of the Trust's investments. The Trust looks forward to seeing the outcomes of these partnerships and towards potential future endeavours together.

The value of the Kennedy Network is already demonstrating itself and the Trust will continue to support this initiative, as an independent network of world-class scientists.

The Trust is continuously looking for ways and means of understanding the impact of its investment in research. In addition to maximising the use of Researchfish, the Trust plans to engage specialists in the field of impact reporting to work with the Trust to build its approach.

FINANCIAL REPORT

The Trust had an inaugural full year of management under JP Morgan following their appointment in place of the Trust's previous fiduciary manager SEI in July 2021 as an outcome of a retendering process that commenced in 2020. The Trust continues to work towards an increased private market allocation as part of its long-term strategic asset allocation. Transition of the residual SEI private market assets was largely completed during the year with a minor SEI holding of £0.4m remaining at the year end.

The Trust's investments valued at £313.8m (2021: £341.7m) demonstrate the portfolio is resilient despite difficult market conditions including the war in Ukraine and rising inflation. Whilst challenging economic circumstances adversely affected the values of the Trust's investments, the Finance and Investment Committee is satisfied that its diversified investment strategy will protect the Trust's portfolio, and that there are adequate levels of reserves to support the Trust's long-term planned spend. The Trust's investments are detailed further in the "Review of Investment Activities".

Gross royalty income received during the year was £0.7m (2021: £0.7m). With the revocation of a European patent in November 2019, patent income has diminished in line with expectations until expiration of the remaining Supplementary Protection Certificates on 31 August 2022.

The Trust monetised part of its royalty share in 2012. In accordance with the terms of the monetisation agreement, it received 50% of the royalty due. These payments continued for the life of the patents with the Trust's residual Supplementary Protection Certificates ending on 31 August 2022.

Royalty income was received in US dollars and transferred to pounds sterling on or shortly after the date the funds were received.

Royalty sharing payments of £0.5m (2021: £0.5m) were made to Versus Arthritis and the inventors in respect of this income. These payments are made according to a formula for sharing royalties in line with current UK University practice.

The costs incurred in prosecuting the Trust's patent portfolio were £14k (2021: £36k). The current year decline reflects reduced patent protection activity. With the revocation of one of the Trust's European patents in November 2019, royalties have subsequently diminished.

Total support costs during the year amount to £554k (2021: £370k) and these costs are allocated over Trust activities in accordance with time spent, invoices directly allocated or another fair

method of allocation. Changes in key management personnel have driven the increase in support costs. The Trust completed a successful transition of Chief Executive Officer in June 2022, and a new Financial Controller has been recruited to assume the role in 2023 resulting in recruitment costs of £51k (2021: nil). The three month overlap of Chief Executive Officer, along with a contractual adjustment for the Financial Controller from an 0.6 to 0.8 full time equivalent has driven the increase in staff costs of £46k. Further information on key management personnel is detailed in Note 8 to the Accounts.

Governance costs are analysed in Note 7 to the Accounts. These totalled £50k in 2022 (2021: £37k) which represents less than 1% of funds expended. The Trust has returned to a greater proportion of in person meetings in line with government Covid-19 guidance resulting in increased Trustee meeting and travel costs of £9k. In addition, there has been a £5k increase in audit fees.

The committed grants in 2022 were £8.7m against £27.3m in 2021. The figure shown in the accounts is net of grant write backs and other adjustments of £1.2m (2021: £4.0m) comprising agreed cancellations of £0.8m (2021: £2.9m) and grant write backs £0.4m (2021: £0.7m). Two Senior Research Fellowships totalling £4.6m were awarded to Dr Sinisa Savic at the University of Leeds (£2.4m) and Dr Elizabeth Rosser at University College London (£2.2m). Institute Initiatives totalling £4.1m were awarded including a £3.5m Tissue Biology grant co-funded with Versus Arthritis, with the Trust contributing £2.5m and Versus Arthritis £1m. Grants awarded have reduced significantly as the MB PhD Programme (£8.2m) and several large Institute initiatives including support for a Statutory Chair in Molecular Immunology (£2.4m) were made in 2021.

The Trust assessed if the impact of discounting multi-year grant liabilities to present value is material, and due to the level of grant liabilities and rising inflation, for the second consecutive year, the impact is considered material. A review of the discount rate was carried out during the year in conjunction with the previous adoption of CPI plus 3% as representing the most appropriate rate as it relates to the Trust's opportunity cost of money reflecting time value of funds to the Trust. A further element of prudence was added this year, in response to the significant upward rise in CPI at both the headline (including food and energy) and core data sets which was to adopt core CPI as the inflation reference given the highly volatile nature of headline CPI following the spike on commodity and food prices after the Ukraine invasion and subsequent volatility in energy prices in particular. While over the long-term one would expect this divergence to narrow, the core CPI target should provide a more stable benchmark for discounting multi-year liabilities.

The non-current grant liabilities of £33.4m (2021: £34.7m) are discounted. Applying a discount rate of UK Core CPI + 3% equating to 9.5% (2021: 6.1%) results in a grant liabilities discount of £6.8m (2021: £4.9m) recognised as a reduction in charitable expenditure with a current year impact of £1.8m (2021: £4.9m).

The cash spend on grants by the Trust during the year reflects grants committed in earlier years so does not move in proportion to the grants committed. The cash spend in 2022 was £7.6m (2021: £8.0m).

The Trust considers salaries paid on an annual basis to ensure they are fair and appropriate for the positions and reflect any changes to the roles during the year. In addition, account is taken of changes in the cost of living.

The Finance and Investment Committee, with approval by the Board, reviews salaries of Key Management Personnel (KMP) on an annual basis as outlined above. Maintaining salaries in real terms is considered along with ensuring salaries are commensurate to roles and responsibilities.

The Trust appoints external recruitment agents to advise on KMP appointments. The Board or a delegated working group will determine the pay range for a vacancy prior to advertising, ensuring remuneration is in line with industry and market.

The Trust does not fundraise and does not deal with the public directly. A minimal amount of unsolicited donations of £184 were received in the year (2021: £160), therefore the Charity does not need to follow a fundraising standards scheme.

The Covid-19 outbreak, and the resultant global lockdowns initially adversely affected the values of the Trust's investments, however since the earliest impact in March 2020, the Trust has benefited from a material recovery.

REVIEW OF INVESTMENT ACTIVITIES

As a matter of good governance, the Trust retendered its fiduciary manager engagement in 2020 with JP Morgan appointed in place of SEI in July 2021. The Trust continues to move towards a greater allocation to private market investments in the longer term, and an increased focus on Environmental, Social and Governance (ESG) matters. Whilst the transition of liquid assets to JP Morgan was completed in 2021, private market assets continued to be transitioned during the year due to their illiquid nature.

The Trust reviewed its Investment Policy during the year. The Trustees concluded the Trust's principal objective for the long-term portfolio continues to be a total return on invested funds of UK CPI+3% pa over the longer term, through a balanced portfolio with sufficient liquidity to meet short term spending commitments and hence avoid the forced sale of long-term and less liquid assets.

The Trust aims for the portfolio to provide sufficient excess returns to cover its grant giving and to preserve the real value of the Trust's assets over the long-term.

As income from patents ended on 31 August 2022, the Trust has evolved to rely solely on portfolio income and capital for grant giving for the foreseeable future. The Trust carries out no fundraising activities.

The Trustees consider the strategic asset allocation determined as part of JP Morgan's appointment is appropriate being multi-asset and well-diversified with global exposure across a variety of asset classes and currencies.

The transition of private market assets to JP Morgan continued with proceeds of £31.5m achieved from the sale of SEI illiquid holdings with full redemption of Global Real Assets (£19.5m) and partial sale of the Structured Credit Fund (£12.0m). Proceeds from the sales were invested in the Trust's portfolio by JP Morgan and resulted in realised gains on investments of £1.4m. As part of the transition, JP Morgan managed private market vehicles HPS Corporate Lending Funding (£21.0m), PGIM Global Select Real Estate Securities Fund (£4.1m) and PEG Global Private Equity X S.A (£0.6m) were entered during the year. The residual illiquid investment held with SEI, the Structured Credit Fund (£0.4m) will be transitioned to JP Morgan.

The Trust's holdings in the three UK property funds: The Charities Property Fund (Savills), COIF Charities Property Fund (CCLA) and Property Income Trust for Charities (Mayfair) are being retained for an interim period under review, being considered efficient charity specific vehicles, and providing appropriate exposure to the sector. These funds represent 11.4% (2021: 9.6%) in value of the portfolio.

The Trust's private market holdings, Glouston Private Equity Opportunities of £6.3m (2021: £7.5m) and Tennenbaum Special Situations of £4.4m (2021: £5.4m) are being held through to run off.

The M&G Charifund holding of £1.4m (2021: £1.6m) represents the Trust's permanent endowment and is being retained for an interim period.

Return on Investments

The return on investments for the year to 30 September 2022 was -6.57% (2021: 15%), below the Trust's long-term target return on investments being a total return in excess of inflation, defined as CPI + 3%. Whilst difficult market conditions including the war in Ukraine and rising inflation have adversely impacted returns, the Trustees believe the investment strategy of a well-diversified balanced portfolio across assets classes and regions will deliver the longer-term return it is seeking.

The Finance and Investment Committee is responsible, in consultation with its investment advisers, for the development of the investment strategy for the Trust and monitors investment performance at its quarterly meetings. The investment managers submit quarterly reports to the Committee. JP Morgan make quarterly presentations to the Finance and Investment Committee and an annual presentation to the Board covering reviews of performance, strategy, and future plans both in the short to longer term. JP Morgan, a substantial global investment manager, is responsible for managing 84.7% of the Trust's assets.

The investments overseen by JP Morgan are in collective schemes. These funds include public equities, bonds, alternatives, and private markets. The portfolio managed by JP Morgan is moving towards a higher allocation of private market vehicles including private credit, infrastructure (holding entered October 2022) and further private market investments. JP Morgan selects a wide range of managers within the funds, to diversify manager risk.

A firm of independent consultants, Lane Clark & Peacock LLP (LCP), has been retained to provide annual updates on the property funds and in the prior year, advised on the retendering of the Trust's fiduciary manager. LCP commenced consulting for the Trust in 2017 when the Trust commissioned LCP to complete a review of its investment policy.

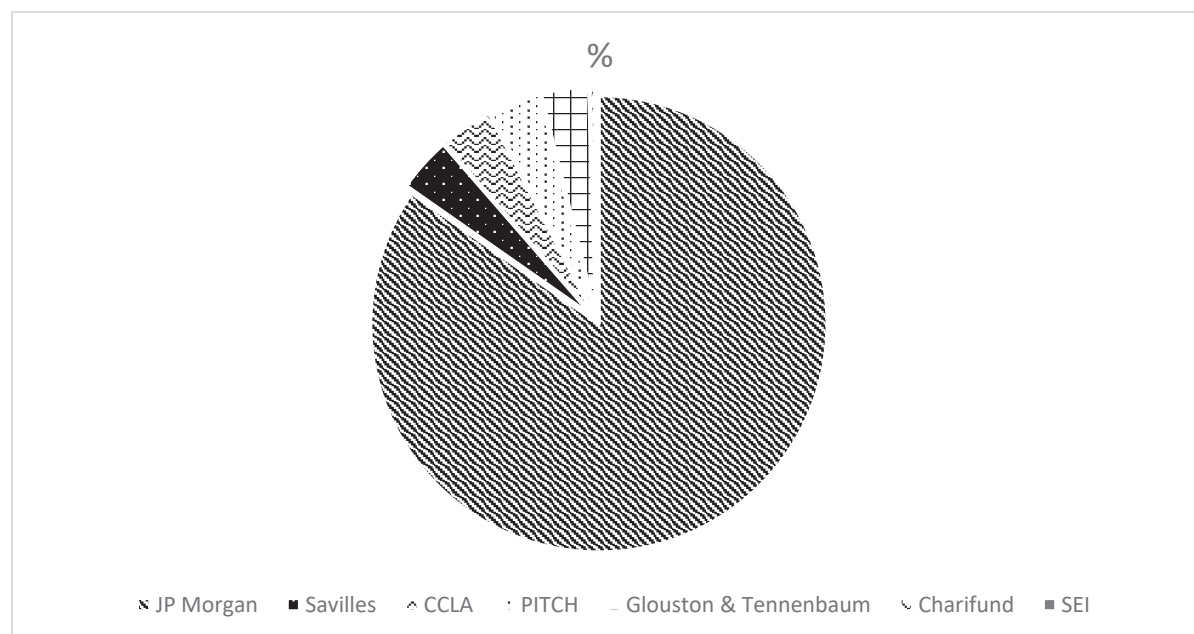
Environmental, Social and Governance

The Trust's approach to responsible investment is intended to be consistent with its duty to secure satisfactory long-term returns from the investment of its charitable funds. The Trustees expect their fund managers to consider the Environmental, Social and Governance (ESG) policies of companies alongside other factors that will affect their long-term investment prospects.

ESG factors are sources of risk and opportunities to the Trust's investments, some of which could be financially material, over both the short and longer term. These include risks relating to systemic factors, such as climate change and pandemics, and other business specific factors such as cyber-security, pollution, employee welfare, unsustainable business practices and more generally unsound corporate governance. The Trustees seek to appoint investment managers who will manage these risks appropriately on their behalf and from time to time, review how these risks are being managed in practice.

Investment managers are asked to make regular reports on the application of their ESG policies. These are reviewed at the manager meetings. Given the Trust's objectives, the Trustees have a particular interest in and concern about tobacco investments and give extra focus to monitoring these as part of its ESG activities.

Investment Portfolio Split by Manager



30 September 2022

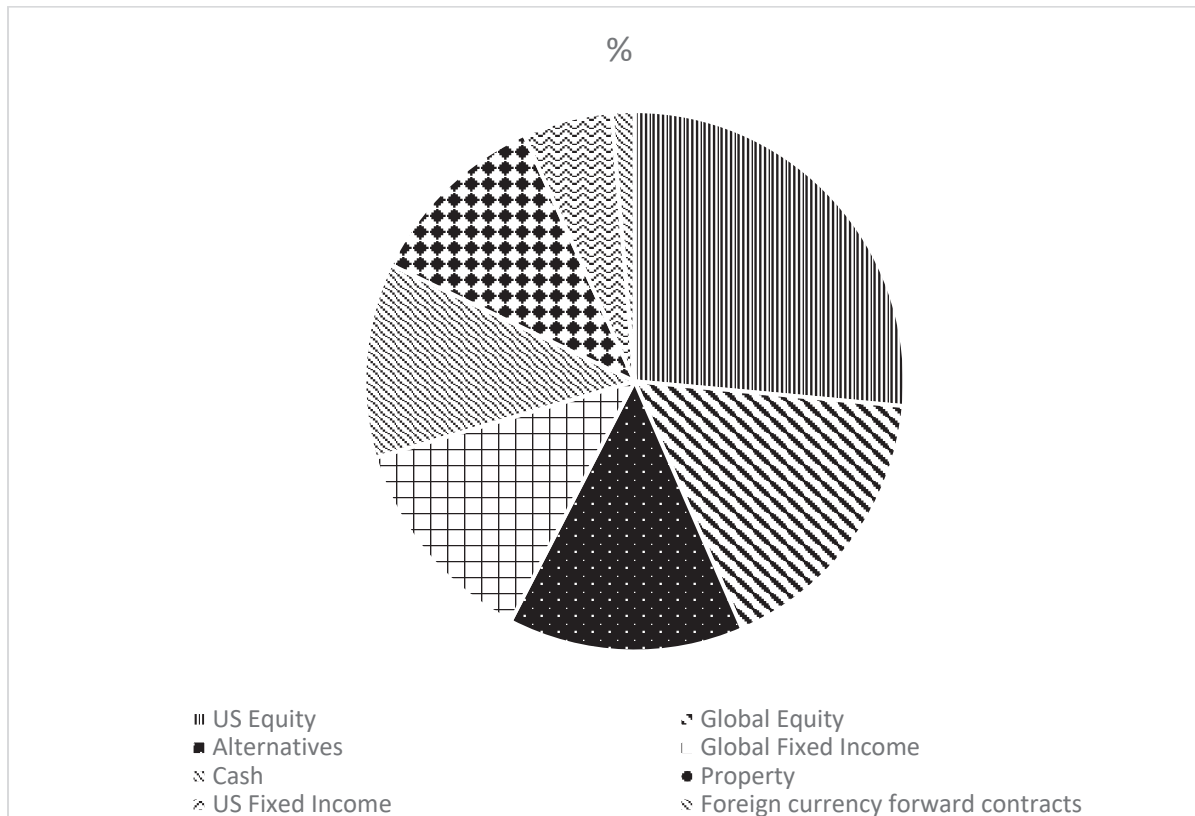
	£'000	%
JP Morgan	265,304	84.7%
Savilles	12,318	3.9%
CCLA	12,036	3.8%
PITCH	11,636	3.7%
Glouston & Tennenbaum	10,680	3.4%
Charifund	1,406	0.4%
SEI	379	0.1%
TOTAL	313,759	100.0%

JP Morgan holdings comprise liquid investments of £243.7m along with £21.6m of private market investments being private credit (£21.0m) and an initial holding in JPM Private Equity Group (£0.6m).

Glouston Private Equity Opportunities of £6.3m (2021: £7.5m) and Tennenbaum Special Situations of £4.4m (2021: £5.4m), a private credit vehicle, both entered during the previous SEI management are being held through to run off.

The residual SEI investment (£0.4m) represents the Trust's holding in the Structured Credit Fund which will be transitioned to JP Morgan.

Investment Portfolio Split by Type



	30 September 2022	
	£'000	%
US Equity	85,477	27.2%
Global Equity	54,857	17.5%
Alternatives	45,697	14.5%
Global Fixed Income	41,302	13.2%
Cash	37,680	12.0%
Property	35,990	11.5%
US Fixed Income	17,236	5.5%
Foreign currency forward contracts	(4,480)	(1.4%)
Total	313,759	100.0%

PRINCIPAL RISKS

A formal risk register is maintained and reviewed annually at Board level. The purpose of the review is to look at key risks and the effectiveness of procedures in place to mitigate them.

Risks can have a short term and/or a long-term impact on the Trust's ability to meet its objectives. Those monitoring each risk advise the Board on actions that should be taken to manage risk, and report periodically on the effectiveness of their oversight.

The Trust has identified the following principal risks and steps to mitigate the risk.

Reduction in expected returns from investments due to impact of financial markets' declines – the Trust has engaged an external fiduciary manager JP Morgan, and pursues an asset allocation policy to diversify risk and conserve capital in real terms. There are regular reviews of investment strategy and policy (in light of the Trust's financial plans) by the Finance and Investment Committee and the Trust's fiduciary manager. These are tabled at Board meetings for discussion and approval. The Trust considers that it is unlikely to be impacted by short-term market volatility given the portfolio is well-diversified and there are sufficient liquid assets to meet its spending requirements.

Failure of the Trust to earn an appropriate return from its assets – the Trust has engaged a fiduciary manager JP Morgan, who provides quarterly update presentations to the Finance and Investment Committee along with quarterly performance reports and annual presentations to the Board. Regular reviews of long-term expected returns compared with expected spending are performed.

Risk of loss of Chairman and other Trustees – the Trust has a policy of reviewing the number, skills and diversity of Trustees and seeks new ones as necessary.

Risk of loss of key management personnel – Trustees aim to keep apprised of staff plans.

Risk of cybercrime – the Trust uses cloud-based secure storage and maintains protection software. The Trust employs external IT consultants to ensure data security and prevention of data loss. This is regularly reviewed to ensure compliance with GDPR. Cyber Essentials Certification was attained in 2021 and is to be maintained on an ongoing basis. Employees and Trustees (from April 2022) are offered on-demand online training in cyber security.

RESERVES

The Trust has only a small endowment. However, it has used the royalty income received to build up reserves so that it is able to fund its charitable activities as royalties ceased in August 2022. The Trustees maintain funds with the objective of generating a sufficient return to fund current and future charitable activities. The Trust wishes to have adequate sums to continue to support the Institute for the foreseeable future.

It is the aim of the Trustees to maintain the value of reserves in real terms over a reasonable time horizon, fulfilling the charitable objectives of the Trust by using both income and capital growth to meet expenditure.

The level of reserves is monitored on a quarterly basis by means of management accounts and cash flow forecasts.

The Trust holds unrestricted reserves in the form of designated funds that are earmarked to meet the funding due to the Institute under the agreement (the Oxford Research Grant Fund 2021) and fund future legal expenses (the Legal Expense Fund):

- **Oxford Research Grant Fund 2021** – The Trust signed an agreement with the University of Oxford on 18 October 2018 in anticipation of the ending of the initial agreement, under which it restated its intention to support the Institute. Under the agreement, the Trust has a commitment to fund £4m a year (adjusted for inflation) from 1 August 2021 through to 31 July 2026. A designated fund of £22.1m was set up in the 2019 financial year to reflect these funding requirements and £4.1m of the grants issued to Oxford during the year (2021: £0.7m) have been set against this fund.

Trustees consider that it is more correct to show this commitment by means of a designated fund rather than as a grant creditor because the Trust has the right to refuse payment if no suitable projects are put forward.

The initial funding agreement with the University of Oxford covered a period that ended on 31 July 2021. The Trust had a commitment to fund the Institute at a level of at least £3m per annum (adjusted for inflation). The first Oxford Research Grant designated fund was closed following the end of the contract in the previous year with the residual balance of £2.958m released to the Unrestricted General Funds in 2021.

- **Legal Expense Fund** – the purpose of the Legal Expense Fund is to provide the means to enforce and protect patent rights and licence terms, by arbitration or litigation, and to meet the costs of current and future disputes concerning either the validity of the Trust's patents or royalties payable to the Trust.

A decision was taken during 2017 to reduce the level of this fund by £5m and in April 2019 it was reduced by a further £5m. This reflects the fact that as the royalties cease the risk of becoming involved in litigation diminishes.

The balance as at 30 September 2022 was £1.058m (2021: £1.067m).

As at 30 September 2022 the monies held in designated funds amounted to £18.461m (2021: £22.503m) distributed across the following funds:

	£ '000
Legal Expense Fund	1,058
Oxford Research Grant Fund 2021	<u>17,403</u>
	<u>18,461</u>

When the Trustees deem it appropriate, the Trust will draw from its reserves, as well as income, to fund its activities. Based on the accounts as at 30 September 2022, total reserves are £279.118m (2021: £306.428m). Excluding restricted funds (£1.405m) and designated funds (£18.461m) leaves £259.252m in the general fund that could be utilised, if required.

Whilst these could be considered 'free reserves', the Trustees do not believe that this is an appropriate measure for the Trust. The accumulation of reserves in general funds, arising from royalty income and investment returns is in line with the power conferred on the Trust to hold income in reserve and to be used to generate investment income to apply on charitable activities. The Trust's policy had been discussed with the Charity Commission. The Trustees consider the current level of reserves to be appropriate in light of its ambition to provide long-term support to scientists working in the fields of fundamental and translational research into musculoskeletal and related diseases.

As at 30 September 2022, total Trust funds stood at £279.118m (2021: £306.428m) held in the following types of fund:

	£ '000
Endowment Funds	1,405
General Fund	259,252
Designated Funds	<u>18,461</u>
	<u>279,118</u>

CHARITY INFORMATION

Registered Office

Boundary House
91 Charterhouse Street
London EC1M 6HR

Registered Charity No: 260059
Registered Company No: 963832

Business Address

One Lyric Square
London W6 0NB

Telephone: 020 8049 8136

President

Professor Sir Ravinder Maini

Vice Presidents*

Dr. Colin Barnes
Mrs. Bella Sunley

*Vice-Presidents hold an honorary position and are not trustees

Board of Trustees

Professor Sir Stephen Holgate (Chair)
Mr. Edmund Buckley
Mr. Christopher Coombe
Professor Andrew Cope
Mr. Mark Dighero
Mrs. Margaret Frost
Professor Hill Gaston (resigned 22 June 2022)
Professor Tracy Hussell (appointed 12 October 2021)
Mrs. Jennifer Johnson (resigned 22 June 2022)
Mr. David Paterson (resigned 12 October 2021)
Professor Michael Patton
Mr. Richard Punt
Dr. Paul Satchell
Ms. Victoria White

Officers

Dr. Stephen Simpson (appointed CEO Designate 1 April to 30 June 2022, Chief Executive Officer from 30 June 2022)

Mr. Pierre Espinasse (Chief Executive Officer until 30 June 2022)

Mrs. Susan Johanson (Secretary until 28 March 2023)

Mrs. Hazel Middleton (Secretary from 28 March 2023)

Independent Auditors

MHA MacIntyre Hudson
6th Floor
2 London Wall Place
London EC2Y 5AU

Bankers

Lloyds TSB Bank PLC
25 King Street
Hammersmith
London W6 9HW

Investment Advisers

J.P. Morgan SE (previously J.P. Morgan Bank Luxembourg S.A., London branch until 22nd January 2022)

60 Victoria Embankment
London EC4Y 0JP

Legal Advisers

Amster Rothstein & Ebenstein LLP
(previously Cooper & Dunham LLP)
845 Third Avenue, 6th Floor
New York, NY 10022

Stone King LLP
Boundary House
91 Charterhouse Street
London EC1M 6HR

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also directors of the Trust 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 Accounting Practice).

Company law requires Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- 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 the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

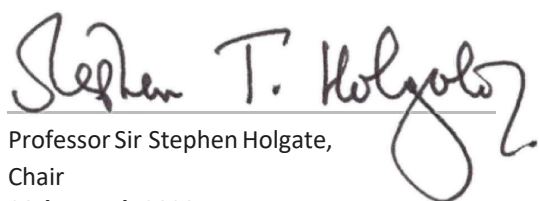
In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.
- The Trustees' Annual Report is approved by the Trustees of the charity. The Strategic Report, which forms part of the Annual Report, is approved by the Trustees in their capacity as directors in company law of the charity.

Auditors

The auditors, MHA MacIntyre Hudson were appointed auditors during the year and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

By order of the Board of Trustees.



Professor Sir Stephen Holgate,
Chair

28th March 2023



Margaret Frost,
Chair of the Finance and Investment Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE KENNEDY TRUST FOR RHEUMATOLOGY RESEARCH

Opinion

We have audited the financial statements of The Kennedy Trust for Rheumatology Research (the 'charitable company') for the year ended 30 September 2022 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2022, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Trustees' assessment of the entity's ability to continue to adopt the going concern basis of accounting included critical reviews of budgets and forecasts provided.

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

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

Other information

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

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

We have nothing to report in this regard.

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' report (incorporating the Strategic Report and the Directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report has 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement set out on page 26, 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

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

- Obtaining an understanding of the legal and regulatory frameworks that the entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements;
- Enquiry of management and those charged with governance to identify any instances of known or suspected instances of fraud;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of management about any instances of non-compliance with laws and regulations;
- Reviewing the control systems in place and testing the effectiveness of the controls;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

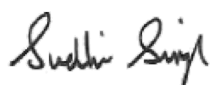
Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-

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: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of this 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. Our audit work has been undertaken so that we might state to the charitable company's members 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 and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sudhir Singh FCA (Senior Statutory Auditor)

For and behalf of

MHA MacIntyre Hudson

Statutory Auditor

London, United Kingdom

Date: 4 April 2023

ACCOUNTS

Statement of Financial Activities for the Year Ended 30 September 2022 (incorporating Income and Expenditure Account)

	Note	Unrestricted Funds 2022 £'000	Endowment Funds 2022 £'000	Total Funds 2022 £'000	Total Funds 2021 £'000
Income from other Trading Activities					
- Royalty Income		684	-	684	735
- Reimbursement of Patent Costs		-	-	-	13
Investment Income	10b	8,015	-	8,015	10,042
Other Income					
- Exchange gain		19	-	19	11
Total Income		8,718	-	8,718	10,801
Expenditure on Charitable Activities					
- Research Funding	4	6,144	-	6,144	18,680
Costs of Raising Funds					
- Intellectual Property Protection	4, 5	14	-	14	36
- Royalty Sharing Payments	4, 5	474	-	474	514
- Investment Advice	4, 5	1,073	-	1,073	1,579
Total Expenditure		7,705	-	7,705	20,809
Net Income/(Loss) before Investment Gains/(Losses)		1,013	-	1,013	(10,008)
Net (Losses)/Gains on Investments					
Realised (Loss)/Gain	10a	(11,646)	-	(11,646)	32,244
Unrealised Investment (Loss)/Gain	10a	(16,507)	(170)	(16,677)	7,915
		(28,153)	(170)	(28,323)	40,159
Net (Expenditure)/Income		(27,140)	(170)	(27,310)	30,151
Total Funds brought forward		304,853	1,575	306,428	276,277
Total Funds carried forward	15	277,713	1,405	279,118	306,428

The detailed 2021 comparative Statement of Financial Activities is reported in note 2.

The notes on pages 34 to 55 form part of these financial statements.

Balance Sheet as at 30 September 2022

	Note	30 September 2022 £'000	30 September 2021 £'000
Fixed Assets			
Tangible Fixed Assets	16	4	-
Investments	10a	313,759	341,670
		313,763	341,670
Current Assets			
Debtors	11	579	667
Cash at Bank and in hand		1,797	3,095
		2,376	3,762
Creditors (amounts falling due within one year):			
Sundry Creditors and Accruals	12	(194)	(371)
Grant Payments due within One Year		(10,161)	(8,909)
		(10,355)	(9,280)
Net Current Assets		(7,979)	(5,518)
Total Assets less Current Liabilities		305,784	336,152
Creditors (Amounts falling due after more than One Year)	13	(26,666)	(29,724)
Net Assets	14	279,118	306,428
Funds			
Unrestricted - Designated		18,461	22,503
Unrestricted - General		259,252	282,350
Unrestricted - Total		277,713	304,853
Endowment		1,405	1,575
Total Funds	15	279,118	306,428

Company Registration Number: 963832

These Accounts were approved by the Trustees and authorised for issue on 28th March 2023.


Professor Sir Stephen Holgate
Chairman of the Board of Trustees


Margaret Frost
Chair of the Finance and Investment Committee

The notes on pages 34 to 55 form part of these financial statements.

Statement of Cash Flows for the Year Ended 30 September 2022

	Year Ended 30 September 2022 £'000	Year Ended 30 September 2021 £'000
Net Cash used in Operating Activities (Note a)	(8,072)	(9,387)
Cashflow from Investing Activities (Note b)	6,774	10,576
Change in cash and cash equivalents in the year	(1,298)	1,189
Cash and Cash Equivalents at 1 October	3,095	1,906
Cash and Cash Equivalents at 30 September	1,797	3,095

a. Net Cash used in Operating Activities

	2022 £'000	2021 £'000
Net (expenditure)/income for the year	(27,310)	30,151
Investment income	(8,015)	(10,042)
Losses/(gains) on investments	28,323	(40,159)
Add back investment management costs	824	248
Add back depreciation of tangible assets	1	-
(Increase)/decrease in creditors	(1,983)	10,279
Decrease in debtors	88	136
Net Cash Flow from Operating Activities	(8,072)	(9,387)

b. Cash Flow from Investing Activities (Note b)

	2022 £'000	2021 £'000
Payments to acquire investments	(144,667)	(272,872)
Receipts from sales of investments	143,431	273,406
Investment income	8,015	10,042
Purchase of tangible fixed assets	(5)	-
Net Cash Flow from Investing Activities	6,774	10,576

c. Analysis of Changes in Cash and Cash Equivalents

	30 September 2021 £'000	Cash Flows £'000	30 September 2022 £'000
Cash at Bank and in hand	3,095	(1,298)	1,797

As the Trust does not have any debt, an analysis of net debt has not been produced.

Notes to the Accounts

1. Summary of Significant Accounting Policies

(A) GENERAL INFORMATION AND BASIS OF PREPARATION

The Kennedy Trust for Rheumatology Research is a company limited by guarantee registered in England. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the charity information on page 24 of these financial statements.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are presented in sterling which is the functional currency of the charity and rounded to the nearest £'000.

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

(B) FUNDS

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent those assets which must be held permanently by the charity, principally the Maynard Jenour Fund and the Kennedy Endowment Fund. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. Investment management charges and legal advice relating to the fund are charged against the fund.

(C) INCOME RECOGNITION

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably, and it is probable that the income will be received.

Donations are recognised on receipt. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained, then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

Investment income is earned through holding assets for investment purposes such as shares and property. It includes dividends and interest. Where it is not practicable to identify investment management costs incurred within a scheme with reasonable accuracy, the investment income is reported net of these costs. It is included within cost of raising funds when the amount can be measured reliably. Interest income is recognised using the effective interest method and dividend income is recognised as the charity's right to receive payment is established.

Income from royalty and licence agreements is recognised throughout the year when there is reasonable assurance of receipt. Royalty and licence income are recognised gross of the related revenue share obligations to the inventors and other parties which are payable on recognition of the royalty income. Licence agreements also provide for the reimbursement of patent protection costs in certain cases.

(D) EXPENDITURE RECOGNITION

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required, and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Costs of raising funds includes royalty sharing payments, intellectual property protection & investment advice;
- Expenditure on charitable activities includes research science funding and research infrastructure funding.

The Trust was registered for VAT until 7 May 2019 at which time it deregistered. Whilst the Trust was registered for VAT, the recoverable aspect of VAT was removed from the expense and against the activity for which expenditure arose. Subsequent to deregistration, VAT is recorded against the expense and activity for which expenditure arose.

Grants payable to the Institute and to other third parties are within the charitable objectives. Where unconditional grants are offered, this is accrued as soon as the recipient is notified of the grant, as this gives rise to a reasonable expectation that the recipient will receive the grants. Where grants are conditional relating to performance then the grant is only accrued when any unfulfilled conditions are outside of the control of the charity.

The provision for a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions under the control of the Trust that would permit the Trust to avoid making the future payment(s), settlement is probable and the effect of discounting is material. A review of the discount rate was carried out during the year in conjunction with the previous adoption of CPI plus 3% as representing the most appropriate rate as it relates to the Trust's opportunity cost of money reflecting time value of funds to the Trust as detailed in the Financial Report on page 15. A further element of prudence was added this year, in response to the significant upward rise in CPI at both the headline (including

food and energy) and core data sets, which was to adopt core CPI as the inflation reference given the highly volatile nature of headline CPI following the Ukraine invasion and subsequent volatility in energy and food prices in particular. The effect of the discount rate of UK Core CPI + 3% applied has been quantified in the Financial Report on page 15 and notes 4 and 13.

Royalty sharing payments are calculated by applying a formula for the distribution of royalty income agreed by the Trustees and Versus Arthritis, which reflects current UK university practice. Such payments are accrued in line with the corresponding royalty income.

Investment advice reflects the costs incurred by the Trust in managing its investment portfolios. The cost includes both internal costs and external consultancy and management costs. Cost is recognised in line with the accruals basis above.

(E) SUPPORT COSTS ALLOCATION

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs, governance costs and administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity and include grant management carried out by the Trust's employees. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable activities on a basis consistent with use of the resources. Premises overheads and other overheads have been allocated either on time spent or on another basis as appropriate.

The analysis of these costs is included in note 6.

(F) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended. The agreed capitalisation limit of tangible assets has been increased and agreed at £1,000.

Depreciation is calculated to write-off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life as follows:

Computer equipment	3 years
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(G) INVESTMENTS

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value with changes recognised in 'net gains / (losses) on investments' in the Statement of Financial Activities if the shares are publicly traded or their fair value can otherwise be measured reliably. The Trustees have deemed that the fair value of unlisted open ended investment companies (OEIC's) and illiquid property fund investments, equates to the charity's share of the Net Asset Value (NAV) of the assets held, based on the market prices as at the valuation date. Investment gains and losses are shown split between realised and unrealised.

(H) DEBTORS AND CREDITORS RECEIVABLE / PAYABLE WITHIN ONE YEAR

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

(I) PROVISIONS

Provisions are recognised when the charity has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

(J) LEASES

Rentals payable and receivable under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

(K) FOREIGN CURRENCY

Foreign currency transactions are initially recognised by applying to the foreign currency amount the best available exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate. Gains and losses on exchange are allocated to the appropriate resource.

Forward exchange contracts are used solely to manage the exposure to foreign exchange rate risks in respect of the Trust's investment portfolio.

(L) EMPLOYEE BENEFITS

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

The charity contributes to the personal pension schemes of the employees and all costs are charged to the Statement of Financial Activities in the year to which they relate.

(M) TAX

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. It therefore does not suffer tax on income or gains applied for charitable purposes.

(N) GOING CONCERN

The financial statements have been prepared on a going concern basis as the Trustees believe that no material uncertainties exist. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements and the impact of Covid-19. The budgeted income and expenditure are sufficient with the level of reserves for the charity to be able to continue as a going concern.

In arriving at this conclusion, the Trust's investment portfolio has been stress tested with the assistance of its fiduciary manager JP Morgan. The Trustees concluded that even in the worst case scenarios, funds available are considered to be comfortably adequate to ensure the solvency, resilience, and liquidity of the Trust.

(O) FINANCIAL INSTRUMENTS

The charity holds both basic and complex Financial Instruments. The Trust has elected to apply the provisions of Section 11 and Section 12 of FRS 102 in full in respect of financial instruments. The financial assets and financial liabilities of the Charity are as follows:

Debtors – trade and other debtors (including accrued royalty income) are basic financial instruments measured at amortised cost.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Liabilities – trade creditors, accruals and other creditors will be classified as financial instruments, and are measured at amortised cost as detailed in notes 12 and 13. Taxation and social security are not included in the financial instruments disclosure. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is simply an obligation to deliver charitable services rather than cash or another financial instrument.

Investments – a number of investments held at the year-end are classified as complex financial instruments as they are unlisted open ended investment companies (OEIC's). Under Section 11.24 of FRS 102 SORP 2019 the subsequent measurement of complex financial instruments should be at fair value and all changes in the fair value should be recognised in the Statements of Financial Activities. The Trustees have deemed that the fair value of these investments equates to the charity's share of the Net Asset Value (NAV) of the assets held, based on the market prices as at the valuation date. The Trust deems its derivative instruments as complex financial instruments and the Trust's policy is explained below. All other investments are classified as basic financial instruments and held at their market value.

Derivative instruments – The Trust uses Forward foreign currency contracts to reduce exposure to foreign exchange rates solely in respect of its investment portfolio. Derivative financial instruments are initially measured at fair value on the date the derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the SoFA.

(P) JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

- Allocation of support costs are made in line with the use of the resource
- Fund allocation
- Discounting of the provisions for multi-year grants liabilities to present value. Internal estimation is required in calculating the appropriate discount rate and determining when the liability will fall due
- Fair value of investments
- Foreign currency exchange rates.

There are no other key assumptions concerning the future or key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Detailed Comparatives for the Statement of Financial Activities

	Unrestricted Funds 2021 £'000	Endowment Funds 2021 £'000	Total Funds 2021 £'000
Incoming from Charitable Activities			
- Donations and Legacies	-	-	-
Incoming from other trading activities			
- Royalty Income	735	-	735
- Reimbursement of Patent Costs	13	-	13
Investment Income	10,042	-	10,042
Other Income			
- Exchange gain	11	-	11
Total Income	10,801		10,801
Expenditure on Charitable Activities			
- Research Funding	18,680	-	18,680
Costs of Raising Funds			
- Intellectual Property Protection	36	-	36
- Royalty Sharing Payments	514	-	514
- Investment Advice	1,579	-	1,579
Total Expenditure	20,809	-	20,809
Net (Expenditure) before Investment Gains/(Losses)	(10,008)	-	(10,008)
Net Gains on Investments			
Unrealised Investment Gain	32,244	-	32,244
Realised Gain	7,573	342	7,915
	39,817	342	40,159
Net Income	29,809	342	30,151
Total Funds brought forward	275,044	1,233	276,277
Total Funds carried forward	304,853	1,575	306,428

3. Net Income for the Year

Net income for the year is arrived at after charging the following:

	Year Ended 30 September 2022 £'000	Year Ended 30 September 2021 £'000
Auditors Remuneration (for audit services only)	32	27
Exchange Rate Gain	19	11
Lease expense	80	80

4. Analysis of Expenditure

	Direct Costs £'000	Support Costs £'000	Discounting of grant liabilities £'000	Total Year Ended 30 Sept 2022 £'000	Total Year Ended 30 Sept 2021 £'000
Royalty Sharing Payments	432	42	-	474	514
Investment Advice	960	113	-	1,073	1,579
Intellectual Property Protection	1	13	-	14	36
Research Science Funding	7,570	386	(1,812)	6,144	18,680
Total Resources Expended	8,963	554	(1,812)	7,705	20,809

The total awards granted was £8.727m (2021: £27.337m).

The £7.570m Research Science Funding shown above (2021: £23.385m) is net of grant write backs and other adjustments of £1.157m (2021: £3.952m) including agreed cancellations £0.750m (£2.948m) and grant write backs £0.407m (£0.673m).

The Trust monitors the effect of discounting of multi-year grant liabilities to present value and it considers the current year movement of £1.812m (2021: £4.946m) to be material. A review of the discount rate was carried out during the year in conjunction with the previous adoption of CPI plus 3% as detailed in the Financial Report on page 15. A further element of prudence was added this year, in response to the significant upward rise in CPI at both the headline (including food and energy) and core data sets, which was to adopt core CPI as the inflation reference given the highly volatile nature of headline CPI in 2022. The discount rate applied of UK Core CPI + 3% is taken to be a total rate of 9.5% (2021: 6.1%).

Details of grants awarded during the year are shown on page 11 in the Trustees' Report.

4. Analysis of Expenditure – continued

Investment Advice of £0.960m includes JP Morgan management fees of £0.642m being fees deducted from cash holdings in the investment portfolio of £0.685m net of a reduction in accruals of £0.043m, SEI fees on residual private market holdings of £0.171m and £0.139m of JP Morgan forward contract premiums deducted from cash holdings in the investment portfolio. Fees have reduced on previous years as £0.233m of anti-dilution levies were incurred upon sale of SEI and Newton holdings as part of the 2021 fiduciary manager transition to JP Morgan.

2021 Comparatives

	Direct Costs £'000	Support Costs £'000	Discounting of grant liabilities £'000	Total Year Ended 30 Sept 2021 £'000
Royalty Sharing Payments	470	44	-	514
Investment Advice	1,509	70	-	1,579
Intellectual Property Protection	21	15	-	36
Research Science Funding	23,385	241	(4,946)	18,680
Total Resources Expended	25,385	370	(4,946)	20,809

5. Support Costs

The total support costs incurred by the Trust amount to £0.554m (2021: £0.370m). An analysis of the main categories of expenditure included within support costs and the apportionment of these costs to the key activities undertaken by the Trust is set out in the table following.

6. Analysis of Support Costs

	Research £'000	Intellectual Property £'000	Royalties £'000	Investment £'000	2022 Total £'000
Staff Costs	156	9	16	63	244
Office and General Costs	190	4	21	45	260
Governance Costs	40	0	5	5	50
Total	386	13	42	113	554

Staff costs are apportioned according to time spent on various activities. Where support costs cannot be directly attributed to particular headings, they have been allocated on a basis consistent with use of the resources.

2021 Comparatives

	Research £'000	Intellectual Property £'000	Royalties £'000	Investment £'000	2021 Total £'000
Staff Costs	126	10	14	49	199
Office and General Costs	90	4	22	18	134
Governance Costs	25	1	8	3	37
Total	241	15	44	70	370

7. Analysis of Governance Costs

	Year Ended 30 Sept 2022 £'000	Year Ended 30 Sept 2021 £'000
Audit & Accountancy	32	27
Office Costs	6	5
Legal & Professional	-	1
Other	12	4
	50	37

Other Costs of £12k (2021: £4k) includes Trustee meeting costs and travel expenses.

8. Payments to Trustees and Staff Costs

The members of the Board of Trustees receive no emoluments for their service in that capacity.

Expenses in respect of travel, subsistence, and sundries incurred by 12 Trustees in the course of their duties amounted to £3,154 (2021: nil) of which all was paid directly by the Trust.

During the year, 4 Trustees (2021: 1) have been reimbursed for travel and subsistence expenses directly incurred in carrying out their activities as Trustees at a cost of £2,760 (2021: £102).

Trustee expenses increased during the year given the Trust returned to an increased proportion of in person meetings as the impact of the COVID-19 pandemic subsided.

Total staff costs are set out in the table below.

Staff and Consultancy Costs

	Year Ended 30 September 2022 £'000	Year Ended 30 September 2021 £'000
Staff Salaries	204	168
National Insurance	20	15
Employer contributions to pensions	20	16
Total Staff Costs	244	199

Average staff numbers during the year comprise 3 part-time (2.2 full time equivalent) members of staff (2021: 3 part-time - 2 full time equivalent).

The Chief Executive Officer and the Secretary to the Board form the Trust's Key Management Personnel. The Trust completed a successful transition of Chief Executive Officer in June 2022 with a three month cross over driving the increase in staff costs.

Total remuneration paid to key management personnel:

	Year Ended 30 September 2022 £'000	Year Ended 30 September 2021 £'000
Staff Salaries	185	146
National Insurance	19	14
Employer contributions to pensions	18	15
Total Staff Costs	222	175

The table below summarises the number of employees who received £60,000 or more in the year:

	2022	2021
Employees paid between £80,000 and £90,000	1	-
Employees paid between £90,000 and £100,000	-	-
Employees paid between £100,000 and £110,000	-	1

9. Related Party Transactions

Royalty income from Janssen has been included in incoming resources. Following Charity Commission approval, the Trustees have apportioned part of the royalty payments to the inventors and Versus Arthritis, according to a formula in line with current UK university practice.

Professor Sir Ravinder Maini was an employee of the Institute, responsible with Professor Sir Marc Feldmann for the invention which subsequently led to the generation of royalty income. Under a royalty distribution arrangement agreed with Versus Arthritis, and in line with current UK university practice, he and Professor Feldmann are entitled to an equal share of royalty income.

Following Professor Maini's appointment as a Trustee of the Trust, Charity Commission approval was obtained for the continuing payment of his share of the royalty income.

In 2022, £115,046 (2021: £125,058) was receivable by Professor Maini. The balance outstanding at the year end was £17,824 (2021: £59,745). Professor Maini ceased to be a Trustee on 11 December 2018, but remains the Trust's President.

10. Investments

(a) Investments held with Investment Managers

	30 September 2022 £'000	30 September 2021 £'000
Movement on Investments:		
Market Value brought forward	341,670	302,293
Net Additions at Cost	144,667	272,872
Disposals at Market Value	(143,431)	(273,406)
Investment Management Costs	(824)	(248)
Realised (Loss)/Gain	(11,646)	32,244
Unrealised Investment (Loss)/Gain	(16,677)	7,915
Market Value carried forward	313,759	341,670
Historic Costs of Investments	327,101	335,703
Cumulative Unrealised (Loss)/Gain	(13,342)	5,967
	313,759	341,670

During the year, the Trust continued to transition residual illiquid holdings in SEI managed vehicles with the net proceeds of £31.526m invested by the Trust's fiduciary manager JP Morgan.

The Statement of Financial Activities included net losses on investments of £28,323m (2021: gains of £40.159m) which includes unrealised losses of £16.677m (2021: gains of £7.915m) driven by the challenging market conditions.

The Investment Management Costs of £0.824m (2021: £0.248m) are JP Morgan fees with £0.685m (2021: £15k) being management fees deducted from cash holdings in the investment portfolio, and £0.139m of forward contract premiums. The 2021 costs of £0.248m include £0.233m of anti-dilution levies were incurred upon sale of SEI and Newton holdings as part of the fiduciary manager transition to JP Morgan.

As in previous years private market distributions are allocated to Investment Income.

10. Investments

(a) Investments held with Investment Managers – continued

Investments held with Investment Managers represented by:

		30 September 2022 £'000	30 September 2021 £'000
Investments not designated to funds:			
Overseas Listed Securities	Dublin	176,592	222,919
	Luxembourg	33,934	42,768
Overseas Unlisted Securities	Delaware	20,977	-
	Dublin	-	18,371
	Other	11,660	25,064
UK Unlisted Securities		35,991	32,713
Foreign currency forward contracts		(4,480)	(1,886)
Cash		37,680	146
Assets representing the Maynard Jenour Fund:			
UK Authorised Unit Trusts		95	106
Assets representing the Kennedy Endowment Fund:			
UK Authorised Unit Trusts		1,310	1,469
		313,759	341,670

Overseas Listed Securities

Overseas Listed Securities include Société d'Investissement à Capital Variable (SICAV), or investment company with variable capital (also known as an 'open-ended investment company') and which issues shares. With SICAVs, the fund itself is a stock corporation and thus a legal entity. The company's capital depends on the amounts paid in by investors. Shares in a SICAV are bought and sold on the basis of the value of the fund's assets, or net asset value. In accordance with applicable law and regulations, a SICAV can either appoint a separate management company or can be self-managed. SICAVs are structured much like a mutual fund in the US and are very common investment vehicles in Luxembourg.

Open-end investment company (OEIC) or investment company with variable capital (ICVC) are types of open end collective investments formed as corporations in Ireland or the UK. The terms are used interchangeably and most funds in Ireland establish a formal legal structure of "open end investment company with variable capital", as listed in their Prospectus. These funds are typically set up under the UCITS regulation and are similar to umbrella mutual funds. The investment company will have segregated liability between its underlying sub-funds. Similar to SICAVs, since the

investment company is open-ended, investors buy and sell shares based on the net asset value of a fund's assets.

iShares Physical Gold – this is an exchange traded commodity that is incorporated as a public company with limited liability under the laws of Ireland. The ETC seeks to track the day-to-day movement of the price of gold by holding gold bullion. The gold bullion backs the securities issued and is valued daily at the London PM fix price. The gold bullion is held as allocated gold bars with the custodian.

Overseas Unlisted Securities

The Dublin based Overseas Unlisted Securities are made up of Dublin domiciled open-ended investment companies under the UCITS directive. In addition, it includes a property fund which is an Irish domiciled Common Contractual Fund supervised by the Irish Central Bank.

The underlying holdings in these funds are to a very large extent made up of shares in companies listed on recognised stock exchanges worldwide.

Overseas Unlisted Securities are closed end investment partnerships and a segregated portfolio company based in the Cayman Islands.

The Delaware statutory trust (DST) is a legally recognised trust that is set up for the purpose of business, but not necessarily in the U.S. state of Delaware. It may also be referred to as an Unincorporated Business Trust or UBO. DSTs have been increasingly used as a form of tax deferral and asset protection for real estate, securitisation, mezzanine financing, real estate investment trusts and mutual funds. In this regard, the trust is a closed-end management investment company that is regulated as a business development company.

(b) Investment Income

	30 September 2022 £'000	30 September 2021 £'000
Listed and Unlisted Investments	8,015	10,042
Total Investment Income	8,015	10,042

All income generated from investments held within endowments are recognised in the Statement of Financial Activities as unrestricted investment income.

As in previous years, private market distributions are allocated to Investment Income.

11. Debtors

	30 September 2022 £'000	30 September 2021 £'000
Royalty Accrued Income	108	239
Other Accrued Income	453	345
Sundry Debtors	18	83
Total Debtors	579	667

12. Sundry Creditors and Accruals

	30 September 2022 £'000	30 September 2021 £'000
Royalties Payable	67	225
Other Creditors and Accruals	121	140
Taxation and Social Security	6	6
Total Creditors	194	371

13. Creditors falling due after more than One Year

The balance of grants payable is as follows:

	30 September 2022 £'000	30 September 2021 £'000
Grant Payments due between one and five years	30,022	30,128
Grant Payments due after five years	3,403	4,542
Discounting of grant liabilities	(6,759)	(4,946)
Commitments and Provisions due after One Year	26,666	29,724

The Trust monitors the effect of discounting multi-year grant liabilities to present value, and it considers the current year reserve at £6.759m (2021: £4.946m) with an increase to the provision of £1.812m (2021: £4.946m), to be material. A review of the discount rate was carried out during the year in conjunction with the previous adoption of CPI plus 3% as detailed in the Financial Report on page 15. A further element of prudence was added this year, in response to the significant upward rise in CPI at both the headline (including food and energy) and core data sets, which was to adopt core CPI as the inflation reference given the highly volatile nature of headline CPI in 2022. Applying a discount rate of UK Core CPI +3%, considered to be a total rate of 9.5% (2021: 6.1%), the total value of the grant liabilities discount for the year ended 30 September 2022 is £6.759m (2021: £4.946m).

The current year impact of £1.812m (2021: £4.946m) is recorded as a reduction in charitable expenditure.

14. Analysis of Net Assets as at

	30 September 2022			30 September 2021		
	Unrestricted Funds £'000	Endowment Funds £'000	Total £'000	Unrestricted Funds £'000	Endowment Funds £'000	Total £'000
Fixed Assets:						
Tangible Fixed Assets	4	-	4	-	-	-
Investments	312,354	1,405	313,759	340,095	1,575	341,670
Current Assets:						
Debtors	579	-	579	667	-	667
Cash at Bank and In Hand	1,797	-	1,797	3,095	-	3,095
	314,734	1,405	316,139	343,857	1,575	345,432
Current Liabilities	10,355	-	10,355	9,280	-	9,280
Long Term Liabilities	26,666	-	26,666	29,724	-	29,724
	277,713	1,405	279,118	304,853	1,575	306,428

15. Funds

	30 September 2021 £'000	Income/ (Expenditure) £'000	Expenditure from Designated Funds £'000	Transfers £'000	Investment (Losses) £'000	30 September 2022 £'000
Endowment Funds						
Maynard Jenour Fund	105				(10)	95
Kennedy Endowment Fund	1,470				(160)	1,310
Total Endowment Funds	1,575	-	-	-	(170)	1,405
Unrestricted Funds						
General Fund	282,350	1,013	9	4,033	(28,153)	259,252
Designated Funds						
Legal Expense Fund	1,067		(9)			1,058
Oxford Research Grant Fund 2021	21,436			(4,033)		17,403
Total Designated Funds	22,503	-	(9)	(4,033)	-	18,461
Total Unrestricted Funds	304,853	1,013	-	-	(28,153)	277,713
Total Funds	306,428	1,013	-	-	(28,323)	279,118

The income from the Maynard Jenour and Kennedy Endowment Funds is unrestricted and is applied to fund grants to support clinical research. These funds represent permanent endowments held by the Trust.

The designated funds represent unrestricted amounts which the Trustees have allocated for specific purposes. The Trustees can reallocate these funds as required.

The Oxford Research Grant Fund 2021 represents the intention of the Trust to the funding of the Institute since the ending of the initial Oxford Research Grant fund on 31 July 2021. This second agreement with the University of Oxford was signed in October 2018. The designated fund represents funding of £4m per annum (adjusted for inflation) over the period incurred from 1 August-2021 until 31 July 2026 in line with the period of the contract. £4.033m (2021: £0.667m) was released from the Oxford Research Grant Fund 2021 to General Funds constituting funding of this obligation for the year. No grant creditor has been shown as the Trust has the right to refuse payment if no suitable projects are put forward.

The initial funding agreement with the University of Oxford covered a ten year period that ended on 31 July 2021. The Trust had a commitment to fund the Institute at a level of at least £3m pa (adjusted for inflation). The Oxford Research Grant Fund was closed following the end of the contract in the previous year with the residual balance of £2.958m released to the Unrestricted General Funds in 2021.

In previous years the Trustees set aside a significant amount of royalty income in a Legal Expense Fund (10% of gross royalty income), which is utilised to ensure compliance with licence agreements and in the event of possible litigation to defend the Trust's patent rights world-wide.

A decision was taken in 2011 that the Legal Expense Fund had reached an adequate level so payments into the fund are currently suspended.

Any balance remaining on the Legal Expense Fund at the end of the relevant patent period will be distributed pro rata to the beneficiaries' percentage of royalty income.

During 2017 the decision was taken to release £5m of the Legal Expense Fund and a further £5m was released in 2019. Of this £2.35m was paid to the inventors and Versus Arthritis. The remaining £2.65m due to the Trust was released to unrestricted reserves.

15. Funds – continued

2021 Comparatives

	30 September 2020 £'000	Income/ (Expenditure) £'000	Expenditure from Designated Funds £'000	Transfers £'000	Investment Profits £'000	30 September 2021 £'000
Endowment Funds						
Maynard Jenour Fund	82				23	105
Kennedy Endowment Fund	1,151				319	1,470
Total Endowment Funds	1,233	-	-	-	342	1,575
Unrestricted Funds						
General Fund	245,847	(10,008)	18	6,676	39,817	282,350
Designated Funds						
Legal Expense Fund	1,085		(18)			1,067
Oxford Research Grant Fund	6,009			(6,009)		0
Oxford Research Grant Fund 2021	22,103			(667)		21,436
Total Designated Funds	29,197	-	(18)	(6,676)	-	22,503
Total Unrestricted Funds	275,044	(10,008)	-	-	39,817	304,853
Total Funds	276,277	(10,008)	-	-	40,159	306,428

16. Tangible Fixed Assets

	30 September 2022	30 September 2021
	Computer Equipment	Total
	£'000	£'000
Cost		
Cost as at the beginning of the year	-	-
Additions	5	5
Cost at the end of the year	5	-
Depreciation		
Accumulated depreciation at the beginning of the year	-	-
Depreciation	1	1
Accumulated depreciation at the end of the year	1	-
Net book value at beginning of the year	-	-
Net book value at end of the year	4	-

17. Financial Commitments and Contingent Liabilities

The Trustees are committed to funding, at least in part, the Kennedy Institute of Rheumatology at Oxford.

Resources are being set aside in designated funds. Refer to note 15 for details of designated funds.

As explained in the Designated Funds note any balance outstanding on the Legal Expense Fund at the end of the relevant patent period will be distributed pro rata to the beneficiaries' percentage of royalty income. This potential liability (should it crystallise) will not exceed £0.498m as at 30 September 2022 (2021: £0.502m).

The Trust's local currency is pounds sterling, but it holds some US Dollar investments and a US Dollar bank account.

The Trust has a lease on its current offices which can be terminated at three months' notice from the end of the minimum contract term on 31 March 2023.

These non-cancellable lease commitments and their period of expiry are:

		30 September 2022 £'000	30 September 2021 £'000
Expire	<1 year	40	17
	2-5 years	-	-
	>5 years	-	-
		<u>40</u>	<u>17</u>

18. Financial derivatives

Following the appointment of JP Morgan in July 2021, forward exchange contracts are used to solely manage exposure to currency exchange risk in the investment portfolio.

Forward contracts with contracted values of US\$279.68m and EUR51m, were entered into during the year (2021: US\$74.4m and EUR14.4m). Forward contracts totalling US\$294.4m and EUR53.4m matured during the year (2021: nil). As at 30 September 2022 there were open forward contracts totalling US\$59.680m and EUR12m which matured in October 2022. Marking the open contracts to fair value at 30 September 2022 resulted in a loss of £4.480m (2021: loss of £1.886m).

THE KENNEDY TRUST FOR RHEUMATOLOGY RESEARCH

England & Wales - Charity number 260059

Accounts



**The Kennedy Trust for Rheumatology Research
Annual Report & Accounts for the Year Ended 30 September 2021**

**Registered Charity: No 260059
Company No 963832**

The Kennedy Trust for Rheumatology Research

Annual Report & Accounts for the Year Ended 30 September 2021

Contents

	Page:
• TRUSTEES' REPORT	3
- GOVERNANCE	3
- STRATEGIC REPORT	6
- FINANCIAL REPORT	14
- REVIEW OF INVESTMENT ACTIVITIES	16
• CHARITY INFORMATION	22
• INDEPENDENT AUDITOR'S REPORT	25
• ACCOUNTS	29

TRUSTEES' REPORT

GOVERNANCE

The Trust is governed by a Board of Trustees (shown on page 4) and has three sub-committees, as laid out below. Each has specific responsibilities (as set out in their Terms of Reference) and each report to the Board on a regular basis.

New Trustees are provided with an induction pack which was reviewed and updated during the year. The induction pack includes their fiduciary responsibilities, as well as relevant information about the Trust. The continuing development of all Trustees is met by an annual scientific update and presentations (often by invited external speakers) on various relevant issues.

The Trust has provided indemnity insurance for the Trustees during the year.

Trustees are recruited by the Board based upon their experience, professional qualifications, empathy and interest in the Trust's objectives and ability to further the Trust's performance and achievements. The sub-committees shortlist candidates whose area of expertise falls within their committee's responsibilities and put forward final candidates to the Board of Trustees.

In preparing this report, Trustees have referred to the Charity Commission's general guidance on public benefit and are satisfied that the activities undertaken by the Charity meet the Commission's requirements.

Governing Document

The Trust is a charitable company limited by guarantee incorporated on 13 October 1969 and is governed under its Articles of Association. The Charity is registered with the Charity Commission of England and Wales.

Charitable Objectives

To provide financial and other support for basic and translational research into rheumatic and related musculoskeletal, immunological and inflammatory diseases. In meeting its charitable objectives, the Trust supports both basic and translational research primarily through its support of the Kennedy Institute of Rheumatology.

The Board

- Professor Sir Stephen Holgate (Chair)
- Mr. Edmund Buckley
- Mr. Christopher Coombe (appointed 22 June 2021)
- Professor Andrew Cope
- Mr. Mark Dighero
- Mrs. Margaret Frost
- Professor Hill Gaston
- Mr. Rodney Hornstein (resigned 13 August 2021)
- Professor Tracy Hussell (appointed 12 October 2021)
- Mrs. Jennifer Johnson
- Mr. David Paterson (resigned 12 October 2021)
- Professor Michael Patton (appointed 22 June 2021)
- Mr. Richard Punt (appointed 22 June 2021)
- Dr. Paul Satchell (appointed 22 June 2021)
- Ms. Victoria White
- Sir Gregory Winter (resigned 23 March 2021)

Finance and Investment Committee (FIC)

The purpose of the FIC is to: formulate the Trust's financial and investment policies; agree these with the Board of Trustees; be responsible for overseeing the implementation of the agreed policies; and implement a risk management strategy for finance and investment matters.

The composition of the FIC during the year was as follows:

- Mrs. Margaret Frost (Chair from 23 March 2021)
- Mr. David Paterson (Chair until 23 March 2021, resigned 12 October 2021)
- Mr. Edmund Buckley
- Mr. Christopher Coombe (appointed 22 June 2021)
- Mr. Mark Dighero
- Professor Sir Stephen Holgate
- Mr. Rodney Hornstein (resigned 13 August 2021)
- Dr. Paul Satchell (appointed 22 June 2021)

General Purposes Committee (GPC)

The purpose of the GPC is to take responsibility for all governance and intellectual property matters.

The composition of the GPC during the year was as follows:

- Mrs. Jennifer Johnson (Chair)
- Mr. Mark Dighero
- Professor Sir Stephen Holgate
- Professor Michael Patton (appointed 22 June 2021)
- Mr. Richard Punt (appointed 22 June 2021)
- Ms. Victoria White
- Sir Gregory Winter (resigned 23 March 2021)

Research Committee (RC)

The Research Committee has responsibility for all matters requiring scientific expertise.

The composition of the RC during the year was as follows:

Trustees:

- Professor Andrew Cope (Chair from 22 June 2021)
- Professor Hill Gaston (Chair until 22 June 2021)
- Professor Sir Stephen Holgate (until 22 June 2021)
- Professor Tracy Hussell (appointed as Trustee 12 October 2021)

Non-trustees (appointed to the RC for a three-year period):

- Professor Tracy Hussell (until 12 October 2021)
- Professor Carl Goodyear (appointed 10 June 2021)
- Professor Paul Lehner (appointed 10 June 2021)
- Professor Neil Sebire
- Professor Gitta Stockinger

Ex-Officio:

- Professor Sir Stephen Holgate (from 22 June 2021)

Ex Officio

Mr. Pierre Espinasse and Mrs. Susan Johanson are Ex Officio non-voting members of all the Committees.

STRATEGIC REPORT

KEY ACHIEVEMENTS

The Trustees are pleased to present their annual report together with the financial statements of the charity for the year ended 30 September 2021 which are also prepared to meet the requirements for a directors' report and accounts for the Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

1. COVID-19

Impact on current and future activities

In line with Government guidelines, the Trust continued to work remotely during most of the year, with Board, Committee and other meetings held via video-conferencing. The Trust was able to function well under these conditions, including running a full funding call for its new MB PhD Programme (see below). The Trust was able to make a return to a mix of office-based and home-based working in August (although remote working was reintroduced in late December 2021) and in-person meetings, with video-conferencing facilities, restarted in September.

While the impact of Covid-19 on the institutions and researchers supported by the Trust was initially significant, with many laboratories having to close and experiments suspended, most of these limitations have now been overcome with researchers having full access to laboratories and facilities when needed, with remote working optional. Research activity and output have now almost returned to pre-pandemic levels.

Recognising the initial impact on research, the Trust agreed to no-cost time extensions where necessary to some of the projects and individuals it funded. In addition, it provided extra funding to final year PhD students to allow them more time to complete their research and write up their thesis. The 'business continuity' grant awarded to the Kennedy Institute of Rheumatology at Oxford ("the Institute") last year allowed it to cover some of the costs of restarting activity.

The Trust continues to be in a strong position to deliver its research funding strategy and to support the Institute. It is, however, too soon to know what the longer-term impact of the pandemic will have on UK research.

2. Trust Strategy and Operations

Strategy

The Trust's mission is to provide financial and other support for basic and translational research into musculoskeletal diseases. The Board decided in 2019 that it would focus on unmet needs, with the longer-term objective of its resources helping to achieve a meaningful impact in the development of cures and preventative treatment. Trustees agreed at the time that the Trust's primary focus should be on basic science and the translational research which flows from it and that the Institute should continue to be the primary vehicle for the realisation of the Trust's goals.

During the year, the Board reviewed the Trust's strategy and confirmed the following key principles:

- The relationship with the Institute should remain at the core of the Trust's plans
- Its funding strategy should be driven by the science and the focus should be on excellence and on seeking to make a difference
- The Trust should be ambitious in its plans and be prepared to take risks
- The Trust should reach out to and support bright young researchers

Trustees asked the Research Committee to hold a meeting with appropriate external input to discuss and identify strategic themes that the Trust might explore. Outcomes of the meeting, to be held in 2022, will be brought to Trustees to inform the development of a new five-year research funding strategy.

Operations

During the year, following a review of its investment strategy and on the recommendations of the Finance and Investment Committee, the Trust undertook a retendering exercise for the provision of fiduciary management services. As a result, a decision was made to appoint JP Morgan as the Trust's investment adviser in place of SEI. The transition to JP Morgan was completed during the year (see "Review of Investment Activities" below).

The Trust successfully applied for membership of the Association of Medical Research Charities (AMRC) – a membership organisation dedicated to supporting medical research charities in funding the best research. In joining the AMRC, the Trust has demonstrated that its funding initiatives adhere to the AMRC's stringent governance guidelines and peer review standards. In addition, the Trust was added to the Government's list of Endorsed Funders under the Global Talent Visa scheme. This endorsement enables all international researchers funded by Kennedy Trust grants (including our Senior Research Fellows) to apply for a fast-tracked, Tier 1 Global Talent Visa to work in the UK.

The Kennedy Trust was also recognised as a UK National Institute for Health Research (NIHR) non-commercial Partner. This means the studies that the Trust fund may be eligible to access the NIHR Study Support Service which provides infrastructure support for the initiation and delivery of high-quality research which benefits patients and the NHS, including relevant research in public health and social care.

Mindful of the increased risks of cybercrime posed by remote working, the Trust strengthened its IT systems and cybersecurity arrangements, including the obtention of Cyber Essentials Certification.

3. Supporting the Kennedy Institute of Rheumatology

Institute update

By the end of the year, the Institute had moved to business as normal and was fully open with no restrictions (although mask wearing, regular hand-washing and social distancing remained recommended, as was regular lateral flow testing).

The roof extension to the Institute building, part-funded by the Trust, was completed during the year. The extension provides space for 65 desk-based researchers and is expected to meet the requirements of the Institute for the next few years.

Staff numbers declined slightly over the year as a result of limitations posed by the pandemic, to 142 staff and 55 PhD students, but recruitment is expected to pick up during the coming year. Some key appointments were, however, able to be made with the successful recruitment of two Senior Research Fellows in Data Science, funded by the Trust, as well as an advanced microscopy specialist.

Engaging with Industry

Following the audit of IP opportunities at the Institute carried out by IP Pragmatics in 2019, specialist support and guidance are now being provided to Institute staff by the University's Medical Sciences Translational Research Office on accessing industry interactions and translational routes. In addition, a new 'For Industry' section has been set up on the Institute's website to showcase the ways in which it partners with industry.

Grants funded

As part of its ongoing dialogue with the University over securing the long-term future of the Institute at Oxford, the Trust is keen for the Institute to house more Statutory Professorships. These Professorships, often named or endowed Chairs, are the most senior academic posts at the University of Oxford. They are held by academics of the highest calibre, with an international level of academic excellence and a world-leading research reputation. In line with this, the Trust made a commitment to provide £2.376m towards the cost of a ten-year Kennedy Trust Chair in Molecular Immunology at the Institute.

During the year, the Trust also continued to support the research activities of the Institute. This included providing core funding for the Data Science Platform, the Cell Dynamics Platform, and the Centre for Microbiome Studies. A grant of £0.908m was also provided to help set up a Zeiss Centre of Excellence at the Institute in partnership with the Institute for Development and Regenerative Medicine and Carl Zeiss AG which will house the newest state-of-the-art optical imaging equipment, a ZEISS Lattice Lightsheet 7 microscope.

4. Other Research Funding

MB PhD Scheme

When the Trust undertook a review of its research funding strategy in early 2019, it identified the need to support researchers and, in particular, young scientists. Mindful of the importance of clinician scientists and the key role they play in translating discovery into clinical use, the Trust decided to support an MB PhD training route for aspiring clinician scientists to undertake the vocational training of a medical degree in tandem with the research expertise of a PhD in areas of research relevant to musculoskeletal and other inflammatory diseases.

Building on the MB PhDs supported under Cancer Research UK's Clinical Academic Training Programme Awards, the Trust issued a restricted call for proposals in May 2020. Under that call, universities were invited to apply for a 5-year programme, funding five annual cohorts of up to four

students each (with the Trust expecting to support between twelve and fifteen students per annum in total), with the expectation that students would engage in research of direct or indirect relevance to any musculoskeletal or inflammatory diseases.

The call was issued by the Trust in May 2020 and six proposals were received. A panel, consisting of Professors Sir Stephen Holgate, Sara Marshall (Wellcome Trust) and John Isaacs (Newcastle University), was convened to consider the applications. Interviews with applicants were held in November 2020 and the panel's recommendations for funding were presented to the Board in December 2020. These recommendations were accepted, and awards were made to the Universities of Birmingham, Manchester and Oxford together with a joint award to the Universities of Edinburgh and Glasgow. The first students recruited under the scheme started their studies in October 2021.

Kennedy Trust Senior Research Fellowships

During the year, and following the success of two earlier calls in 2017 and 2019 which resulted in awards to Dr John Grainger at the University of Manchester, and then to Dr Adam Croft at Birmingham and Dr Rebecca Gentek at Edinburgh, the Trust issued its third call for its Senior Research Fellowship scheme with a closing date of 10 December 2021. Nineteen universities were invited to undertake an internal selection exercise and put forward one candidate each. Applications received will be reviewed by an independent international panel of scientists and it is expected that recommendations for the award of up to two fellowships will be made to the Board in the Spring of 2022, with successful candidates taking up their award within the following six to nine months.

Collaboration with Versus Arthritis

As reported last year, the Trust has been working with Versus Arthritis (VA) to explore the possibility of developing an initiative on a systems biology approach to understanding and treating fatigue. Following a one-day workshop held in February 2020 with the aim identifying priorities for musculoskeletal fatigue research, the Trust and VA agreed to commission a systematic review in the broad areas of chronic fatigue measurement, assessment and treatments, with the aim of identifying gaps in evidence and needs for future research and funding. A call for proposals to undertake this review, jointly funded by the two organisations, is expected to be published in early 2022.

The Trust is also in discussions with VA to consider funding a major new initiative in Tissue Biology at the Institute.

Kennedy Trust Maini Feldmann Prize

Following the decision by the Board to establish a new international prize named after Professors Maini and Feldmann in recognition of their ground-breaking work identifying anti-TNF therapy as an effective treatment for rheumatoid arthritis and other inflammatory diseases, the Trust has maintained its engagement with the Academy of Medical Sciences over the management of the prize and has continued to work with them over its launch. During the year, the Board discussed and affirmed its support for the prize.

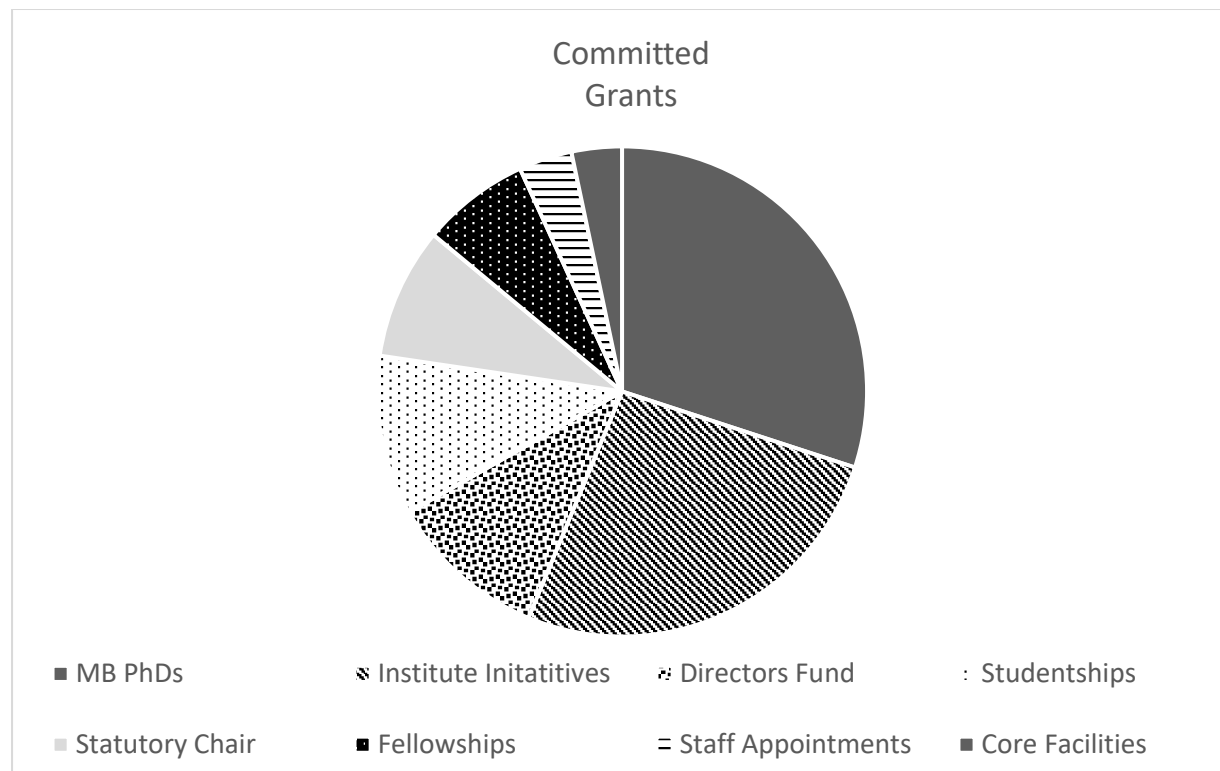
Kennedy Trust Alumnus Network

The Kennedy Trust has funded research into musculoskeletal and related inflammatory diseases for over 50 years. Whilst the focus of its support has historically centred around the Institute, the Trust has recently expanded the scope of its funding with the launch of its Senior Research Fellowships in 2017 and an MB PhD scheme commencing in October 2021. With funding now reaching seven universities across the UK, supporting individuals at every career stage from PhD student to Professorial researcher, the Trust is keen to establish a network of its current and alumni researchers. The primary goal would be to facilitate networking, mentorship and career support amongst the increasingly large family of Kennedy Trust researchers.

As a first step in establishing this Network, a Steering Group consisting of five current students and fellows was convened during the year to help design and organise a residential conference bringing together Trust-funded students and researchers. This first event, to which over fifty students and researchers have been invited, is scheduled to take place in Birmingham in March 2022.

5. Grant Funding during the Year

During the year, the Trust issued 15 grants to the University of Oxford totalling £21,530,777 (of which £19,129,149 was to the Institute). MB PhD awards were also made to the Universities of Birmingham (£1,668,287), Edinburgh (£1,034,642), Glasgow (£1,034,642), and Manchester (£2,068,200).



	£'000	%
MB PhDs	8,207	30%
Institute Initiatives	7,166	26%
Director's Fund	2,884	11%
Studentships	2,884	11%
Statutory Chair	2,376	9%
Fellowships	1,950	7%
Staff Appointments	962	4%
Core Facilities	908	3%
	27,337	100%

6. Impact Report

The primary objective of the Trust is to support research into inflammatory diseases, both through the Institute and elsewhere, and to invest in the future scientific leaders in the field.

Following its adoption of Researchfish last year as a tool to gather information on the outcomes and impact of the research it funds, the Trust undertook a full reporting exercise of its current grants in March/April 2021. Researchfish is a reporting platform designed to help research funders, charities, research organisations and research centres to collect impact-related data to advocate research and inform funding strategies.

The exercise covered 31 awards with a total grant value of £28.3m. The following outcomes were reported:

- 90% of the awards generated unique publications, producing a total of 228 scientific publications
- 58% of awards reported at least one scientific collaboration as a direct result of Trust funding
- 8 research prizes were received
- 71% of awards reported at least one instance of further funding following Trust investment, generating a total effective further funding of £37m
- Two new patents were published
- Five new software or technical products were developed
- Two new therapeutic inventions were created

The two new therapies developed were the use of spermidine to improve vaccination in the elderly, and an oestrogen-containing therapy for hand pain in women with hand osteoarthritis.

In addition to the outcomes identified through Researchfish reporting, projects funded by the Trust produced a number of valuable outcomes during the year. These included:

- Using 3D imaging, Dr Anjali Kusumbe's group (Kennedy Trust Research Fellow at the Institute) revealed the role of blood vessels in hormone production, showing a direct correlation between age-related decline in capillary and artery numbers and hormone production in the endocrine system; and
- Professors Chris Buckley and Adam Croft (Kennedy Trust Senior Research Fellow) at the University of Birmingham's Rheumatology Research Group brought new insight into the causes of rheumatoid arthritis by identifying the chemical messenger which instructs cells to destroy joints, leading to hope for new treatments.

7. Intellectual Property

The Trust has owned a broad portfolio of patents which included the key US, Canadian and European anti-TNF therapy patents which were licensed out and which together were responsible for generating the Trust's past royalty income.

The Trust has been a co-defendant since 2013 with Janssen in a Canadian lawsuit brought by Pfizer over the validity of the Trust's Canadian patent and possible infringement by Pfizer of that patent through sales in Canada of Pfizer's biosimilar version of infliximab. Following decisions by the Canadian courts finding in the Trust's and Janssen's favour, hearings to determine damages took place in 2021. However, before the outcome of these hearings was decided, a full settlement

agreement was reached between all parties in July 2021 under which all claims and counterclaims were withdrawn.

8. Future Plans

The Trust, on the advice of its Research Committee, will review its funding ambitions and explore new opportunities for funding with a view to setting out its Research Funding Strategy for the next five years.

Following the call for proposals launched in July 2021, the Trust's independent Review Panel will consider applications for the Kennedy Trust Senior Research Fellowships and will make recommendations to the Board, through the Research Committee, on fellowships to be awarded.

The Trust will make arrangements for its independent Scientific Review Board to visit the Institute in late 2022 in order to assess the Institute's performance and the priorities for its future funding by the Trust.

The Trust will launch its Alumnus Network with a first residential event in Birmingham in March 2022 for currently funded students and researchers to support career development.

In partnership with Versus Arthritis, we will issue a call for proposals for a comprehensive scoping review in order to help understand the measurements, assessments and treatments used for all forms of chronic fatigue and identify gaps for future research.

We will finalise arrangements with the Academy of Medical Sciences on the joint development of a new international scientific prize in translational research, with a view to launching the prize in late 2022.

Following the success of the first two awards, we will fund the call for a third Daphne Jackson Fellowship, which offers researchers the opportunity to return to a research career after a break of two or more years.

FINANCIAL REPORT

Following a retendering process, the Trustees agreed to appoint JP Morgan in place of the Trust's fiduciary manager SEI. The transition of liquid assets was completed during the final quarter of the financial year with the sale of SEI liquid assets and Ruffer and Newton holdings. The transition to JP Morgan drives the realized gain on investments of £32.2m. The fiduciary manager transition is detailed further in the "Review of Investment Activities".

The Covid-19 outbreak and the resultant global lockdowns initially adversely affected the values of the Trust's investments, however since the initial impact in March 2020, the Trust has benefited from a material recovery. The Trust's investments valued at £341.7m (2020: 302.3m) demonstrate the portfolio is resilient and the Finance and Investment Committee is satisfied that its diversified investment strategy will protect the Trust's investments, and that there are adequate levels of reserves to support the Trust's long-term planned spend. The impact of Covid-19 on the Trust's investments is detailed in the "Review of Investment Activities".

Gross royalty income received during the year was £0.7m (2020: £0.9m). With the revocation of a European patent in November 2019, patent income has diminished in line with expectations.

The Trust monetised part of its royalty share in 2012. In accordance with the terms of the monetisation agreement, it receives 50% of the royalty due. These payments will continue for the life of the patents.

Royalty income was received in US dollars and transferred to pounds sterling on or shortly after the date the funds were received.

Royalty sharing payments of £0.5m (2020: £0.6m) were made to Versus Arthritis and the inventors in respect of this income. These payments are made according to a formula for sharing royalties in line with current UK University practice.

The costs incurred in prosecuting the Trust's patent portfolio were £36k (2020: £96k). The current year decline reflects reduced patent protection activity. With the revocation of one of the Trust's European patents in November 2019, royalties have diminished and are expected to remain at these reduced levels until expiration of the remaining Supplementary Protection Certificates in 2022.

Total support costs during the year amount to £370k (2020: £424k) and these costs are allocated over Trust activities in accordance with time spent, invoices directly allocated or another fair method of allocation. The 2020 support costs were higher due to greater levels of prior year activities including the previous Scientific Review Board costs (£22k) and communications review (£20k).

Governance costs are analysed in Note 7 to the Accounts. They totalled £37k in 2021 (2020: £168k) which represents less than 1% of funds expended. Office costs of £96k have been reallocated from governance to support costs driving the overall reduction in costs.

The committed grants in 2021 were £27.337m against £8.487m in 2020. The figure shown in the accounts is net of grant write backs and other adjustments of £3.952m (2020: £0.728m) comprising agreed cancellations (£2.948m), grant write backs (£0.673m) and replacements (£0.331m). Grants awarded have increased significantly resulting from the new MB PhD Programme (£8.207m) and several Institute initiatives including support for a Statutory Chair in Molecular Immunology (£2.376m), Data Science Platform (£2.611m) and Cell Dynamics Platform (£2.298m).

The Trust assesses if the impact of discounting multi-year grant liabilities to present value is material, and due to the increase in current year awards and inflation, the current year is the first reporting period the impact is considered material. A review of the discount rate was completed, and the rate was updated from the average rate of inflation as the Trustees regard the Trust's target rate of return on investment, currently CPI +3% to be appropriate. This discount rate is considered by the Trustees as providing the most current available estimate of the opportunity cost of money reflecting the time value of money to the Trust. The non-current grant liabilities of £34.7m are discounted, applying a discount rate of 6.1% resulting in a grant liabilities discount of £4.9m recognised as a reduction in charitable expenditure.

The grant cash spend by the Trust during the year reflects grants committed in earlier years so does not move in proportion to the grants committed. The cash spend in 2021 was £8.000m (2020: £5.332m).

The Trust considers the salaries paid on an annual basis to ensure they are fair and appropriate for the roles and reflect any changes to the roles during the year. In addition, account is taken of changes in the cost of living.

There were no changes in key management personnel during the period. Further information on key management personnel is detailed in Note 8 to the Accounts.

The Trust does not fundraise and does not deal with the public directly. A minimal amount of unsolicited donations were received in the year, therefore the Charity does not need to follow a fundraising standards scheme.

REVIEW OF INVESTMENT ACTIVITIES

As a matter of good governance, the Trust retendered its fiduciary manager engagement in 2020. Furthermore, the Trust sought to increase its allocation to private market investments in the longer term, and move towards a greater focus on Environmental, Social and Governance (ESG) matters. During the current financial year, as the outcome of the retendering process, the Trustees agreed to appoint JP Morgan in place of its existing manager SEI.

As part of the retendering process, the Trust's investment objective was reviewed and it was concluded a total return in excess of inflation, defined as CPI + 3% over the longer term continues to be appropriate. The Trust aims to achieve the desired return through a well-diversified portfolio with an appropriate level of liquidity and risk.

The transition of liquid assets to JP Morgan was completed during the final quarter of the financial year with the sale of SEI liquid assets and Ruffer and Newton holdings achieving net proceeds of £258m which were invested by JP Morgan in liquid holdings. A further £2.9m was raised from a partial redemption of the Structured Credit Fund which is in the process of full liquidation. The transition to JP Morgan accounts for £30.8m of the realized gain on investments of £32.2m.

The Trust's holdings in the three UK property funds The Charities Property Fund (Savills), COIF Charities Property Fund (CCLA) and Property Income Trust for Charities (Mayfair) are being retained for an interim period, being considered efficient charity specific vehicles, and providing appropriate exposure to the sector. These funds represent 9.6% (2020: 10.0%) in value of the portfolio.

The Trust's private market holdings Glouston Private Equity Opportunities of £7.5m (2020: £6.7m) and Tennenbaum Special Situations of £5.4m (2020: £6.7m) are being held through to run off.

There are residual illiquid investments held with SEI which will be transitioned to JP Morgan including the Infrastructure (£18.4m) and Structured Credit Fund (£12.2m). As at 30 September 2021, the Trust's private market investment in Glouston (£7.5m) had been transferred to JP Morgan management whilst Tennenbaum (£5.4m) continued to be held under SEI.

The M&G Charifund holding represents the Trust's permanent endowment and is being retained.

As part of JP Morgan's appointment, the strategic asset allocation has been reviewed. Both the initial to long term target allocations are multi-asset and well-diversified with global exposure across a variety of asset classes and a broad range of currencies. Forward exchange contracts are used solely to manage the exposure to foreign exchange rate risks.

Return on Investments

The return on investments for the year to 30 September 2021 was 15%, therefore the Trust considers it has well exceeded its long-term target return on investments being a total return in excess of inflation, defined as CPI + 3%.

Impact of Covid-19

As a result of the Covid-19 outbreak and the consequential global lockdowns, the Trust's investments were subject to a reduction in value during the year ended 30 September 2020, however the Trust's well-diversified portfolio has enabled recovery and strengthening since the

initial impact of Covid-19 in March 2020. The investment portfolio at year-end was valued at £341.7m (2020: £302.3m).

The Finance and Investment Committee is responsible, in consultation with its investment advisers, for the development of the investment strategy for the Trust and monitors investment performance at its quarterly meetings. The investment managers submit quarterly reports to the Committee and are invited to present when a more intensive review of performance and process is undertaken. JP Morgan, a substantial global investment manager, is responsible for managing 79.4% of the Trust's assets.

The investments overseen by JP Morgan are in collective schemes. These funds include public equities, bonds, alternatives and private markets. The portfolio managed by JP Morgan will move towards inclusion of infrastructure and further private market investments as the trust divests from its residual SEI holdings. JP Morgan select a wide range of managers within the funds, to diversify manager risk.

A firm of independent consultants, Lane Clark & Peacock LLP (LCP), has been retained to provide periodic updates on the property funds. LCP commenced consulting for the Trust In 2017 when the Trust commissioned LCP to complete a review of its investment policy.

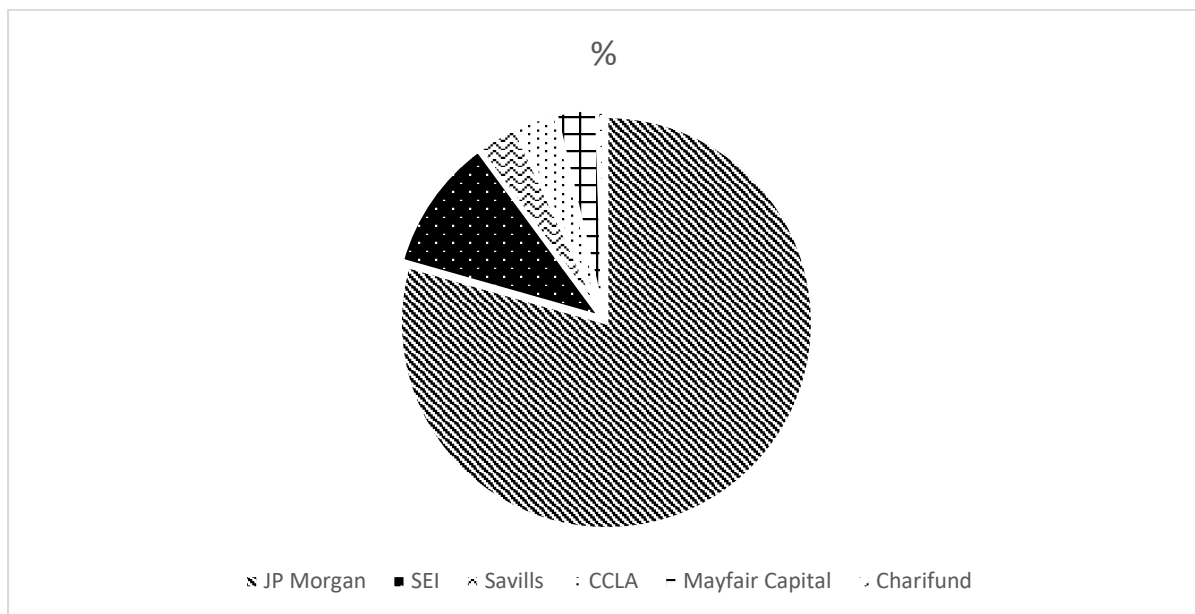
In the current year, LCP were engaged to advise on the retendering of the Trust's fiduciary manager.

The Finance and Investment Committee continues to review the application of the Trust's policy with regard to responsible investing. All investment managers are asked to make regular reports on the application of their ESG policies. These are reviewed at the manager meetings. Given the Trust's objectives, the Trustees have a particular interest in and concern about tobacco investments and give extra focus to monitoring these as part of its ESG activities.

The Trust's approach to responsible investment is intended to be consistent with its duty to secure satisfactory long-term returns from the investment of its charitable funds. The Trustees expect their fund managers to consider the ESG policies of companies alongside other factors that will affect their long-term investment prospects.

ESG policy was highlighted as a key issue in the fiduciary manager retendering exercise, and it is expected that it will have greater influence on investment policy in future.

Investment Portfolio Split by Manager



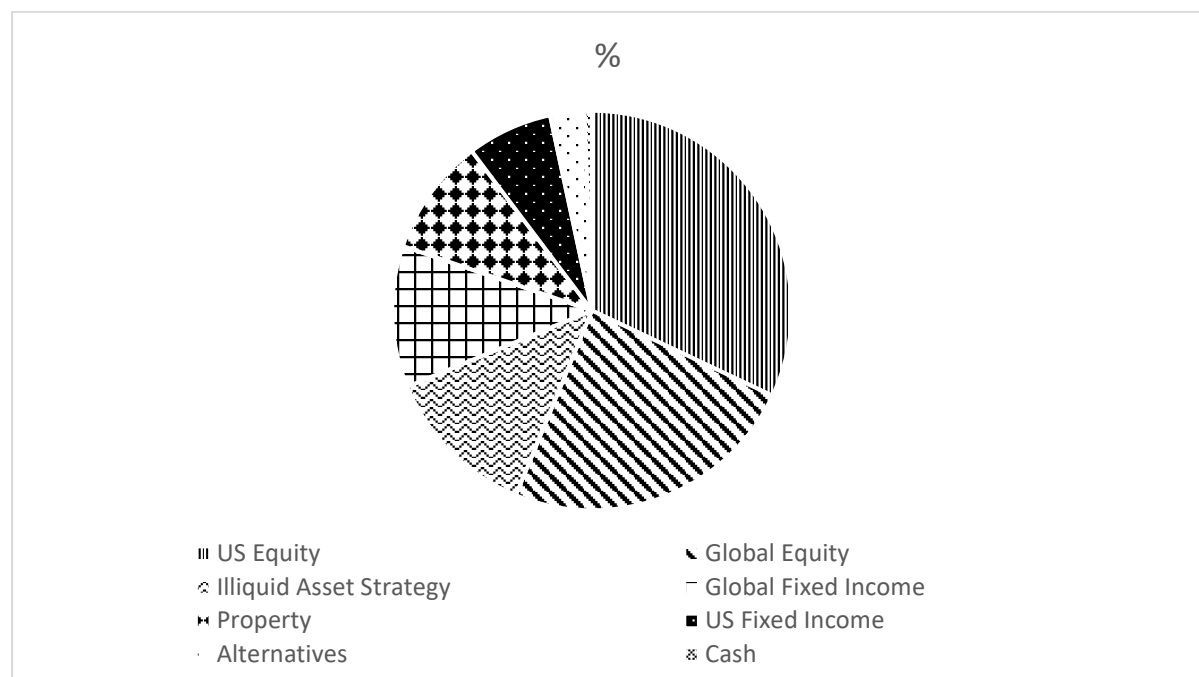
30 September 2021

	£'000	%
JP Morgan	271,407	79.4%
SEI	35,974	10.5%
Savills	11,005	3.2%
CCLA	10,914	3.2%
Mayfair Capital	10,795	3.2%
Charifund	1,575	0.5%
TOTAL	341,670	100.0%

JP Morgan holdings comprise liquid investments of £263.947m along with a private investment (£7.460m) transferred to JP Morgan's management.

The Trust continues to have residual holdings with SEI of £35.974m comprising illiquid funds with delayed transition to JP Morgan including an infrastructure fund (£18.370m), Structured Credit Fund (£12.158m) and private market investment (£5.446m).

Investment Portfolio Split by Type



	30 September 2021	
	£'000	%
US Equity	110,285	32.4%
Global Equity	83,458	24.5%
Illiquid Asset Strategy	43,434	12.7%
Global Fixed Income	39,788	11.6%
Property	32,714	9.6%
US Fixed Income	24,045	7.0%
Alternatives	9,686	2.8%
Cash	146	0.0%
Foreign currency forward contracts	(1,886)	(0.6%)
Total	341,670	100.0%

PRINCIPAL RISKS

A formal risk register is maintained and is reviewed annually at Board level. The purpose of the review is to look at key risks and the effectiveness of procedures in place to mitigate them.

Risks can have a short term and/or a long-term impact on the Trust's ability to meet its objectives. Those monitoring each risk advise the Board on actions that should be taken to manage risk, and report periodically on the effectiveness of their oversight.

The Trust has identified the following principal risks and steps to mitigate the risk.

Reduction in expected returns from investments due to stock market declines – the Trust has engaged an external fiduciary manager and pursues an asset allocation policy to diversify risk and conserve capital in real terms. There are regular reviews of investment strategy and policy (in light of the Trust's financial plans) by the Finance and Investment Committee and the Trust's fiduciary

manager. These are tabled at Board meetings for discussion and approval. The Trust considers that it is unlikely to be impacted by short-term market volatility given the portfolio is well-diversified and there are sufficient liquid assets to meet its spending requirements.

Failure of the Trust to earn an appropriate return from its assets – the Trust has engaged external investment managers, who provide at least annual update presentations to the Finance and Investment Committee, along with quarterly performance reviews. Regular reviews of long-term expected returns compared with expected spending are performed.

Risk of loss of Chairman and other Trustees – the Trust has a policy of reviewing the number, skills and diversity of Trustees and seeks new ones as necessary.

Risk of loss of key management personnel – Trustees aim to keep apprised of staff plans.

Risk of cybercrime – the Trust uses cloud-based secure storage and maintains protection software. The Trust employs external IT consultants to ensure data security and prevention of data loss. This is regularly reviewed to ensure compliance with GDPR. Cyber Essentials Certification was attained in 2021 and is to be maintained on an ongoing basis.

RESERVES

The Trust has only a small endowment. However, it has used the royalty income it has received to build up reserves so that it will be able to fund its charitable activities when royalty income ceases. The Trustees maintain funds in order to generate a sufficient return to fund current and future charitable activities (described elsewhere in this Report). The Trust wishes to have adequate sums to continue to support the Institute for the foreseeable future.

It is the aim of the Trustees to maintain the value of reserves in real terms over a reasonable time horizon, fulfilling the charitable objectives of the Trust by using both income and capital growth to meet expenditure.

The level of reserves is monitored on a quarterly basis by means of management accounts and cash flow forecasts.

The Trust holds unrestricted reserves in the form of designated funds that are earmarked (as described below) to meet the funding due to the Institute under the new agreement (the Oxford Research Grant Fund 2021). There is also a fund to meet future legal expenses (the Legal Expense Fund).

Oxford Research Grant Fund – the Trust had a commitment to fund the Institute at a level of at least £3m pa (adjusted for inflation) for ten years, which ended on 31 July 2021. A designated fund had therefore been set up to reflect these funding requirements and £3.051m of the grants issued to Oxford during the year (2020: £3.620m) have been set against this fund. The residual balance of £2.958m at the end of the contract life was released to the Unrestricted General Funds.

The Trust signed a further agreement with the University of Oxford on 18 October 2018 under which it restated its intention to support the Institute. A designated fund of £22.103m was set up in the 2019 financial year to reflect this and represents funding of £4m a year (adjusted for inflation) from 1 August 2021 through to 31 July 2026. Grants issued to Oxford following the contract commencement date of 1 August 2021 of £0.667m (2020: nil) have been set against this fund.

Trustees consider that it is more correct to show this commitment by means of a designated fund rather than as a grant creditor because the Trust has the right to refuse payment if no suitable projects are put forward.

Legal Expense Fund – the purpose of the Legal Expense Fund is to provide the means to enforce and protect patent rights and licence terms, by arbitration or litigation, and to meet the costs of current and future disputes concerning either the validity of the Trust’s patents or royalties payable to the Trust.

A decision was taken during 2017 to reduce the level of this fund by £5m and in April 2019 it was reduced by a further £5m. This reflects the fact that as the royalties cease the risk of becoming involved in litigation diminishes.

The balance as at 30 September 2021 was £1.067m (2020: £1.085m).

As at 30 September 2021 the monies held in designated funds amounted to £22.503m (2020: £29.197m) distributed across the following funds:

	£ '000
Legal Expense Fund	1,067
Oxford Research Grant Fund	-
Oxford Research Grant Fund 2021	<u>21,436</u>
	<u>22,503</u>

When the Trustees deem it appropriate, the Trust will draw from its reserves, as well as income, to fund its activities. Based on the accounts as at 30 September 2021, total reserves are £306.4m (2020: £276.3m). Excluding restricted funds (£1.6m) and designated funds (£22.5m) leaves £282.3m in the general fund that could be utilised, if required.

Whilst these could be considered ‘free reserves’, the Trustees do not believe that this is an appropriate measure for the Trust. The accumulation of reserves in general funds, arising from royalty income and investment returns is in line with the power conferred on the Trust to hold income in reserve and to be used to generate investment income to apply on charitable activities. The Trust’s policy had been discussed with the Charity Commission. The Trustees consider the current level of reserves to be appropriate in light of its ambition to provide long-term support to scientists working in the fields of fundamental and translational research into musculoskeletal and related diseases along with future Covid-19 responses.

As at 30 September 2021, total Trust funds stood at £306.4m (2020: £276.3m) held in the following types of fund:

	£ '000
Endowment Funds	1,575
General Fund	282,350
Designated Funds	<u>22,503</u>
	<u>306,428</u>

CHARITY INFORMATION

Registered Office

Boundary House
91 Charterhouse Street
London EC1M 6HR

Registered Charity No: 260059
Registered Company No: 963832

Business Address

One Lyric Square
London W6 0NB

Telephone: 020 8049 8136

President

Professor Sir Ravinder Maini

Vice Presidents*

Dr. Colin Barnes
Mrs. Bella Sunley

*Vice-Presidents hold an honorary position and are not trustees

Board of Trustees

Professor Sir Stephen Holgate (Chair)
Mr. Edmund Buckley
Mr. Christopher Coombe (appointed 22 June 2021)
Professor Andrew Cope
Mr. Mark Dighero
Mrs. Margaret Frost
Professor Hill Gaston
Mr. Rodney Hornstein (resigned 13 August 2021)
Professor Tracy Hussell (appointed 12 October 2021)
Mrs. Jennifer Johnson
Mr. David Paterson (resigned 12 October 2021)
Professor Michael Patton (appointed 22 June 2021)
Mr. Richard Punt (appointed 22 June 2021)
Dr. Paul Satchell (appointed 22 June 2021)
Ms. Victoria White
Sir Gregory Winter (resigned 23 March 2021)

Officers

Mr. Pierre Espinasse (Chief Executive Officer)
Mrs. Susan Johanson (Secretary)

Independent Auditors

MHA MacIntyre Hudson
6th Floor
2 London Wall Place
London EC2Y 5AU

Bankers

Lloyds TSB Bank PLC
25 King Street
Hammersmith
London W6 9HW

Investment Advisers

J.P. Morgan SE (appointed 2 July 2021 and previously J.P. Morgan Bank Luxembourg S.A., London branch until 22nd January 2022)
60 Victoria Embankment
London EC4Y 0JP

SEI Investments (Europe) Limited (until 2 July 2021)
1st Floor, Alphabeta
14-18 Finsbury Square
London EC2A 1BR

Legal Advisers

Amster Rothstein & Ebenstein LLP
(previously Cooper & Dunham LLP)
845 Third Avenue, 6th Floor
New York, NY 10022

Stone King LLP
Boundary House
91 Charterhouse Street
London EC1M 6HR

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also directors of the Trust 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 Accounting Practice).

Company law requires Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities Statement of Recommended Practice;
- 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 the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other regularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charity's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

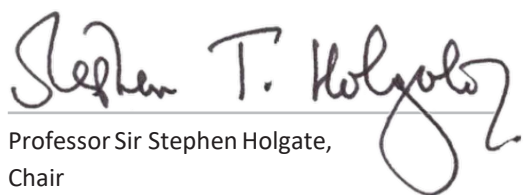
In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.
- The Trustees' Annual Report is approved by the Trustees of the charity. The Strategic Report, which forms part of the Annual Report, is approved by the Trustees in their capacity as Directors in company law of the charity.

Auditors

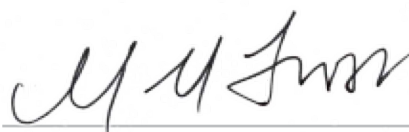
The auditors, MHA MacIntyre Hudson were appointed auditors during the year end and are deemed to be reappointed under section 487(2) of the Companies Act 2006.

By order of the Board of Trustees.



Professor Sir Stephen Holgate,
Chair

22nd March 2022



Margaret Frost,
Chair of the Finance and Investment Committee

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE KENNEDY TRUST FOR RHEUMATOLOGY RESEARCH

Opinion

We have audited the financial statements of The Kennedy Trust for Rheumatology Research (the 'charitable company') for the year ended 30 September 2021 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 30 September 2021, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the audit of the financial statements section of our report.

We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Trustees' assessment of the entity's ability to continue to adopt the going concern basis of accounting included critical reviews of budgets and forecasts provided.

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

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

Other information

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

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

We have nothing to report in this regard.

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' report (incorporating the Strategic Report and the Directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' report has 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.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of Trustees

As explained more fully in the Trustees' responsibilities statement (set out on page 24), 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

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 specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud is detailed below:

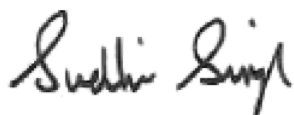
- Obtaining an understanding of the legal and regulatory frameworks that the entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements;
- Enquiry of management and those charged with governance to identify any instances of known or suspected instances of fraud;
- Enquiry of management and those charged with governance around actual and potential litigation and claims;
- Enquiry of management about any instances of non-compliance with laws and regulations;
- Reviewing the control systems in place and testing the effectiveness of the controls;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness;
- Evaluating the business rationale of significant transactions outside the normal course of business;
- Reviewing accounting estimates for bias;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations.

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: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our auditor's report.

Use of this 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. Our audit work has been undertaken so that we might state to the charitable company's members 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 and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Sudhir Singh FCA (Senior Statutory Auditor)

For and behalf of

MHA MacIntyre Hudson

Statutory Auditor

London, United Kingdom

Date: 28 March 2022

ACCOUNTS

Statement of Financial Activities for the Year Ended 30 September 2021 (incorporating Income and Expenditure Account)

	Note	Unrestricted Funds 2021 £'000	Endowment Funds 2021 £'000	Total Funds 2021 £'000	Total Funds 2020 £'000
Income from Charitable Activities					
- Donations and Legacies		-	-	-	3
Income from other Trading Activities					
- Royalty Income		735	-	735	924
- Reimbursement of Patent Costs		13	-	13	66
- Co-funding of Research Initiatives		-	-	-	50
Investment Income	10b	10,042	-	10,042	7,762
Other Income					
- Exchange gain		11	-	11	-
Total Income		10,801		10,801	8,805
Expenditure on Charitable Activities					
- Research Funding	4,12	18,680	-	18,680	8,066
Costs of Raising Funds					
- Intellectual Property Protection	4, 5	36	-	36	96
- Royalty Sharing Payments	4, 5	514	-	514	612
- Investment Advice	4, 5	1,579	-	1,579	1,188
Other Expenditure					
- Exchange loss		-	-	-	1
Total Expenditure		20,809	-	20,809	9,963
Net Loss before Investment Gains\Losses		(10,008)	-	(10,008)	(1,158)
Net Gains\Losses on Investments					
Realised Gain\Loss	10a	32,244	-	32,244	(2,151)
Unrealised Investment Gain\Loss	10a	7,573	342	7,915	(12,119)
		39,817	342	40,159	(14,270)
Net Income\Loss		29,809	342	30,151	(15,428)
Total Funds brought forward		275,044	1,233	276,277	291,705
Total Funds carried forward	15	304,853	1,575	306,428	276,277

The detailed 2020 comparative Statement of Financial Activities is reported in note 2.
The notes on pages 32 to 51 form part of these financial statements.

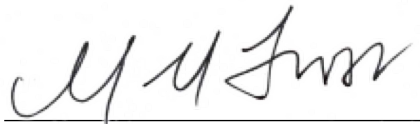
Balance Sheet as at 30 September 2021

	Note	30 September 2021 £'000	30 September 2020 £'000
Fixed Assets			
Investments	10a	341,670	302,293
		341,670	302,293
Current Assets			
Debtors	11	667	803
Cash at Bank and in hand		3,095	1,906
		3,762	2,709
Creditors (amounts falling due within one year):			
Sundry Accruals and Creditors	12	(371)	(532)
Grant Payments due within One Year		(8,909)	(8,931)
		(9,280)	(9,463)
Net Current Assets		(5,518)	(6,754)
Total Assets less Current Liabilities		336,152	295,539
Creditors (Amounts falling due after more than One Year)	13	(29,724)	(19,262)
Net Assets	14	306,428	276,277
Funds			
Unrestricted - Designated	15	22,503	29,197
Unrestricted - General	15	282,350	245,847
Unrestricted - Total		304,853	275,044
Endowment	15	1,575	1,233
Total Funds		306,428	276,277

Company Registration Number: 963832

These Accounts were approved by the Trustees and authorised for issue on 22nd March 2022.


Professor Sir Stephen Holgate
Chairman of the Board of Trustees


Margaret Frost
Chair of the Finance and Investment Committee

The notes on pages 32 to 51 form part of these financial statements.

Statement of Cash Flows for the Year Ended 30 September 2021

	Year Ended 30 September 2021 £'000	Year Ended 30 September 2020 £'000
Net Cash used in Operating Activities (Note a)	(9,387)	(6,889)
Cashflow from Investing Activities (Note b)	10,576	7,740
	1,189	851
Cash and Cash Equivalents at 1 October	1,906	1,055
Cash and Cash Equivalents at 30 September	3,095	1,906

a. Net Cash used in Operating Activities

	2021 £'000	2020 £'000
Net income/(expenditure) for the year	30,151	(15,428)
Investment income	(10,042)	(7,762)
(Gains)/losses on investments	(40,159)	14,270
Add back investment management costs	248	-
Increase in creditors	10,279	1,555
Decrease in debtors	136	476
Net Cash Flow from Operating Activities	(9,387)	(6,889)

b. Cash Flow from Investing Activities (Note b)

	2021 £'000	2020 £'000
Payments to acquire investments	(272,872)	(16,560)
Receipts from sales of investments	273,406	16,538
Investment income	10,042	7,762
Net Cash Flow from Investing Activities	10,576	7,740

c. Analysis of Changes in Cash and Cash Equivalents

	30 September 2020 £'000	Cash Flows £'000	30 September 2021 £'000
Cash at Bank	1,906	1,189	3,095

As the Trust does not have any debt, an analysis of net debt has not been produced.

Notes to the Accounts

1. Summary of Significant Accounting Policies

(A) GENERAL INFORMATION AND BASIS OF PREPARATION

The Kennedy Trust for Rheumatology Research is a company limited by guarantee registered in England. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity. The address of the registered office is given in the charity information on page 22 of these financial statements. The nature of the charity's operations and principal activities are to investigate, study and carry out, or procure the carrying out of, research into the causes and means of treatment of Rheumatism and allied diseases.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) second edition issued October 2019, the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are presented in sterling which is the functional currency of the charity and rounded to the nearest £'000.

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

(B) FUNDS

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Endowment funds represent those assets which must be held permanently by the charity, principally the Maynard Jenour Fund and the Kennedy Endowment Fund. Income arising on the endowment funds can be used in accordance with the objects of the charity and is included as unrestricted income. Any capital gains or losses arising on the investments form part of the fund. Investment management charges and legal advice relating to the fund are charged against the fund.

(C) INCOME RECOGNITION

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably, and it is probable that the income will be received.

For donations to be recognised the charity will have been notified of the amounts and the settlement date in writing. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained, then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

Investment income is earned through holding assets for investment purposes such as shares and property. It includes dividends and interest. Where it is not practicable to identify investment management costs incurred within a scheme with reasonable accuracy the investment income is reported net of these costs. It is included within cost of raising funds when the amount can be measured reliably. Interest income is recognised using the effective interest method and dividend income is recognised as the charity's right to receive payment is established.

Income from royalty and license agreements is recognised throughout the year when there is reasonable assurance of receipt. Royalty and license income are recognised gross of the related revenue share obligations to the Inventors and other parties which are payable on recognition of the royalty income. License agreements also provide for the reimbursement of patent protection costs in certain cases.

(D) EXPENDITURE RECOGNITION

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required, and the amount of the obligation can be measured reliably. It is categorised under the following headings:

- Costs of raising funds includes royalty sharing payments, intellectual property protection & investment advice;
- Expenditure on charitable activities includes research science funding and research infrastructure funding.

The Trust was registered for VAT until 7 May 2019 at which time it deregistered. Whilst the Trust was registered for VAT, the recoverable aspect of VAT was removed from the expense and against the activity for which expenditure arose. Subsequent to deregistration, VAT is recorded against the expense and activity for which expenditure arose.

Grants payable to the Institute and to other third parties are within the charitable objectives. Where unconditional grants are offered, this is accrued as soon as the recipient is notified of the grant, as this gives rise to a reasonable expectation that the recipient will receive the grants. Where grants are conditional relating to performance then the grant is only accrued when any unfulfilled conditions are outside of the control of the charity.

The provision for a multi-year grant is recognised at its present value where settlement is due over more than one year from the date of the award, there are no unfulfilled performance conditions

under the control of the Trust that would permit the Trust to avoid making the future payment(s), settlement is probable and the effect of discounting is material. The discount rate used is the Trust's target rate of return on investment, currently CPI +3%. This discount rate is regarded by the Trustees as providing the most current available estimate of the opportunity cost of money reflecting the time value of money to the Trust. The discount rate was updated during the year from the average rate of inflation in the year in which the grant award is made. The effect of the rate applied has been quantified in the Financial Report on page 15 and notes 4 and 13.

Royalty sharing payments are calculated by applying a formula for the distribution of royalty income agreed by the Trustees and Versus Arthritis UK, which reflects current UK university practice. Such payments are accrued in line with the corresponding royalty income.

Investment advice reflects the costs incurred by the Trust in managing its investment portfolios. The cost includes both internal costs and external consultancy and management costs. Cost is recognised in line with the accruals basis above.

(E) SUPPORT COSTS ALLOCATION

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs, governance costs and administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity and include grant management carried out by the Trust's employees. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable activities on a basis consistent with use of the resources. Premises overheads and other overheads have been allocated either on time spent or on another basis as appropriate.

The analysis of these costs is included in note 6.

(F) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended. The agreed capitalisation limit of tangible assets has been agreed at £500.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life. The most appropriate depreciation rates for asset groups will be decided by the key management personnel when the need arises. IT equipment is deemed to have a useful economic life of one year.

(G) INVESTMENTS

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value with changes recognised in 'net gains / (losses) on investments' in the Statement of Financial Activities if the shares are publicly traded or their fair value can otherwise be measured reliably. The Trustees have deemed that the fair value of unlisted open ended investment companies (OEIC's) and illiquid property fund investments, equates to the charity's share of the Net Asset Value (NAV) of the assets held, based on

the market prices as at the valuation date. Investment gains and losses are shown split between realised and unrealised.

(H) DEBTORS AND CREDITORS RECEIVABLE / PAYABLE WITHIN ONE YEAR

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

(I) PROVISIONS

Provisions are recognised when the charity has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

(J) LEASES

Rentals payable and receivable under operating leases are charged to the Statement of Financial Activities on a straight-line basis over the period of the lease.

(K) FOREIGN CURRENCY

Foreign currency transactions are initially recognised by applying to the foreign currency amount the best available exchange rate between the functional currency and the foreign currency at the date of the transaction. Monetary assets and liabilities denominated in a foreign currency at the balance sheet date are translated using the closing rate. Gains and losses on exchange are allocated to the appropriate resource.

Forward exchange contracts are used solely to manage the exposure to foreign exchange rate risks in respect of the Trust's investment portfolio.

(L) EMPLOYEE BENEFITS

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

The charity contributes to the personal pension schemes of the employees and all costs are charged to the Statement of Financial Activities in the year to which they relate.

(M) TAX

The charity is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes. It therefore does not suffer tax on income or gains applied for charitable purposes.

The Trust was registered for VAT until 7 May 2019 at which time it deregistered, irrecoverable VAT is written off as part of the expense to which it relates.

(N) GOING CONCERN

The financial statements have been prepared on a going concern basis as the Trustees believe that no material uncertainties exist. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements and the impact of Covid-19. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

(O) FINANCIAL INSTRUMENTS

The charity holds both basic and complex Financial Instruments. The Trust has elected to apply the provisions of Section 11 and Section 12 of FRS 102 in full in respect of financial instruments. The financial assets and financial liabilities of the Charity are as follows:

Debtors – trade and other debtors (including accrued royalty income) are basic financial instruments measured at amortised cost.

Cash at bank – is classified as a basic financial instrument and is measured at face value.

Liabilities – trade creditors, accruals and other creditors will be classified as financial instruments, and are measured at amortised cost as detailed in notes 12 and 13. Taxation and social security are not included in the financial instruments disclosure. Deferred income is not deemed to be a financial liability, as the cash settlement has already taken place and there is simply an obligation to deliver charitable services rather than cash or another financial instrument.

Investments – a number of investments held at the year-end are classified as complex financial instruments as they are unlisted open ended investment companies (OEIC's). Under Section 11.24 of FRS 102 SORP 2019 the subsequent measurement of complex financial instruments should be at fair value and all changes in the fair value should be recognised in the Statements of Financial Activities. The Trustees have deemed that the fair value of these investments equates to the charity's share of the Net Asset Value (NAV) of the assets held, based on the market prices as at the valuation date. The Trust deems its derivative instruments as complex financial instruments and the Trust's policy is explained below. All other investments are classified as basic financial instruments and held at their market value.

Derivative instruments – The Trust uses Forward foreign currency contracts to reduce exposure to foreign exchange rates solely in respect of its investment portfolio. Derivative financial instruments are initially measured at fair value on the date the derivative contract is entered into and are subsequently re-measured to fair value at each reporting date. Fair value gains and losses are recognised in the SoFA.

(P) JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

- Allocation of support costs are made in line with the use of the resource
- Fund allocation

- Discounting of the provisions for multi-year grants liabilities to present value. Internal estimation is required in calculating the appropriate discount rate and determining when the liability will fall due
- Fair value of investments
- Foreign currency exchange rates.

There are no other key assumptions concerning the future or key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. Detailed Comparatives for the Statement of Financial Activities

	Unrestricted Funds 2020 £'000	Endowment Funds 2020 £'000	Total Funds 2020 £'000
Incoming from Charitable Activities			
- Donations and Legacies	3		3
Incoming from other trading activities			
- Royalty Income	924		924
- Reimbursement of Patent Costs	66		66
- Co-funding of Research Initiatives	50		50
Investment Income	7,762		7,762
Other Income			
- Exchange gain	-		-
Total Income	8,805	-	8,805
Expenditure on Charitable Activities			
- Research Funding	8,066		8,066
Costs of Raising Funds			
- Intellectual Property Protection	96		96
- Royalty Sharing Payments	612		612
- Investment Advice	1,188		1,188
Other Expenditure			
- Exchange loss	1		1
Total Expenditure	9,963	-	9,963
Net Income before Investment Losses	(1,158)	-	(1,158)
Net Losses on Investments			
Unrealised Investment Loss	(11,724)	(395)	(12,119)
Realised Loss	(2,151)		(2,151)
	(13,875)	(395)	(14,270)
Net Loss	(15,033)	(395)	(15,428)
Total Funds brought forward	290,077	1,628	291,705
Total Funds carried forward	275,044	1,233	276,277

3. Net Income for the Year

Net income for the year is arrived at after charging the following:

	Year Ended 30 September 2021 £'000	Year Ended 30 September 2020 £'000
Auditors Remuneration (for audit services only)	27	20
Exchange Rate Gain/ (Loss)	11	(1)
Lease expense	80	80

4. Analysis of Expenditure

	Direct Costs £'000	Support Costs £'000	Discounting of grant liabilities £'000	Total Year Ended 30 Sept 2021 £'000	Total Year Ended 30 Sept 2020 £'000
Royalty Sharing Payments	470	44	-	514	612
Investment Advice	1,509	70	-	1,579	1,188
Intellectual Property Protection	21	15	-	36	96
Research Science Funding	23,385	241	(4,946)	18,680	8,066
Total Resources Expended	25,385	370	(4,946)	20,809	9,962

The total awards granted was £27.337m (2020- £8.487m).

The £23.385m Research Science Funding shown above (2020: £7.759m) is net of grant write backs and other adjustments of £3.952m (2020: £0.728m) comprising agreed cancellations (£2.948m), grant write backs (£0.673m) and replacements (£0.331m).

The Trust monitors the effect of discounting of multi-year grant liabilities to present value and it considers the current year effect at £4.946m to be material. This is the first reporting period the effect has been considered material, resulting from an increase in the level of multi-year grant liabilities and inflation. The Trust's policy for the discount rate is to use the Trust's target return of investment return currently CPI +3%, and is taken to be a total rate of 6.1%.

Details of grants awarded during the year are shown on page 11 in the Trustees' Report.

Investment Advice includes £233k of anti-dilution levies incurred upon sale of SEI (£206k) and Newton (£27k) holdings as part of the fiduciary manager transition. Fiduciary manager transition advisory costs of £47k were incurred.

4. Analysis of Expenditure – continued

2020 Comparatives

	Direct Costs £'000	Support Costs £'000	Total Year Ended 30 Sept 2020 £'000
Royalty Sharing Payments	589	23	612
Investment Advice	1,125	63	1,188
Intellectual Property Protection	65	31	96
Research Science Funding	7,759	307	8,066
Total Resources Expended	9,538	424	9,962

5. Support Costs

The total support costs incurred by the Trust amount to £0.370m (2020: £0.424m). An analysis of the main categories of expenditure included within support costs and the apportionment of these costs to the key activities undertaken by the Trust is set out in the table below.

6. Analysis of Support Costs

	Research £'000	Intellectual Property £'000	Royalties £'000	Investment £'000	2021 Total £'000
Staff Costs	126	10	14	49	199
Office and General Costs	90	4	22	18	134
Governance Costs	25	1	8	3	37
Total	241	15	44	70	370

Staff costs are apportioned according to time spent on various activities. Other costs are allocated directly.

2020 Comparatives

	Research £'000	Intellectual Property £'000	Royalties £'000	Investment £'000	2020 Total £'000
Staff Costs	133	13	16	43	205
Office and General Costs	46	5	-	-	51
Governance Costs	128	13	7	20	168
Total	307	31	23	63	424

7. Analysis of Governance Costs

	Year Ended 30 Sept 2021 £'000	Year Ended 30 Sept 2020 £'000
Audit & Accountancy	27	20
Office Costs	5	128
Legal & Professional	1	7
Other	4	10
Recruitment Costs	-	3
	37	168

2021 office costs have reduced resulting from reallocation of £96k of office operational costs from governance to support costs.

8. Payments to Trustees and Staff Costs

The members of the Board of Trustees receive no emoluments for their service in that capacity.

The Trust continued to work remotely during most of the year in line with government COVID-19 guidelines, with Board and Committee meetings held via video-conferencing resulting in a low level of Trustee expenses. 1 Trustee (2020: 11) has been reimbursed for travel and subsistence expenses directly incurred in carrying out their activities as Trustees at a cost of £102 (2020: £1,566).

Total staff costs are set out in the table below.

Staff and Consultancy Costs

	Year Ended 30 September 2021 £'000	Year Ended 30 September 2020 £'000
Staff Salaries	167	171
National Insurance	15	16
Employer contributions to pensions	16	17
Total Staff Costs	198	204

The total employer pension contributions made in respect of higher paid employees were £10,071 (2020: £10,001).

Average staff numbers during the year comprise 3 part-time (2 full time equivalent) members of staff (2020: 4 part-time - 1.9 full time equivalent).

The Chief Executive Officer and the Secretary to the Board form the Trust's Key Management Personnel.

Total remuneration paid to key management personnel:

	Year Ended 30 September 2021 £'000	Year Ended 30 September 2020 £'000
Staff Salaries	146	154
National Insurance	14	15
Employer contributions to pensions	15	15
Total Staff Costs	175	184

The table below summarises the number of employees who received £60,000 or more in the year:

	2021	2020
Employees paid between £70,000 and £80,000	-	-
Employees paid between £90,000 and £100,000	-	-
Employees paid between £100,000 and £110,000	1	1

9. Related Party Transactions

Royalty income from Janssen has been included in incoming resources. Following Charity Commission approval, the Trustees have apportioned part of the royalty payments to the inventors and Versus Arthritis, according to a formula in line with current UK university practice.

Professor Sir Ravinder Maini was an employee of the Institute, responsible with Professor Feldmann for the invention which subsequently led to the generation of royalty income. Under a royalty distribution arrangement agreed with Versus Arthritis, and in line with current UK university practice, he and Professor Feldmann are entitled to an equal share of royalty income.

Following Professor Maini's appointment as a Trustee of the Trust, Charity Commission approval was obtained for the continuing payment of his share of the royalty income. In 2021 £125,058 (2020: £156,656) was receivable by Professor Maini. The balance outstanding at the year end was £59,745 (2020: £53,757). Professor Maini ceased to be a Trustee on 11 December 2018, but remains the Trust's President.

10. Investments

(a) Investments held with Investment Managers

	30 September 2021 £'000	30 September 2020 £'000
Movement on Investments:		
Market Value brought forward	302,293	316,541
Net Additions at Cost	272,872	16,560
Disposals at Market Value	(273,406)	(16,538)
Investment Management Costs	(248)	-
Realised Gain/(Loss)	32,244	(2,151)
Unrealised Investment Gain/(Loss)	7,915	(12,119)
Market Value carried forward	341,670	302,293
Historic Costs of Investments	335,703	244,690
Cumulative Unrealised Gains	5,967	57,603
	341,670	302,293

The Trust appointed JP Morgan in place of its manager SEI during the year. The transition of liquid assets was completed during the final quarter of the financial year with the sale of SEI liquid assets and Ruffer and Newton holdings achieving net proceeds of £257.901m driving disposals of £273.406m. The sale proceeds were invested by JP Morgan in liquid holdings reflected in the total current year additions of £272.872m. A further £2.9m was raised from partial redemption of the Structured Credit Fund.

The Statement of Financial Activities included net gains on investments of £40.159m (2020: losses of £14.270m) which includes unrealised gains of £7.915m (2020: losses of £12.119m). The transition to JP Morgan accounts for £30.8m of the realized gain on investments of £32.2m.

The Investment Management Costs of £248k includes £233k of anti-dilution levies incurred upon sale of SEI (£206k) and Newton (£27k) holdings as part of the fiduciary manager transition. £15k is JP Morgan management fees deducted from cash holdings in the investment portfolio.

As in previous years private market distributions are allocated to Investment Income.

10. Investments

(a) Investments held with Investment Managers – continued

Investments held with Investment Managers represented by:

		30 September 2021 £'000	30 September 2020 £'000
Investments not designated to funds:			
Overseas Listed Securities	Dublin	222,919	-
	Luxembourg	42,768	-
Overseas Unlisted Securities	Dublin	18,371	205,855
	Other	25,064	24,045
UK Unlisted Securities		32,713	71,160
Foreign currency forward contracts		(1,886)	-
Cash		146	-
Assets representing the Maynard Jenour Fund:			
UK Authorised Unit Trusts		106	83
Assets representing the Kennedy Endowment Fund:			
UK Authorised Unit Trusts		1,469	1,150
		341,670	302,293

The Trust transitioned its fiduciary manager appointment from SEI to JP Morgan during the year. SEI, Newton and Ruffer liquid holdings were sold with the proceeds invested by JP Morgan in predominantly overseas listed investment vehicles.

Overseas Listed Securities

Overseas Listed Securities include Société d'Investissement à Capital Variable (SICAV), or investment company with variable capital (also known as an 'open-ended investment company') and which issues shares. With SICAVs, the fund itself is a stock corporation and thus a legal entity. The company's capital depends on the amounts paid in by investors. Shares in a SICAV are bought and sold on the basis of the value of the fund's assets, or net asset value. In accordance with applicable law and regulations, a SICAV can either appoint a separate management company or can be self-managed. SICAVs are structured much like a mutual fund in the US and are very common investment vehicles in Luxembourg.

10. Investments

(a) Investments held with Investment Managers – continued

Open-end investment company (OEIC) or investment company with variable capital (ICVC) are types of open end collective investments formed as corporations in Ireland or the UK. The terms are used interchangeably and most funds in Ireland establish a formal legal structure of “open end investment company with variable capital”, as listed in their Prospectus. These funds are typically set up under the UCITS regulation and are similar to umbrella mutual funds. The investment company will have segregated liability between its underlying sub-funds. Similar to SICAVs, since the investment company is open ended, investors buy and sell shares based on the net asset value of a fund’s assets.

iShares Physical Gold – this is an exchange traded commodity that is incorporated as a public company with limited liability under the laws of Ireland. The ETC seeks to track the day-to-day movement of the price of gold by holding gold bullion. The gold bullion backs the securities issued and is valued daily at the London PM fix price. The gold bullion is held as allocated gold bars with the custodian.

Overseas Unlisted Securities

The Dublin based Overseas Unlisted Securities are made up of Dublin domiciled open-ended investment companies under the UCITS directive. In addition it includes a property fund which is an Irish domiciled Common Contractual Fund supervised by the Irish Central Bank.

The underlying holdings in these funds are to a very large extent made up of shares in companies listed on recognised stock exchanges worldwide.

Overseas Unlisted Securities are closed end investment partnerships and a segregated portfolio company based in the Cayman Islands.

(b) Investment Income

	30 September 2021 £'000	30 September 2020 £'000
Bank Interest	-	1
Listed and Unlisted Investments	10,042	7,761
Total Investment Income	10,042	7,762

All income generated from investments held within endowments are recognised in the Statement of Financial Activities as unrestricted investment income.

As in previous years private market distributions are allocated to Investment Income.

11. Debtors

	30 September 2021 £'000	30 September 2020 £'000
Royalty Accrued Income	239	316
Other Accrued Income	345	348
Sundry Debtors	83	139
Total Debtors	667	803

12. Sundry Creditors and Accruals

	30 September 2021 £'000	30 September 2020 £'000
Royalties Payable	225	202
Other Creditors and Accruals	140	325
Taxation and Social Security	6	5
Total Creditors	371	532

13. Creditors falling due after more than One Year

The balance of grants payable is as follows:

	30 September 2021 £'000	30 September 2020 £'000
Grant Payments due between one and five years	30,128	18,798
Grant Payments due after five years	4,542	464
Discounting of grant liabilities	(4,946)	-
Commitments and Provisions due after One Year	29,724	19,262

The Trust monitors the effect of discounting multi-year grant liabilities to present value and it considers the current year impact at £4.946m to be material. The current year is the first reporting period the effect of discounting multi-year grant liabilities has been considered material, resulting from an increase in the level of grant awards and inflation. Applying a discount rate of the Trust's target return of investment return currently CPI +3%, considered to be a total rate of 6.1%, the total value of the grant liabilities discount for the year ended 30 September 2021 is £4.946m.

14. Analysis of Net Assets as at

	30 September 2021			30 September 2020		
	Unrestricted Funds £'000	Endowment Funds £'000	Total £'000	Unrestricted Funds £'000	Endowment Funds £'000	Total £'000
Fixed Assets:						
Investments	340,095	1,575	341,670	301,060	1,233	302,293
Current Assets						
Debtors	667	-	667	803	-	803
Cash at Bank and In Hand	3,095		3,095	1,906	-	1,906
	343,857	1,575	345,432	303,769	1,233	305,002
Current Liabilities	9,280	-	9,280	9,463	-	9,463
Long Term Liabilities	29,724	-	29,724	19,262	-	19,262
	304,853	1,575	306,428	275,044	1,233	276,277

15. Funds

	30 September 2020 £'000	Income/ (Expenditure) £'000	Expenditure from Designated Funds £'000	Transfers £'000	Investment Profits £'000	30 September 2021 £'000
Endowment Funds						
Maynard Jenour Fund	82				23	105
Kennedy Endowment Fund	1,151				319	1,470
Total Endowment Funds	1,233	-	-	-	342	1,575
Unrestricted Funds						
General Fund	245,847	(10,008)	18	6,676	39,817	282,350
Designated Funds						
Legal Expense Fund	1,085		(18)			1,067
Oxford Research Grant Fund	6,009			(6,009)		-
Oxford Research Grant Fund 2021	22,103			(667)		21,436
Total Designated Funds	29,197	-	(18)	(6,676)	-	22,503
Total Unrestricted Funds	275,044	(10,008)	-	-	39,817	304,853
Total Funds	276,277	(10,008)	-	-	40,159	306,428

The income from the Maynard Jenour and Kennedy Endowment Funds is unrestricted and is applied to fund grants to support clinical research. These funds represent permanent endowments held by the Trust.

The designated funds represent unrestricted amounts which the Trustees have allocated for specific purposes. The Trustees can reallocate these funds as required.

The Oxford Research Grant Fund represents the intention of the Trust regarding funding of the Institute. The designated fund represents funding of £3m pa (adjusted for inflation) over the period incurred until 31 July 2021. £3.051m (2020: £3.620m) was released from the Oxford Research Grant Fund to General Funds constituting funding of this obligation from 1st October 2020 to the termination of the contract on the 31 July 2021. A residual of £2.958m was released from the fund to general unrestricted funds at the end of the contract on 31 July 2021. No grant creditor has been shown as the Trust has the right to refuse payment if no suitable projects are put forward.

A further agreement with the University of Oxford was signed in October 2018 which indicated the intention of the Trust to contribute funds to the Institute for a further five years from 1 August 2021 to 31 July 2026.

The designated fund represents funding of £4m pa (adjusted for inflation) from 1 August 2021 to 31 July 2026 and has been treated as for the original fund. £0.667m was released from the Oxford Research Grant Fund 2021 to General Funds constituting funding of this obligation from the commencement date of the contract on 1 August 2021 to 30 September 2021.

In previous years the Trustees set aside a significant amount of royalty income in a Legal Expense Fund (10% of gross royalty income), which is utilised to ensure compliance with license agreements and in the event of possible litigation to defend the Trust's patent rights world-wide.

A decision was taken in 2011 that the Legal Expense Fund had reached an adequate level so payments into the fund are currently suspended.

Any balance remaining on the Legal Expense Fund at the end of the relevant patent period will be distributed pro rata to the beneficiaries' percentage of royalty income.

During 2017 the decision was taken to release £5m of the Legal Expense Fund and a further £5m was released in 2019. Of this £2.35m was paid to the inventors and Versus Arthritis. The remaining £2.65m due to the Trust was released to unrestricted reserves.

15. Funds – continued

2020 Comparatives

	30 September 2019 £'000	Income/ (Expenditure) £'000	Expenditure from Designated Funds £'000	Transfers £'000	Investment Profits £'000	30 September 2020 £'000
Endowment Funds						
Maynard Jenour Fund	109				(27)	82
Kennedy Endowment Fund	1,519				(368)	1,151
Total Endowment Funds	1,628	-	-	-	(395)	1,233
Unrestricted Funds						
General Fund	257,255	(1,158)	5	3,620	(13,875)	245,847
Designated Funds						
Legal Expense Fund	1,090		(5)			1,085
Oxford Research Grant Fund	9,629			(3,620)		6,009
Oxford Research Grant Fund 2021	22,103					22,103
Total Designated Funds	32,822	-	(5)	(3,620)	-	29,197
Total Unrestricted Funds	290,077	(1,158)	-	-	(13,875)	275,044
Total Funds	291,705	(1,158)	-	-	(14,270)	276,277

16. Financial Commitments and Contingent Liabilities

The Trustees are committed to funding, at least in part, the Kennedy Institute of Rheumatology at Oxford.

Resources are being set aside in designated funds. Refer to note 15 for details of designated funds.

As explained in the Designated Funds note any balance outstanding on the Legal Expense Fund at the end of the relevant patent period will be distributed pro rata to the beneficiaries' percentage of royalty income. This potential liability (should it crystallise) will not exceed £0.502m as at 30 September 2021 (2020: £0.511m).

The Trust's local currency is pounds sterling but it holds some US Dollar investments and a US Dollar bank account.

The Trust has a lease on its current offices which can be terminated at three months' notice.

These non-cancellable lease commitments and their period of expiry are:

		30 September 2021 £'000	30 September 2020 £'000
Expire	<1 year	17	55
	2-5 years	-	-
	>5 years	-	-
		<u>17</u>	<u>55</u>

17. Financial derivatives

Following the appointment of JP Morgan, forward exchange contracts are used to solely manage exposure to currency exchange risk in the investment portfolio.

Forward contracts with contracted values of US\$74.4m and EUR14.4m, were entered into during the year (2020: nil) and matured in October 2021. As at 30 September 2021 marking the open contracts to fair value resulted in a loss of £1.886m (2020: nil).

No forward contracts matured during the year.

18. Subsequent Events

Subsequent to the year end, the Russian invasion of Ukraine has led to a heightening of market volatility and pressure on some asset markets. The Trustees are in frequent contact with its investment manager, JP Morgan but do not consider these events to have a material impact on the solvency, resilience, or liquidity of the Trust.