



**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.

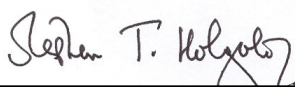
The Trust has recently supported keystone appointments in the form of two new permanent Statutory Chairs, co-sponsored with the University of Oxford, which have been named in recognition of two of our most prominent researchers who led the development of anti-TNF as a viable therapy for a range of inflammatory 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 Fritzsche 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
<p>Shortfall in available finance due to investment challenges</p> <p>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.</p>	<p>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.</p> <p>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.</p> <p>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.</p>
<p>Loss of Staff and Trustees</p> <p>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.</p>	<p>The Trust has a policy of reviewing the number, skills and diversity of Trustees and seeks new ones as necessary.</p> <p>The Trustees have considered and discussed the development and strengthening of the Trust's staff. Remuneration is benchmarked at appointment and is routinely reviewed.</p>
<p>Cyber Security</p> <p>Attacks from ransomware, spyware, phishing and website security continues to be risks to the Trust</p>	<p>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.</p>

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

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91 Charterhouse Street
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Business Address

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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.

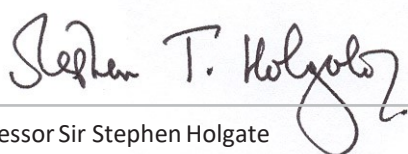
In so far as the Trustees are aware:

- 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:

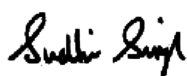
- Obtaining an understanding of the legal and regulatory frameworks that the entity operates in, focusing on those laws and regulations that had a direct effect on the financial statements;
- Enquiry of management and those charged with governance to identify any instances of known or suspected instances 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	Endowment	Total	Total
		2023	2023	2023	2022
		£'000	£'000	£'000	£'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

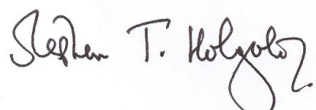
Balance Sheet

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
	(377)	(1,298)
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
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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. 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