

**The British Neurological Research Trust**

*(a company limited by guarantee)*

**Council of Management's report and  
financial statements**

Company registered number 2195707

Charity registered number 298098

31 December 2005



## Contents

Council of Management report	1
Statement of Council of Management's responsibilities in respect of the Council of Management's report and the financial statements	6
Independent auditors' report to the members of the British Neurological Research Trust	7
Statement of financial activities	9
Balance sheet	10
Notes	11

## **Council of Management report** *for the year ended 31 December 2005*

The members of the Council of Management of the British Neurological Research Trust ("BNRT"), who act as directors for the purposes of company law, have pleasure in presenting the annual report.

### **Aims of BNRT**

BNRT was established in 1987 on the initiative of the late Mr Norman H Lee to support the research needed to find a method of repairing damage to the brain and spinal cord in patients suffering from the crippling effects of spinal cord injury (paraplegia and tetraplegia), birth injuries, stroke, head injuries, multiple sclerosis and degenerative conditions such as Parkinson's and Alzheimer's diseases.

BNRT is a company limited under guarantee and is a registered charity no. 298098.

### **The Project**

The project is under the direction of Professor Geoffrey Raisman FRS, who originally described in 1985 a unique arrangement of specialised olfactory ensheathing glial cells that accompany the olfactory nerves all the way to their entry into the brain. After 20 years of experimental work Professor Raisman and his team have developed all the techniques associated with analysis of injuries, culturing the cells, transferring them and studying the functional consequences and the patterns of regeneration of nerve fibres. This represents a major concentration of practical experience.

In 2005 the team moved from its previous location at the National Institute of Medical Research ("NIMR") and now constitutes the Spinal Repair Unit of the Institute of Neurology UCL at the National Hospital for Neurology and Neurosurgery in Queen Square, London, one of the foremost and pioneering neurology and neurosurgery centres in the world. As a result of the move the research team has been matched by a constellation of clinical neurosurgical expertise, pioneered by Professor Alan Crockard, internationally recognised as one of the foremost spine neurosurgeons. One of Professor Raisman's former research students, Mr David Choi, has now become a consultant at the hospital and a further neurosurgical trainee, Mr Ahmed Ibrahim, has been recruited to the team. Human olfactory ensheathing cells are being provided through the work of Mr Michael Powell, a senior neurological consultant. The team is planning for the first trials to be on brachial plexus injuries (see below) and has several years of laboratory working experience with Professor Thomas Carlstedt, an internationally renowned brachial plexus surgeon, who has now transferred his practice to the National Hospital for Neurology and Neurosurgery where bed and surgery time is provided. Professor Raisman and his team believe that this concentration of dedicated researchers and clinical neurosurgeons focussed on a single goal is unique in this field.

### **Research background**

Recent work in the laboratory gives reason to believe that the team is on the threshold of an entirely novel treatment. This is based on a refined technology which has been devised to transplant adult stem cells. These cells are present in all people and will lead to a cure for the serious disabilities caused by injuries to the brain, spine and nerves of vision and hearing. This position is the result of many years of successful and innovative technical and theoretical development using experimental methods to investigate the repair of injuries to nerve fibres in the brain and spinal cord.

The research is based on the observation that severed adult nerve fibres have considerable intrinsic powers of regrowth but are frustrated in their attempt to re-establish connections by the damage to the alignment and continuity of the pathway cells which make up the natural substrate of nerve fibre tracts. These achievements have been recognised by the appointment of Professor Raisman to the Chair of Neural Regeneration at University College London, to the Directorship of the newly established Spinal Repair Unit at the Institute of Neurology UCL, to fellowship of the Royal Society (2001), and award of the British Neuroscience Award for Outstanding Contribution to British Neuroscience (2004), and the Reeve-Irvine Medal (2005).

## **Council of Management report (*continued*)**

### **Autologous transplantation of adult human olfactory stem cells for repair of damage to the spinal roots**

The translational work consists of two parts:

1. Collection and characterisation of human olfactory ensheathing cells. There is as yet no agreement on how to obtain or culture these cells, nor how to characterise the effective cell mixtures for transplantation. The first goal is to set up the 'Queen Square Reference Collection' of human olfactory ensheathing cells which will serve as the benchmark for transplantation.
2. The first transplantation will be into brachial plexus lesions. These are situations, mainly a result of severe impact to the head and shoulder in road traffic accidents, especially involving motor cyclists, where the nerves to the arm are pulled out of the spinal cord. The cells will be grown in culture for 2-3 weeks, during which time they form a roughly equal mixture of olfactory ensheathing cells and olfactory nerve fibroblasts and secrete a gelatinous matrix in which they become embedded. The team have developed the technology to transplant this matrix into injury sites, thus providing a three-fold improvement in efficiency of retention of the cells (Li et al., 2004).

Collection of human olfactory ensheathing cells started in March 2006. The team expect by late summer of 2006 to have sufficient samples (at least 20) to be able to characterise these cells and understand the best methods of culturing them. Once the team have the confidence in obtaining and handling these cells they will proceed to transplant them into brachial plexus injuries. Ethical approval has been granted for an initial cohort of 10-12 fresh injuries over a period of around 12 months.

### **Possible and desired outcomes**

Avulsion of the brachial plexus causes flaccid paralysis, loss of sensation and intractable pain in the affected arm, which is useless. One goal is to be able to reduce the pain, which over time becomes the predominant and utterly debilitating symptom, and restore some sensation. Professor Carlstedt already has published a few cases of restoration of some crude movements (Carlstedt et al., 2000). He is one of the few surgeons in the world who has achieved such results, and hopes to be able to improve on this, possibly bringing back some useful hand function.

Brachial plexus injury has been selected for the first trial of olfactory ensheathing cells for three reasons: (1) the injury is small enough to be able to be repaired by the small number of cells we can currently obtain from the patients themselves, (2) there is currently no history of spontaneous recovery of sensation, and no method of repairing it, so that any improvement can at once be ascribed to the transplant, and (3) the surgical approach is already worked out and we are collaborating with one of the most experienced and respected surgeons in this area.

Success in treatment of brachial plexus injuries will demonstrate the safety of these adult human stem cells, and will open the door to their application in spinal cord injuries, and subsequently in brain injuries (stroke affecting the motor pathways), as well as blindness and deafness caused by injury to the cranial nerves (e.g. glaucoma).

### **Funding, expenditure and reserves**

As a result of the relocation of the programme of research and clinical trials, BNRT has supported the work of Professor Raisman and his team solely at the Institute of Neurology UCL. The financial amount of such support, agreed at £749,000 for the first three years, may be increased to the extent that BNRT is successful in raising additional funds. Of this amount a total of £239,073 was expended in 2005 and an amount of £189,000 raised by the efforts of BNRT, was committed directly to the Institute of Neurology UCL through the generous support of the charity of Henry Smith. No amount will be committed by the Council of Management of BNRT beyond the resources known to be available.

At 31 December 2005 BNRT had £714,855 of unrestricted funds and £68,404 of restricted funds available for the project. With a view to increasing the financial support offered by BNRT, the Council of Management appointed Mr Paul Dimond CMG to take responsibility for fund development with effect from February 2005. It is the intention of the Council of Management to review further funding once the initial period of commitment to the

## **Council of Management report (*continued*)**

Institute of Neurology UCL is nearing completion. Having regard to the significant progress on the project, it is the aim of the Council of Management to maximise reserves to meet future requests for funding.

In the opinion of the Council of Management the Trust's reserves are sufficient to fulfil the current obligations of the Trust and are appropriate in view of the intention of the Trust to continue to support the work of Professor Raisman and his team at the Institute of Neurology UCL beyond the initial three year term.

Donations in favour of British Neurological Research Trust should be addressed to Mr P Dimond at The Institute of Neurology UCL, Queen Square, London WC1N 3BG.

### **Members of the Council of Management**

The members who served during the year were as follows:

Caroline Banszky, FCA

Professor Hans Ludwig Frankel, OBE, MB, FRCP

Sir Roger Hurn (Chairman)

Norman H Lee, CBE (Chairman Emeritus) (died 11<sup>th</sup> June 2005)

Professor Peter Richardson FRCS (c)

David D Sullivan FCA, ATII

The members of the Council of Management note with deep regret the death of Norman Lee, CBE, founder of British Neurological Research Trust, on 11 June 2005.

It is the aim of the Council of Management to include members with knowledge of medical and scientific research as well as business, finance, public administration and law. New appointments to the Council of Management are proposed and approved by the existing members of the Council. No other body or individual has the right of proposal or appointment.

### **Administrative Adviser:**

Nigel Platts MA FCA

### **Fund Development:**

Mr Paul Dimond CMG, formerly British Ambassador to the Philippines, has been appointed by the Council of Management to take responsibility for fund development. He started working with the Trust on 14 February 2005.

### **Share capital and Dividends**

As the Trust is a company limited by guarantee, there is no share capital in which the members can hold beneficial interests. On a winding up each person who is a member at that date is liable to contribute a sum not exceeding £1 towards the assets of the company. As at 31 December 2005 the company had five members.

The company is limited by guarantee and, in accordance with the Articles of Association, the payment of a dividend is not appropriate.

## **Council of Management report (*continued*)**

### **Accounting policies**

The Trust's accounting policies have been applied on a basis consistent with the prior year, comply with current statutory requirements and the requirements of the Statement of Recommended Practice: Accounting and Reporting by Charities (October 2000) and are compatible with the requirements of the Memorandum and Articles of Association of the Trust.

### **Risk Management**

At its most recent general meeting the Council of Management carried out a review of the different areas of risk faced by the Trust. It is intended a review of risk management procedures will be carried out at least annually. The Council considers that there are risk management procedures in place adequate to reduce such risks where practicable.

### **Bankers**

The Trust's bankers are:

Coutts & Co  
440 Strand  
London  
WC2 0QS

### **Solicitors (and Registered Office)**

The Trust's solicitors are:

Reed Smith  
Minerva House  
5 Montague Close  
London  
SE1 9BB

The address above is also that of the Trust's Registered Office.

## **Council of Management report (*continued*)**

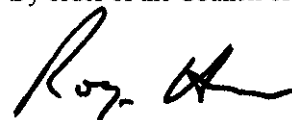
### **Auditors**

The Trust's Auditors are:

KPMG LLP  
1 Forest Gate  
Brighton Road  
Crawley  
West Sussex  
RH11 9PT

KPMG LLP has been re-appointed auditors automatically as, in accordance with Section 386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually has been passed.

By order of the Council of Management



Sir Roger Hurn  
Chairman  
21 September 2006

## **Statement of Council of Management's responsibilities in respect of the Council of Management's report and the financial statements**

The Council of Management are responsible for preparing the Council of Management report and the financial statements in accordance with applicable law and regulations.

Company law requires the Council of Management to prepare financial statements for each financial year.

The financial statements are required by law to give a true and fair view of the state of affairs of the Trust and of the profit or loss of the Trust for that period.

In preparing these financial statements, the Council of Management are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Trust will continue its activities.

The Council of Management are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Trust and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Trust and to prevent and detect fraud and other irregularities.

Under applicable law the Council of Management are also responsible for preparing a Council of Management's Report that complies with that law.



## KPMG LLP

1 Forest Gate  
Brighton Road  
Crawley  
RH11 9PT  
United Kingdom

### **Independent auditors' report to the members of the British Neurological Research Trust**

We have audited the financial statements of the British Neurological Research Trust for the year ended 31 December 2005 which comprise the Statement of financial activities, the Balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the trust's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the trust'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 trust and the trust's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As described in the Statement of Council of Management Responsibilities on page 6, the trust's directors are responsible for the preparation of the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Council of Management's Report is not consistent with the financial statements, if the trust has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees remuneration and other transactions is not disclosed.

We read the Council of Management's Report and consider the implications for our report if we become aware of any apparent misstatements within it.

#### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the trust's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Independent auditors' report to the members of the British Neurological Research Trust** *(continued)*

**Opinion**

In our opinion the financial statements:

- give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the trust's affairs as at 31 December 2005 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

*KPMG LLP*

KPMG LLP  
*Chartered Accountants*  
*Registered Auditor*

21 September 2006

## Statement of financial activities

for the year ended 31 December 2005

	Note	Unrestricted Funds £	Restricted Funds £	2005 Total £	2004 Total £
<b>Income and expenditure</b>					
<b>Incoming resources</b>	1				
Donations	2	43,872	118,577	162,449	213,871
Interest receivable	3	37,623	-	37,623	32,506
<b>Total incoming resources</b>		<b>81,495</b>	<b>118,577</b>	<b>200,072</b>	<b>246,377</b>
<b>Less: Cost of generating funds</b>	4	<b>(15,416)</b>	<b>-</b>	<b>(15,416)</b>	<b>(10,978)</b>
<b>Net incoming resources for charitable application</b>		<b>66,079</b>	<b>118,577</b>	<b>184,656</b>	<b>235,399</b>
<b>Charitable expenditure</b>					
Cost of activities in furtherance of the objects of the charity	5	(5,858)	(274,716)	(280,574)	(123,414)
Management and administration	6	(53,087)	-	(53,087)	(28,048)
<b>Total Charitable expenditure</b>		<b>(58,945)</b>	<b>(274,716)</b>	<b>(333,661)</b>	<b>(151,462)</b>
<b>Total resources expended</b>		<b>(74,361)</b>	<b>(274,716)</b>	<b>(349,077)</b>	<b>(162,440)</b>
<b>Net incoming/(outgoing) resources for the year</b>	7	<b>7,134</b>	<b>(156,139)</b>	<b>(149,005)</b>	<b>83,937</b>
<b>Fund balances brought forward</b>		<b>707,721</b>	<b>224,543</b>	<b>932,264</b>	<b>848,327</b>
<b>Fund balances carried forward</b>		<b>714,855</b>	<b>68,404</b>	<b>783,259</b>	<b>932,264</b>

There is no material difference between the historical cost result and the reported result.

The incoming resources and resulting net movement in funds arise from continuing operations.

The Trust has no recognised gains or losses in either period other than the net movement in funds for the year.

The notes on pages 11 to 15 form part of these financial statements.

## Balance sheet

at 31 December 2005

	Note	2005 £	2004 £
<b>Fixed assets</b>			
Tangible fixed assets	10	-	4,173
<b>Current assets</b>			
Debtors	11	2,880	155
Cash at bank and in hand		978,606	988,491
		<u>981,486</u>	<u>988,646</u>
<b>Creditors: amounts falling due within one year</b>	12	<b>(198,227)</b>	<b>(60,555)</b>
<b>Net current assets</b>		<b>783,259</b>	<b>928,091</b>
<b>Net assets</b>	13	<b>783,259</b>	<b>932,264</b>
		<u><u>783,259</u></u>	<u><u>932,264</u></u>
<b>Restricted funds</b>	15	<b>68,404</b>	<b>224,543</b>
<b>Unrestricted funds</b>		<b>714,855</b>	<b>707,721</b>
		<u><u>783,259</u></u>	<u><u>932,264</u></u>

The notes on pages 11 to 15 form part of these financial statements.

These financial statements were approved by the Council of Management on 21 September 2006 and were signed on its behalf by:



Sir Roger Hurn  
Chairman of the Council of Management

## Notes

*(forming part of the financial statements)*

### 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Trust's financial statements:

#### *Basis of preparation*

The financial statements have been prepared in accordance with the Charities Act 1993, The Companies Act 1985, and Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2000); with applicable accounting standards and under the historical cost accounting rules. Income and expenditure are accounted for on an accruals basis.

#### *Accounting format*

The format of the accounts complies with the requirements of the Accounting and Reporting by Charities: Statement of Recommended Practice (revised 2000). This sets out recommendations of the way in which a charity should report annually on the resources entrusted to it and the activities it undertakes.

#### *Incoming resources*

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Donations are included in incoming resources when these are received.

#### *Resources expended*

All outgoing resources are included in Statement of Financial Activities (SOFA) on an accruals basis inclusive of any VAT.

Interest consists of interest income and is included when receivable by the charity.

#### *Purpose of funds*

Restricted funds consist of donations made for specific research projects.

Unrestricted funds consist of donations for general use by the Trust.

All expenses are reviewed as and when they are incurred and are subsequently categorised by their nature and shown in the Statement of Financial Activities as necessary.

#### *Fixed assets and depreciation*

Depreciation is provided to write off the cost of tangible fixed assets on a straight line basis over the expected useful lives of the assets as follows:

Fixtures, fittings and equipment	-	3 years
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#### *Statement of cash flows*

The Trust has taken advantage of the exemption available to small companies not to prepare a statement of cash flows.

## Notes (continued)

### 2 Donations and grants receivable

	Unrestricted funds £	Restricted funds £	2005 Total £	2004 Total £
Donations	43,872	118,577	<u>162,449</u>	<u>213,871</u>

Donations were made by:

American Friends of BNRT  
Association Libre pour la Recherche sur la Moelle Epinière  
The Gilbert Edgar Trust  
In Memoriam – Mr D John  
Mrs N Jennings  
Sir Mark Moody-Stuart  
GM Morrison Charitable Trust  
Violet M Richards Charity  
Rosetrees Trust  
Mrs B Suswin

### 3 Interest receivable - unrestricted funds

	2005 £	2004 £
Bank interest	<u>37,623</u>	<u>32,506</u>

### 4 The cost of generating funds

The cost of generating funds comprises the relevant element of the costs of the fund development officer, and such other costs as may be incurred in attracting funding.

### 5 Cost of activities in furtherance of the objects of the charity

Cost of activities in furtherance of the objects of the charity comprises reimbursements and consumable expenses directly relating to the objectives of the Trust.

### 6 Management and administration

Management and Administration costs comprise the costs of Council of Management meetings including the AGM, relevant costs of the administrator, audit fees, depreciation and legal costs.

## Notes (continued)

### 7 Net expenditure for the year

	2005 £	2004 £
<i>Net expenditure for the year is stated after charging:</i>		
Depreciation	4,173	5,270
Medical Research Council	39,643	112,083
Institute of Neurology U C L	239,073	-
Audit fee	7,450	6,462
	<u>289,339</u>	<u>124,815</u>

Depreciation of £nil (2004: £262) is charged to restricted funds and included in management and administration costs. The element of depreciation allocated to restricted funds is in accordance with the proportion of depreciation relating to fixed assets purchased with restricted donations.

### 8 Taxation

The Trust is entitled to exemption from taxation under S.505(1) ICTA 1988 on income from its charitable activities.

### 9 Expenses and remuneration paid to trustees

No member of the Council of Management received any remuneration or claimed any expenses (2004: £nil).

### 10 Tangible fixed assets

	Fixtures, fittings and equipment £
<i>Cost</i>	
At beginning and end of year	534,952
<i>Depreciation</i>	
At beginning of year	530,779
Charge for year	4,173
At end of year	534,952
<i>Net book value</i>	
At 31 December 2005	-
At 31 December 2004	4,173

All fixed assets are held for charitable purposes.

**Notes (continued)**

**11 Debtors**

	2005 £	2004 £
Accrued income	2,880	155

**12 Creditors**

	2005 £	2004 £
Trade creditors	189,227	54,093
Accruals and deferred income	9,000	6,462
	198,227	60,555

**13 Analysis of net assets between funds**

	Tangible fixed assets £	Net current assets £	2005 Total £
Restricted funds	-	68,404	68,404
Unrestricted funds	-	714,855	714,855
	-	783,259	783,259

**14 Capital commitments**

The Trust has no amounts contracted for capital expenditure (2004: £nil).

## Notes (continued)

### 15 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations to be applied for specific purposes:

	Balance at 31 December 2004 £	Movement in funds		Balance at 31 December 2005 £
		Incoming resources £	Expenditure £	
Barnwood House Trust	562	-	(562)	-
American Friends of BNRT	207,971	110,577	(250,342)	68,206
Other restricted	16,010	8,000	(23,812)	198
	<u>224,543</u>	<u>118,577</u>	<u>(274,716)</u>	<u>68,404</u>

The American Friends of BNRT provide funds for ongoing research at the centre, including the purchase of essential equipment and the retention of key scientific staff.

In the opinion of the members of the Council of Management sufficient resources are held in an appropriate form for each fund to be applied in accordance with any restrictions imposed.