

THE LIVER GROUP
ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2008



A. Hepatica

THE LIVER GROUP

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THE LIVER GROUP
ASSOCIATION INFORMATION
FOR THE YEAR ENDING 31 DECEMBER 2008

Patron: The RT Hon Lord Bingham of Cornhill
Senior Law Lord

Trustees: David Clifford
Jeff Faulkner – resigned 16 June 2009
Kay Glendinning MBE
Prof Humphrey Hodgson FRCP, F Med Sci
Prof David Kerr CBE
Prof Sir Roger Penrose OM FRS
Clare Selden PhD
Sarah Bates
Sue Eggleton – appointed 16 June 2009

Principal office: The Liver Group
Centre for Hepatology
Department of Medicine
Royal Free Campus
University College Medical School
Rowland Hill Street
Hampstead
London NW3 2PF

Charity registration number: 1024533

Bankers: HSBC
Oxford Circus Branch
London W1A 1EZ

CCLA Investment Management Ltd
80 Cheapside
London
EC2V 6DZ

Auditors: Simpson Wreford & Co
Wellesley House
Duke of Wellington Avenue
Royal Arsenal
London SE18 6SS

**TRUSTEES' REPORT
IN RESPECT OF THE ACCOUNTS
FOR THE YEAR ENDING 31 DECEMBER 2008**

The Trustees submit their annual report and the audited financial statements for the year ended 31 December 2008. The Trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in 2005 in preparing the annual report and financial statements of the Charity. The organisation is a Charity constituted under a Trust Deed dated 28 May 1993.

Objectives and activities

The objects of the charity are:

- i) The relief of patients suffering from disease of the liver and genetic defects affecting the liver
- ii) The promotion of research into the causes and treatment of diseases of the liver on terms that the results of such research are published.

The principal activity of the Charity currently is the project being conducted to develop an artificial liver. The artificial liver project is being carried out with the funds raised for the continuing "Liver for Life" Appeal.

The Board of Management comprises eight Trustees, seven elected, one co-opted. The members are able to draw on relevant board experience in board deliberations. The Board is collectively responsible for the competent management of the organisation in accordance with its objectives which are set out in the Trust Deed. The Board meets twice a year to monitor the organisation's strategy and activities.

The Charity does not have any employees and its day to day activities are carried out by University College London under the supervision of two Trustees. If the need arose to appoint a new trustee the remaining trustees would identify and appoint an appropriate person. The current Trustees are responsible for the induction of any new trustee which involves making them aware of the Trustees' responsibilities, the governing documents, administrative procedures and the history and philosophical approach of the charity. The Trustees have agreed a position that should any profits arise from the intellectual property in the research being carried out by the team, and in conjunction with the various other parties involved in that work, the Charity may/would be entitled to up to 50% of such amounts.

Achievements and performance

- Research output, intellectual property gained and achievement of milestones towards moving the Bioartificial Liver project from the bench to the bedside.
- Administrative charitable activities are limited to fundraising for the research endeavour. This is achieved by written applications to known grant giving organisations, small and large companies via the CEOs or other appropriate individual or wealthy individual donors. The Charity also has a web-page with an opportunity to donate via CAF. £130,500 (2007 £18,500) was raised in this financial year from donations; other income was generated from interest earned on cash deposits.
- Indicators of achievements are success in the research aims and, in addition, the total funds raised in a particular year. These rarely exceed our expenditure for the year.
- The Charity is one of many sourcing the same research funding; given the difficult position most UK universities find themselves in, there is increasing competition for funds. Until government resources fill the gap between the costs and current funding of medical research the Charity's efforts will become more difficult each year. Notwithstanding this difficult climate, the charity continues to explore every avenue to increase funding from grants and donations.

**TRUSTEES' REPORT
IN RESPECT OF THE ACCOUNTS
FOR THE YEAR ENDING 31 DECEMBER 2008
(Continued)**

Financial review

The organisation is funded mainly by donations. They are a mixture of individual, corporate and charitable trust donations.

The majority of funds are spent on paying the salaries of researchers, as well as the required consumables and equipment for the research to continue. As evidenced by the publications, the Charity's current aim to develop a bioartificial liver machine (BAL) has moved forward from the very small scale to medium scale. The following period will see a scale up to human scale for this machine. Each of these steps is associated with a considerable increase in research personnel, consumable and equipment expenditure.

Except for such funds as the Trustees consider prudent to maintain for the purpose of management and administration of the Charity for the foreseeable future, all unrestricted funds are designated for the purposes of the "Liver for Life" project and the general charitable objects of the Charity.

As at 31 December 2008 the unrestricted fund had a surplus of £512,383 (2007 – £650,215), and the restricted fund has a surplus of £137,856 (2007 - £88,014). The Charity's unrestricted fund is already committed to existing research and PhD students and their necessary consumables.

Risk management

The Trustees confirm that there are ongoing processes for identifying, evaluating and managing significant risks faced by the organisation.

Plans for future periods

The Charity aims to continue its medical research goals, at a pace commensurate with funding opportunities. With appropriate funding it sees the bioartificial liver machine project reach the clinical trial assessment within five years.

Statement of Trustees' responsibilities

Charity law requires the trustees to prepare financial statements for each financial year which show a true and fair view of the state of affairs of the charity and its financial activities for that period. In preparing those financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any 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 charity will continue in operational existence.

**TRUSTEES' REPORT
IN RESPECT OF THE ACCOUNTS
FOR THE YEAR ENDING 31 DECEMBER 2008
(Continued)**

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Charities Act 1993. They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to re-appoint Simpson Wreford & Co as auditors will be proposed at the next AGM (Dec 2009).

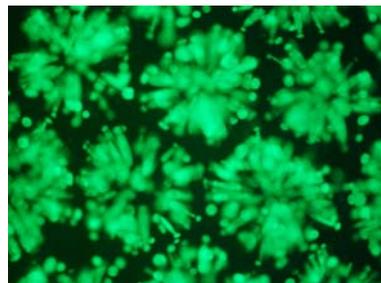
The report was approved by the Trustees on 26 October 2009 and signed on their behalf by

Humphrey Hodgson
Trustee:

THE LIVER GROUP
CHAIRMAN'S REPORT
IN RESPECT OF THE ACCOUNTS
FOR THE YEAR ENDING 31 DECEMBER 2008

This year has been a good year on the path to our goal, the creation of a bioartificial liver.

We are now confident about our improved culture techniques – I discussed last year the ‘floating beads principle’ in which cultured liver cells are supported in nourishing tissue culture fluid in a bioreactor whilst they grow in number. We have demonstrated that we can, as was our aim, achieve the required number of cells in this bioreactor.



Secondly, we have secured a grant from the New and Emerging Technologies programme of the NIHR, the National Institute for Health Services Research – which can be described as the Research and development arm of the National Health Service in England. These grants are aimed at supporting development of techniques and inventions which are perceived as making a real difference to patient care within a small number of years – translational rather than blue skies research, to use the jargon.

This grant is to perform a ‘proof of principle’ study in a large animal (porcine) model, thus using a bioreactor only slightly smaller than that which would be required for use in man, and by careful observation demonstrate that the manifestations of liver failure can be reversed. We will be performing these studies - over 2 years from March 2009 - in collaboration with the University of Cape Town, which has extensive experience and equipment for studies of this nature – a tradition developed when the world’s first heart transplants were developed there. We feel this stage of the work is vital, as making the bio-artificial liver a reality will require collaboration with manufacturers, suppliers and distributors of medical devices, and a successful outcome to this trial should unlock those opportunities.

The only disappointment – but anticipated in the current climate - about the grant funding from the NIHR is that as it came from a cash-limited pool, we shall still need to continue to raise funds from our supporters to support key work in the laboratory. During 2008 we continued to receive donations, for which we are hugely grateful; we shall continue our fund-raising efforts next year, despite the gathering clouds of a credit-crunch economy!

Once again I express my immense gratitude to our supporters, without whom this work would not be possible, and to my fellow trustees for their dedication and help.

Humphrey Hodgson
Chairman

INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF THE LIVER GROUP
FOR THE YEAR ENDED 31 DECEMBER 2008

We have audited the financial statements on pages 7 to 12. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Trustees, as a body. Our audit work has been undertaken so that we might state to the Trustees 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 Trustees as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of the Trustees and Auditors

The Trustees' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK & 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 Charities Act 1993. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the company 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 transactions with the company is not disclosed.

We read the Trustees' Report and consider the implications for our report if we become aware of any apparent misstatement within it.

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the charity is exposed covers all existing risks and controls or to form an opinion on the effectiveness of the charity's risk management and control procedures.

Basis of opinion

We conducted our audit in accordance with International Standards on Auditing (UK & 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 charity'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 misstatements, 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 TRUSTEES OF THE LIVER GROUP
FOR THE YEAR ENDED 31 DECEMBER 2008
(Continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Charity's affairs as at 31 December 2008 and of its incoming resources and application of resources in the year then ended and have been properly prepared in accordance with the Charities Act 1993.

SIMPSON WREFORD & CO
Registered Auditors and Chartered Accountants

Wellesley House
Duke of Wellington Avenue
Royal Arsenal
London SE18 6SS

Dated: 26 October 2009

THE LIVER GROUP

STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 31 DECEMBER 2008

	Notes	Unrestricted Funds £	Restricted Funds £	Total 2008 £	Total 2007 £
Incoming resources	2				
<i>Incoming resources from generating funds</i>					
Voluntary income		60,500	70,000	130,500	18,500
Investment income		<u>38,714</u>	-	<u>38,714</u>	<u>40,559</u>
Incoming resources for the year		<u>99,214</u>	<u>70,000</u>	<u>169,214</u>	<u>59,059</u>
Resources expended	3				
Charitable activities		234,746	20,158	254,904	202,139
Governance costs		<u>2,300</u>	-	<u>2,300</u>	<u>2,350</u>
		<u>237,046</u>	<u>20,158</u>	<u>257,204</u>	<u>204,489</u>
Net outgoing resources for the year		(137,832)	49,842	(87,990)	(145,430)
Fund balances at 1 January 2008		<u>650,215</u>	<u>88,014</u>	<u>738,229</u>	<u>883,659</u>
Fund balances at 31 December 2008		<u><u>512,383</u></u>	<u><u>137,856</u></u>	<u><u>650,239</u></u>	<u><u>738,229</u></u>

THE LIVER GROUP

BALANCE SHEET AT 31 DECEMBER 2008

	Notes	2008 £	2007 £
Current assets			
Cash at bank and in hand		<u>730,883</u>	<u>808,169</u>
Less: Creditors			
Amounts falling due within one year	4	<u>(80,644)</u>	<u>(69,940)</u>
Net current assets		<u><u>650,239</u></u>	<u><u>738,229</u></u>
Financed by			
Unrestricted funds			
General		512,383	(549,785)
Designated	5	-	1,200,000
Restricted funds	6	<u>137,856</u>	<u>88,014</u>
Total funds		<u><u>650,239</u></u>	<u><u>738,229</u></u>

These accounts were approved by the Trustees on 26 October 2009. Signed on their behalf by:-

Clare Selden
Trustee

‘Liver for Life’ Appeal – Five Year Projections (2009-2013)	
Research salaries and studentships	£2,000,000
Consumables	£1,000,000
Equipment budget	£550,000
Research presentations	£30,000
Administration of charity	£25,000
These projections do not form part of audited accounts of the charity	Total: £3,605,000

THE LIVER GROUP**NOTES TO THE FINANCIAL STATEMENTS****FOR THE YEAR TO 31 DECEMBER 2008****1. Accounting Policies****Basis of accounting**

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards, the charities Act 1993 and the Statement of Recommended Practice "Accounting for and reporting by Charities" (SORP 2005).

Voluntary income

Donations represent amounts received during the period and arise with the United Kingdom. Covenant and Gift-Aid income is included in gross attributable tax recoverable.

Investment income

Interest receivable is credited to income in the period in which it is earned and is included gross of attributable tax recoverable.

Charitable activities

Charitable activities are the research expenditure incurred on behalf of the Charity and recharged to The Liver Group by University College London (UCL). These are charged to the statement of financial activities (SOFA) on an accruals basis. This expenditure includes amounts paid for capital equipment and laboratory infrastructure which are regarded as expenditure in these accounts

Governance costs

Governance costs include those costs associated with meeting the constitutional and statutory requirements of the charity and include the costs related to the statutory audit.

Allocation of overhead and support costs

All overhead and support costs relate to governance costs and have been allocated as such (note 3).

Liabilities

Liabilities are recognised in the accounts where there is an obligation to transfer economic benefit.

Tangible fixed assets

Expenditure on capital equipment and laboratory infrastructure has been treated as an expense and not an asset of the Charity. The Charity owns the capital equipment and laboratory infrastructure but since the assets are of such a specialist nature the Trustees do not believe they are readily realisable and should, as a consequence, not be recognised in the Charities' balance sheet as an asset.

Fund accounting

Total funds comprise the accumulated surplus or deficit on the statement of financial activities. Unrestricted funds are available for use at the discretion of the Trustees in furtherance of the general objectives of the Charity. Restricted funds are subject to specific restricted conditions imposed by donors. The purpose and use of the designated funds are set out in the notes to the accounts.

THE LIVER GROUP

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR TO 31 DECEMBER 2008

Taxation

The Charity is not liable to income tax on income derived from its charitable activities as it falls within the various exemptions available to registered charities.

The Charity is not registered for value added tax (VAT) and is therefore unable to reclaim the input tax it suffers on its purchases. Expenditure in the accounts is therefore shown inclusive of VAT where appropriate.

2. Incoming resources

	2008	2007
Voluntary income	£	£
Willie and Mabel Morris Charitable Trust	-	1,000
The Steel Charitable Trust	10,000	-
The Coutts Charitable Trust	500	-
The Peter Stebbings Memorial Trust	50,000	-
The Eranda Foundation	50,000	-
Tom and Sheila Springer Charity	<u>20,000</u>	<u>17,500</u>
	<u>130,500</u>	<u>18,500</u>

Investment income

Bank interest	<u>38,714</u>	<u>40,559</u>
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3. Resources expended

	2008	2007
Charitable activities	£	£
Staff costs (employed on fixed term UCL contracts)	179,552	129,175
Research consumables and laboratory	<u>75,352</u>	<u>72,964</u>
	<u>254,904</u>	<u>202,139</u>

Governance costs

Auditors' remuneration (including VAT)		
Accounting	805	822
Audit	<u>1,495</u>	<u>1,528</u>
	<u>2,300</u>	<u>2,350</u>

The average weekly number of employees of UCL working for The Liver Group during the year was 5 (2007: 6). At the year end there were 4 employees of UCL working on The Liver Group research. In addition there were 3 PhD students paid a stipend under a 3 year studentship scheme. There were no employees with remuneration above £60,000 for the year ended 31 December 2008

Trustees' expenses reimbursed during the year amounted to £Nil (2007: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR TO 31 DECEMBER 2008

4. Creditors

	2008	2007
	£	£
Accruals	2,300	6,702
Amounts due to UCL	<u>78,344</u>	<u>63,238</u>
	<u>80,644</u>	<u>69,940</u>

5. Designated funds

Over the last year the funds described as “designated” at 31st December 2007 have been largely committed and a proportion spent. Therefore, the Trustees have concluded that there is no meaningful distinction between general and designated funds and have amalgamated the two sources of funds.

6. Restricted funds

	Balance at 1 January 2008	Income Resources	Resources Expended	Balance at 31 December 2008
	£	£	£	£
Billingsgate Christian Mission Charitable Trust Studentship	1,500	-	-	1,500
Garfield Weston Foundation	74,024	-	(20,158)	53,866
Peter Stebbings Memorial Trust	-	50,000	-	50,000
Tom & Sheila Springer Charity	12,490	20,000	-	32,490
	<u>88,014</u>	<u>70,000</u>	<u>(20,158)</u>	<u>137,856</u>

THE LIVER GROUP

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR TO 31 DECEMBER 2008

We are grateful to the following for donations to the “Liver for Life” Appeal:

Associated British Ports	Violet M Richards Charity
BAE Systems	Wilkinson Hardware Stores Ltd
Bank of England	Anonymous
Barclays Bank (Knightsbridge Limited)	Anonymous
Billingsgate Christian Mission Charitable Trust (The Fishmongers’ Company)	The Telegraph Plc
Boots Plc	The Bryan Guinness Charitable Trust
Bowring Plc	Pfizer Ltd
British Aerospace	Schroders Plc
BTR Plc	Brian Wright Esq
Charles Littlewood Charitable Trust	C E Heath Plc
Citybank	Morgan Crucible Company Plc
Clydesdale Bank/Yorkshire Bank	Honeywell Plc
Commercial Union	Thomson Corporation
Communis Plc	Life Technologies
Cookson Group Plc	Lloyds Bank Plc
Council of Forte Trust Fund	Price Waterhouse Plc
Courage Plc	IBJ
Coutts and Co	Seagrams Distillers Plc
D M Wilton	In Memoriam
Dako Limited	Jardine Insurance Services Ltd
Economist Plc	KPMG Pet Marwick
EJH Stephenson (Deceased) Charitable Trust	Laing, London
Friends Provident	Royal London Insurance Ltd
Glaxo Plc	Tomkins Plc
Guardian Royal Exchange Plc	Morgan Grenfell
HJ Heinz Co Ltd Charitable Trust	Robert Fleming Holdings Ltd
Hon C A Pearson’s Charity Trust	New Brunswick Plc
Mars UK Corporate Services Ltd	Sunlife Assurance Plc
Menzies Group	Smiths Industries
Rio Tinto Plc	Vauxhall Plc
Societe Generale United Kingdom Charitable Trust	Pharmaceutical Brand Consultancy Int
The Bergqvist Charitable Trust	The Really Useful Group Ltd
The Bowerman Memorial Trust	Richard Wilkinson Esq
The Clothworkers’ Foundation	Rudolf Wolff & Co Ltd
The Dunhill Medical Trust	Securicor Plc
The Fritton Trust	Special Trustees for Hammersmith & Acton Hospitals
The Garfield Weston Foundation	Racial Charitable Trust
The Haberdashers Company	TI Group
The Hamamelis Trust	Land Securities Plc
The Harnett Charitable Trust	Conoco Philips
The John Ellerman Foundation	Cooper Charitable Trust
The Mercers Company	The Mary Webb Trust
The Paul Balint Charitable Trust	The Oakdale Trust
The Sobell Foundation	Thriplow Charitable Trust
The Stella Symons Charitable Trust	The Penny in the Pound Fund Charitable Trust
The Thomas Sivewright Catto Charitable Settlement	N Smith Charitable Settlement
The Wolfson Foundation	The Gerald Palmer Trust
William & Mabel Morris Charitable Trust	Saddlers’ Company
The Childwick Trust	M E Rickman Trust
Tom & Sheila Springer Charity	Coutts Charitable Trust
Peter Stebbings Memorial Trust	Steel Charitable Trust
	The Eranda Foundation

THE LIVER GROUP
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR TO 31 DECEMBER 2008

Publications arising from the work of The Liver Group Charity in 2008

Mavri-Damelin D, Damelin LH, Eaton S, Rees M, **Selden C**, Hodgson HJ. Cells for bioartificial liver devices: the human hepatoma-derived cell line C3A produces urea but does not detoxify ammonia. Biotechnol Bioeng. 2008 Feb 15;99(3):644-51.

S.M. Coward¹, C. Legallais³, B. David³, M. Thomas², Y. Foo⁴, D. Mavri-Damelin¹, H.J. Hodgson¹, **C. Selden¹**. Alginate-Encapsulated HepG2 Cells in a Pilot-Scale Fluidised Bed Bioreactor Maintain Performance in Human Liver Failure Plasma Making Them Suitable for Use in a Bioartificial Liver. Artificial Organs (in press)

Bungay A, **Selden C**, Brown D, Malik R, Hubank M, Hodgson H. Microarray analysis of mitogenic effects of T3 on the rat liver. J Gastroenterol Hepatol. 2008 Dec;23(12):1926-33. Epub 2008 Aug 20. PubMed PMID: 18717759.

Kennedy PT, Gehring AJ, Nowbath A, **Selden C**, Quaglia A, Dhillon A, Dusheiko G, Bertolotti A. The expression and function of NKG2D molecule on intrahepatic CD8+ T cells in chronic viral hepatitis. J Viral Hepat. 2008 Dec;15(12):901-9. PubMed PMID: 19087227.