

British Neurological Research Trust Limited

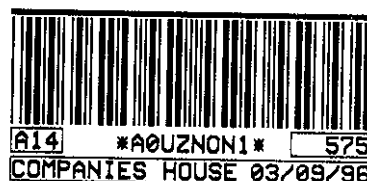
(A company limited by guarantee)

Council of Management's report and financial statements

31 December 1995

Registered number 2195707

Registered charity number 298098



British Neurological Research Trust

(A company limited by guarantee)

Council of Management's report and financial statements

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British Neurological Research Trust

(A company limited by guarantee)

Council of Management report

for the year ended 31 December 1995

The Council of Management of the British Neurological Research Trust has pleasure in presenting its annual report.

Aims of the Trust

The Trust was established in 1987 on the initiative of 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. For this purpose, the Trust entered into an agreement with the Medical Research Council ("MRC") to set up the Norman and Sadie Lee Research Centre ("the Centre") at the National Institute for Medical Research ("NIMR") in Mill Hill, London.

The unique programme of research being undertaken at the Centre is designed to follow up the discovery by its Scientific Director, Dr Geoffrey Raisman, that, contrary to earlier belief, the damaged nerve tissues of the brain are capable of forming new connections and that transplanted cells can be integrated into the brain tissue. This discovery and recent developments in tissue culture and the availability of purified cells present a new opportunity for progress and new hope for those suffering from spinal injury. The research work is concentrating on how to re-introduce cultured cells in such a way as to activate the genes which were originally used to build the spinal cord of the newborn child and thereby enable the adult to repair itself by the reinstatement of natural healing processes.

Organisation

The Centre is administered by the Scientific Director of the Centre acting in conjunction with the senior scientists of the Centre, under the overall scientific direction of the Director of the NIMR and monitored under its peer review system. The Centre has a core of MRC supported scientific and technical staff into which are integrated the Fellows and Assistants financed by the British Neurological Research Trust ("BNRT"), the International Spinal Research Trust ("ISRT") and other charitable bodies.

The progress of the research is monitored by the peer review process of the MRC and is published in competitive, peer-reviewed international scientific journals. Intellectual property resulting from work done under the agreement between BNRT and MRC will be jointly owned by BNRT and MRC pro rata to their financial contributions.

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Council of Management report

for the year ended 31 December 1995 (continued)

Progress of research

Up to now there has been no way of repairing injuries to the human brain and spinal cord. This means that conditions such as spinal cord damage, stroke, birth injuries and degenerative diseases cannot be cured. The aim of the Centre's research is to work out how to restore nervous connections which have been severed.

Dr Raisman's was the first group in the world to show that parts of the central nervous system which have lost their connections can be efficiently reconnected by immediately adjacent nerve cells and, subsequently, also by tissue grafted directly into the deprived area. The problem for the patient is that these are very short-range effects (operating over no more than small fractions of a millimetre) and that distant nerve fibres are not able to grow to the places where they are needed.

It is known that grafts of peripheral nerve can act as conduits or bridges for re-growing nerve fibres. These grafts, however, are too complex and difficult for controlled application and suffer from the limitation that while they can induce fibres to re-grow, they do not direct them to the correct places. To develop a controllable system in which this limitation can be overcome, the Centre is now screening a number of individual cell types which have the same growth-promoting effects on cut nerve fibres as do whole peripheral nerve grafts.

An important component of the Centre's programme is its recent development of a technique for 'micro-transplantation' of extremely small numbers of purified cells in a controlled way into undamaged host tissue areas. This can be carried out without open surgery, merely by injection through a glass micro-pipette of such fine diameter as to be invisible to the naked eye. Such micro-injections can be used to lay tracts of living cells which can guide re-growing nerve fibres to their destinations.

It has been shown that cut nerve fibres remain viable for long periods after injury, suggesting that even chronic conditions may respond to treatment. Cut fibres can be induced to start regenerating by microtransplantation of cultured cells of a type which could be obtained by atraumatic methods, such as smears, from the individual with the spinal injury.

The most promising procedure for the repair of stroke and spinal cord injuries is the microinjection of cultured Schwann cells. The laboratory is investigating what types of Schwann cells are most effective and whether other cell types are advantageous. Genetic engineering is being used to transfer growth and other surface factors into cells prior to transplantation with a view to increasing their reparative abilities towards damaged nerve fibres. Organotypic slice co-culture and time lapse video microscopy of growing nerve fibres are being developed to provide a screening technique suitable for assessing the reparative potential of numbers of different growth factors.

International links and collaboration

The Centre maintains international links which provide scientific recruits, financial support, access to expertise and new ideas and vital materials such as cells, monoclonal antibodies or genes.

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Council of Management report

for the year ended 31 December 1995 (continued)

International links and collaboration *(continued)*

It is likely that the first applications of repair procedures to human patients will require highly specialised technical knowledge. It is the Trust's intention that scientists, once having trained at the Centre, will return to their own countries to maintain linked research programmes and thus, when the time comes, the expertise for future human applications will be available at a number of international centres.

Teijin Limited (Tokyo) maintain a laboratory at Mill Hill for conjoint discovery of natural substances produced by nervous tissue and capable of inducing regenerative growth.

Professor FH Gage of the Salk Institute has made available retroviral vectors for expression of nerve growth factors to be used in conjoint work on the repair of cut spinal nerve fibres by transplantation of genetically engineered Schwann cells.

Dr Mary Bunge of the Miami Project to Cure Paralysis has made available technology for obtaining activated purified adult Schwann cells in culture for microtransplantation.

Professor Martin Schwab of Zurich will make available antibodies claimed to overcome growth-inhibitory influences present in the adult spinal cord.

The American Support Group established in California in late 1994 ("the American Friends of BNRT") intends to provide on-going support for the research work at the Centre and from time to time assist in the acquisition of essential equipment.

Funding and expenditure

The project requires ten scientists and their support staff. At current costs of £80,000 per annum for each research fellowship, this requires an overall annual income from all sources of about £800,000. The MRC provides the accommodation for the Centre at the NIMR and meets the cost of four scientists, five technicians and a secretary. At 31 December 1995 there was available for the project £452,000 with BNRT and £391,000 with ISRT. A ROPA (Realising Our Potential Award) of £97,000 for three years commencing 1 September 1995 was made to cover the cost of a scientist. Teijin Limited (Tokyo) made a contribution of £535,000 to the associated Teijin Biomedical project at the laboratory at Mill Hill for the period 1 January 1995 to 31 December 1995.

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Council of Management report

for the year ended 31 December 1995 (continued)

Fund raising and future estimated financial commitments 1996-8

Fund raising activity produced £317,878 (including interest and tax recoverable) in the year ended 31 December 1995. The Trust has the following estimated financial commitments over the next three years.

Dr Davies and Technical Assistant: Reconstruction of damaged nerve fibre pathways in stroke and spinal injury (Barnwood House Trust) From March 1996 BNRT plans to use the remainder of the funds provided by the Barnwood House Trust to employ Dr Steve Davies for a three year period. Dr Davies will work on the reconstruction of damaged nerve fibre pathways using Schwann cell grafts and blockade of inflammatory processes. The total cost for the three years, which must be guaranteed in advance for the MRC to issue the contracts, will be £258,000 (salary £91,000; equipment £75,000; consumables £45,000; technical assistant £47,000). Any shortfall beyond the funds provided by the Barnwood House Trust will be made up from the BNRT general funds.

Dr Li: Microtransplantation into the spinal cord (Smith's Charity) From April 1996 BNRT plans to use the remainder of the funds provided by the Smith's Charity to employ Dr Y Li for a three year period. Dr Li will work on the microtransplantation of Schwann cells into the damaged spinal cord. The total cost for the three years, which must be guaranteed in advance for the MRC to issue the contracts, will be £211,000 (salary £91,000; equipment £75,000; consumables £45,000). Any shortfall beyond the funds provided by the Smith's Charity will be made up from the BNRT general funds.

Scientific Assistant From April 1996, the finance for Mr Oluoch, currently supported by the Smith's Charity donation, will be provided by BNRT general funds. His total cost for the two year period 1 April 1996 to 30 April 1998 will be £33,000.

Confocal Microscope In April 1996 BNRT intends to purchase a confocal microscope (including computer, software and printer). This newly designed piece of equipment, based on precisely focussed laser light, is needed for the three-dimensional analysis of responses of nerve fibre tracts to damage and to the incorporation of micro-transplanted cells. The total cost will be £304,000, of which £150,000 will be contributed by the Barnwood House Trust and Smith's Charity and the balance of £154,000 is shown as a designated fund in the financial statements.

Graduate Student BNRT is planning to appoint a graduate student in August 1996 to assist the work of Dr Y Li, at a total cost over three years of £84,000 (salary £30,000; equipment £15,000; travel and publication £9,000; consumables £30,000).

Molecular Biologist and Technical Assistant BNRT is currently seeking suitable candidates for the positions of a molecular biologist and technical assistant, who will be needed for the genetic engineering of Schwann and other cells to be transplanted. It is anticipated that these appointments will be made in the latter part of 1996 and will consist of three year contracts, at a total cost for the three years, which must be guaranteed in advance for the MRC to issue the contracts, of £283,000 (estimated as for Dr Davies above).

British Neurological Research Trust

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Council of Management report *for the year ended 31 December 1995 (continued)*

Summary of estimated commitments

| | £ |
|--|------------------|
| Dr Davies and Technical Assistant: Reconstruction of damaged nerve fibre pathways in stroke and spinal injury (Barnwood House Trust) | 258,000 |
| Dr Li: Microtransplantation into the spinal cord (Smith's Charity) | 211,000 |
| Scientific Assistant (Mr Oluoch) | 33,000 |
| Confocal Microscope | 154,000 |
| Graduate Student | 84,000 |
| Molecular Biologist and Technical Assistant | 283,000 |
| | <hr/> |
| Total | 1,023,000 |

Donations should be sent to Dr G Raisman, British Neurological Research Trust, c/o The Division of Neurobiology, NIMR, The Ridgeway, Mill Hill, London, NW7 1AA.

Members of the Council of Management

The members who served during the period are as follows:

Norman H Lee, CBE
Sir Antony Acland, GCMG GCVO
Sir Roger Gilbert Bannister, CBE DM FRCP
The Rt Hon Sir Frank Cooper, PC GCB CMG
Dr Hans Ludwig Frankel, OBE MB FRCP
Sir James Learmonth Gowans, CBE MD DSc DPhil FRCP FRS
Sir Trevor Holdsworth
The Rt Hon Earl George Patrick John Rushworth Jellicoe, PC KBE DSO MC FRS
Lord Roger Carol Michael Nathan
Dr Geoffrey Raisman, DM DPhil (Oxon)

As the Trust is limited by guarantee, there is no share capital in which the members can hold beneficial interests.

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Council of Management report

for the year ended 31 December 1995 (continued)

Dividends

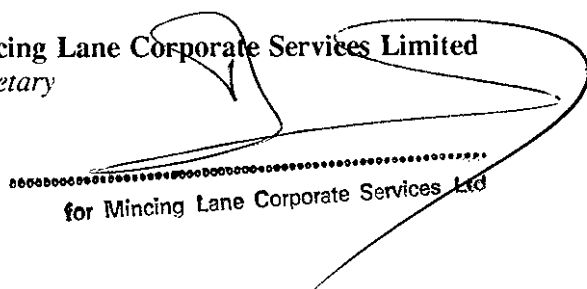
The company is limited by guarantee and, in accordance with the Articles of Association, the payment of a dividend is not appropriate.

Auditors

In accordance with Section 386 of the Companies Act 1985, a resolution to dispense with the obligation to appoint auditors annually has been passed and therefore KPMG are automatically reappointed as auditors of the company.

By order of the Council of Management

Mincing Lane Corporate Services Limited
Secretary



for Mincing Lane Corporate Services Ltd

Pickfords Wharf
Clink Street
London
SE1 9DG

8 July 1996

British Neurological Research Trust

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Statement of Council of Management responsibilities

Company law requires the Council of Management to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the net incoming or outgoing resources of the company for that period. In preparing those financial statements, the Council of Management is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Council of Management is responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable it to ensure that the financial statements comply with the Companies Act 1985. It has general responsibility for taking such steps as are reasonably open to it to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



PO Box 695
8 Salisbury Square
London
EC4Y 8BB

Report of the auditors to the members of British Neurological Research Trust Limited

We have audited the financial statements on pages 9 to 13.

Respective responsibilities of the Council of Management and auditors

As described on page 7, the Council of Management is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 judgements made by the Council of Management in the preparation of the financial statements and of whether the accounting policies are appropriate to the company'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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 1995 and of its net incoming resources for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

11 July 1996

British Neurological Research Trust

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Statement of financial activities for the year ended 31 December 1995

| | Note | Unrestricted funds £ | Restricted funds £ | 1995 Total £ | 1994 Total £ |
|--|------|----------------------------|--------------------------|--------------------|--------------------|
| Income and expenditure | | | | | |
| Incoming resources | | | | | |
| Donations | 2 | 83,933 | 183,333 | 267,266 | 232,861 |
| Interest receivable | | 43,699 | - | 43,699 | 23,538 |
| Income tax recoverable | | 6,913 | - | 6,913 | 7,329 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total incoming resources | | 134,545 | 183,333 | 317,878 | 263,728 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Resources used | | | | | |
| Direct charitable expenditure | | - | 36,710 | 36,710 | 51,661 |
| Administrative expenses | 3 | 31,093 | - | 31,093 | 31,802 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Total resources used | | 31,093 | 36,710 | 67,803 | 83,463 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Net incoming resources for the year and net movement in funds | | | | | |
| | | 103,452 | 146,623 | 250,075 | 180,265 |
| Fund balances brought forward (restated) | | 502,462 | 231,672 | 734,134 | 553,869 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |
| Fund balances carried forward | | | | | |
| | | 605,914 | 378,295 | 984,209 | 734,134 |
| | | <hr/> | <hr/> | <hr/> | <hr/> |

British Neurological Research Trust

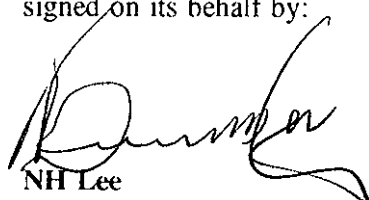
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Balance sheet

at 31 December 1995

| | Notes | 1995 £ | 1994 (restated) £ |
|---|-------|----------------|-------------------------|
| Current assets | | | |
| Prepayments and accrued income | | 22,376 | 95,818 |
| Investments | 5 | 297,143 | 297,143 |
| Cash at bank and in hand | | 674,607 | 366,553 |
| | | <u>994,126</u> | <u>759,514</u> |
| Creditors: amounts falling due within one year | | | |
| Accruals and deferred income | | (9,917) | (25,380) |
| | | <u>984,209</u> | <u>734,134</u> |
| Net assets | | | |
| | | <u>984,209</u> | <u>734,134</u> |
| Restricted funds | | | |
| - Barnwood House Trust | 8 | 243,837 | 159,504 |
| - Charity of Henry Smith | 8 | 134,458 | 72,168 |
| Unrestricted funds | | | |
| - designated | 9 | 154,000 | - |
| - other | | 451,914 | 502,462 |
| | | <u>984,209</u> | <u>734,134</u> |

These financial statements were approved by the Council of Management on 8 July 1996 and were signed on its behalf by:



NH Lee

Member of the Council of Management

British Neurological Research Trust

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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 under the historical cost accounting rules. Income and expenditure are accounted for on an accruals basis. The financial activities of the Trust for the year to 31 December 1994 and the disposition of funds as at that date have been restated to show the amounts relating to restricted and unrestricted funds.

Accounting format

The format of the accounts complies with the requirements of revised Statement of Recommended Practice No.2. This sets out recommendations on the way in which a charity should report annually on the resources entrusted to it and the activities it undertakes.

Investments

Investments are stated at the lower of cost and net realisable value.

2 Donations

The Trust received donations totalling £267,266 during the year (1994:£232,861). Donations were made by:

Ambury Property Company Limited
Barnwood House Trust
Bass plc
The SM Betts Charitable Trust
Bridon Charitable Trust
The Celia Bonham Christie Charity
The Coulthurst Trust
Lilly Industries Limited
The Esmee Fairbairn Charitable Trust
The Freemasons' Grand Charity
The Garfield Weston Foundation
The Gilbert Edgar Trust (Cave Harper & Co)
Constance Green Foundation
The Guardian Royal Exchange Charitable Trust
Mrs Nora Jennings
JP Morgan Securities Limited
H and A Kroch Foundation
Lloyds Bank Charitable Trust
Lonrho plc
National Westminster Bank plc
PF Charitable Trust

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Notes *(continued)*

2 Donations *(continued)*

Remedi
The Robertson Trust
The Rufford Foundation
Sir Samuel Scott of Yews Trust
Charity of Henry Smith (Kensington Estate)
N Smith Charitable Settlement
Mrs B Suswin
HDH Wills 1965 Charitable Trust

3 Administrative expenses

Neither the Council of Management nor the auditors received any remuneration (1994:£nil). The Trust has no employees.

4 Taxation

The Trust is entitled to exemption from taxation under S.505(1) ICTA 1988 as a result of its charitable status.

5 Investments

Investments represent 6¾ % Treasury Stock with a market value as at 31 December 1995 of £304,340 (1994: £301,000).

6 Guarantee of future commitments

The Trust has contractually guaranteed to finance the expenditure of current fellowships under contracts, some of which run until 1998. The amount committed in respect of 1996, as at 31 December 1995, is £78,503 (1994:£76,250) and in respect of the remaining terms of the contracts (including 1996) is £235,508.

7 Statement of cash flows

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

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Notes (continued)

8 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 1 January 1995 £ | Net movement in funds £ | Balance at 31 December 1995 £ |
|------------------------|--------------------------------------|-------------------------------|--|
| Barnwood House Trust | 159,504 | 84,333 | 243,837 |
| Charity of Henry Smith | 72,168 | 62,290 | 134,458 |
| | <u>231,672</u> | <u>146,623</u> | <u>378,295</u> |

The Barnwood House Trust Fund will be used over the next three years to finance research into the reconstruction of damaged nerve fibre pathways.

The Charity of Henry Smith Fund will be used over the next three years to finance research into microtransplantation into the spinal cord.

9 Designated funds

£154,000 (1994: £nil) of the income funds of the charity has been set aside out of unrestricted funds to purchase a confocal microscope and peripheral equipment.