

ANNUAL REPORT 2005 - 2006



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introduction

This Report conveys information about the activities of the Company, with particular reference to:

- Administration
- Financial position
- Research outreach
- Trends in the development of the Company.

This Report covers the year from 1st July 2005 to 30th June 2006.

the company

SpinalCure Australia, founded in 1994, is a Company Limited by Guarantee and Incorporated pursuant to the provisions of the Corporations Law.

The primary aim of Company is to end the permanence of paralysis caused by spinal cord injury, and to achieve this through:

- Promoting and funding research;
- Fostering co-operation between all disciplines engaged in central nervous system research, regeneration and direct relief;
- Monitoring progress of all research projects funded by or through the Company;
- Co-operation with international efforts in the field;
- Dissemination of information about developments in research.

The Australian Taxation Office has advised us that we have been endorsed as an income tax exempt charitable entity under Subdivision 50-B of the Income Tax Assessment Act 1997. We have also received advice from the Australian Taxation Office that we are endorsed as a deductible gift recipient under Subdivision 30-BA of the Income Tax Assessment Act 1997. In both cases the date of effect of the endorsement is 1st July 2000.

the board

A Board of Directors governs SpinalCure Australia. The Directors have overall responsibility for corporate governance and oversight of the company's research and funding objectives. This is achieved in accordance with the Constitution and relevant legislation, so as to provide optimum outcomes in the search for a cure for paralysis caused by spinal cord injury.

The Board comprises twelve non-executive directors and, at 30 June 2006 the Directors are:

Mr Gary F. Allsop

Professor Perry F. Bartlett
FAA

Mr A. David Cooper

Mr Perry R. Cross

Mr Frederick P.C. Kaad
OBE
Deputy Chairman

Ms Joanna M. Knott
MBA, BA (Hons)

Mr William A. Gibson
B.COM, FASCPA
Chairman

Mr David Prast

Mr Nicholas H. Rowley
MSc (ECON) BA

Mr Robert Turner
AM

**Associate Professor
John D. Yeo**
AO, MB, MS, DPRM, FRACS,
FACRM, FAFRM

Mr Stewart Yesner
AM, BA (HONS) LAW
Founder

During the year under review, State Committees were operating in New South Wales, Queensland, Victoria and Western Australia. These Committees provide a focal point for the development of the Company, and fundraising activities at a State and local level.

scientific committee

The Scientific Committee performs a pivotal role in the peer-review and critical assessment of all research funding applications received by the Company. In addition, the Committee has the responsibility to monitor and obtain progress reports from all research institutes that subsequently receive funding by or through the auspices of the Company. The Committee, under the joint chairmanship of Associate Professor John Yeo and Professor Perry Bartlett, is charged with making recommendations to the Board with regard to funding of research.

At 30th June 2006 the Committee comprised the following persons:

New South Wales

Assoc Prof John D. Yeo

AO MB MS DPRM FRACS FACRM FAFRM
North Shore Medical Centre.

Dr Sue Rutkowski MBBS

Director, North Shore Spinal Unit.

Dr Stella Engel MBBS DPRM FAFRM

Associate Director, Prince Henry Spinal Unit.

Queensland

Professor Perry F. Bartlett FAA

Director, Queensland Brain Institute, University of Queensland.

South Australia

Dr Ida Llewellyn-Smith AB PHD

Principal Research Fellow,
Flinders University.
Dept of Medicine, Flinders
Medical Centre.

Dr Ruth Marshall

MBBS DPRM FACRM FAFRM (RACP)
Director, Orthopaedic, Amputee
& Spinal Injuries, Hampstead
Rehabilitation Centre.

Victoria

Professor Mary Galea PhD

Professor of Clinical
Physiotherapy, Director,
Rehabilitation Sciences Research
Centre, The University of
Melbourne and Austin &
Repatriation Medical Centre.

Western Australia

Dr Byron Kakulas

AO MD(HONS) FRACP FROPATH FRCPA
Professor of Neuropathology,
Royal Perth Hospital.

Professor Alan Harvey MA PHD

School of Anatomy & Human
Biology, and Red's Spinal Cord
Research Laboratory, CTEC
The University of Western
Australia.

Professor Lyn Beazley MA PHD

Principal Research Fellow
NH&MRC, Chairman Medical
& Scientific Committee, ABF
(WA) Department of Zoology,
University of Western Australia.

Dr John Ker

MB BCH (HONS) FRCS FACRM FAFRM
Director, Sir George Bedbrook
Spinal Unit.

Germany

Professor Mellita Schachner-

Camartin PHD
Institute of Biosynthesis,
University of Hamburg.

United Kingdom

Professor James W. Fawcett

FRCP, PHD, MRCP, MB, BA
Cambridge University Centre for
Brain Repair.

United States of America

Professor Fred Gage PHD

Laboratory of Genetics at
The Salk Institute, California.
Chairman, Scientific Committee,
Christopher Reeve Foundation.

Professor Dennis D. O'Leary

PHD
Molecular Neurobiology
Laboratory, The Salk Institute,
California.

chairman's report

The year was one in which spinal cord injury was continually in the news.

Globally there has been a significant increase in basic research which aims to find a cure for paralysis. As yet no effective therapies have been discovered but the extent and quality of the research being undertaken in Australia, USA, UK and many other countries show that scientists and clinicians believe that success will be achieved.

There have been two major events which have lifted SpinalCure Australia's achievements over the past financial year -

Firstly, the initial payment of \$150,000 from the estate of the late-Lisa Palmer was made to a consortium of researchers from The University of Melbourne and The University of Queensland. This research takes its place as one of the world's leading projects to find therapies and a cure for spinal cord injury.

Secondly, we were greatly encouraged and proud to form a relationship with NRMA Insurance. That company agreed to fund a Senior Research Fellowship, valued at \$300,000 over three-years, to be offered to a leading

Australian researcher. After an extensive peer-review Dr Brown, from The University of New South Wales, was the successful applicant.

Other projects initiated in previous years - such as the Western Australian Neurotrauma Research Program, the Woodside Neurotrauma Awards and the NSW Spinal Cord Injury and Neurological Conditions Grants Program - all continue to encourage and importantly, provide the necessary funding for basic research.

The fundraising report highlights the efforts of our team of volunteers. It is amazing to see that the Annual Golf Day, initiated and maintained by Robert and Kelly McCann, has raised a total of \$218,817 over seven years - a voluntary effort that many teams of professional fundraisers would be proud of.

Our thanks go out to all of our generous donors and our volunteers who helped to achieve such a meritorious result.

It is pleasing to note that we have been able to increase our research grant payments from \$307,000 in 2004/05 to \$499,000 in 2005/06 - a 62.5%

improvement. This result was made possible by active fundraising and strict control over expenditure.

The detailed profit and loss statement shows that the only expenses which have shown a substantial increase over the past year have been Research Grants and Conference Sponsorship - both core activities that are an essential part of the search for a cure for the paralysis caused by spinal cord injury.

projects funded by SpinalCure Australia

NRMA Insurance/ SpinalCure Australia Senior Fellowship

Dr David Brown from the Centre for Immunology at St Vincent's Hospital Sydney, which is a campus of The University of New South Wales, was granted this prestigious fellowship which is for \$300,000 over three-years.

His research will assess whether a transport of genetically modified autologous bone marrow cells can provide a therapeutic strategy for spinal cord injury.

His application for the fellowship was considered to be outstanding by the peer-review group drawn.

The funding for the fellowship is provided by NRMA Insurance

University of Melbourne

Dr Yona Goldshmit received \$100,000 for her Senior Research Fellowship, covering her second of a three-year term. Her research involves pioneering work on the role of the molecule EphA4 the primary cause of the failure of the damaged axons to regrow in the spinal cord.

Queensland Brain Institute/The University of Melbourne Consortium

A team of Australia's leading neuroscientists - including Prof Mary Galea of the School of Physiotherapy and Dr Anne Turnley from the Centre of Neuroscience both at The University of Melbourne, and Prof Perry Bartlett of the Queensland Brain Institute and Prof Andrew Boyd of the Queensland Institute of Medical Research - are all involved in this major research project.

The goal is to determine the underlying mechanisms which cause a human molecule to prevent spinal cord repair after injury and then to develop therapeutics to promote axonal and functional repair. The first of four annual payments of \$150,000 was made in October 2005.

The funding for this project was from a bequest of the late-Lisa Palmer.

Red's Laboratory, The University of Western Australia \$103,304

Funds raised by Mrs Eileen (Red) Bond are provided to Dr Giles Plant whose work involves using transplanted human bone-marrow stromal stem cells as a therapy for spinal cord injury.

Woodside Energy Ltd

Woodside Energy has again provided SCA with \$23,000 for neural research.

The three \$3500 recipients of the Woodside Neurotrauma PhD

Excellence Awards were:

1. Kirsty Dixon, School of Anatomy & Human Biology, UWA, and James Cook University
Supervisors: Dr Rachel Sherrard, A/Prof Fitzpatrick.

Project: Post-lesion transcommisural olivocerebellar reinnervation provides functional recovery in the neonatal Wistar rat.

2. Michelle Byrnes, Schools of Psychology at UWA, Curtin and CNND (Centre for Neuromuscular and Neurological Diseases)
Supervisors: A/Prof Andrew Page, A/Prof Geoff Hammond, Janet Beilby, A/Prof Gary Thickbroom, Prof Frank Mastaglia.

Project: Fluency and Confidence: A holistic approach to the treatment of Aphasia and Stuttering.

- 3. Jana Vukovic, School of Anatomy & Human Biology, UWA**
Supervisors: Dr Giles Plant, Prof Alan Harvey, Dr Sam Busfield

Project: Role of the glycoprotein - T16 (fibulin-3) - in the olfactory ensheathing glia.

The five \$2500 recipients of the Woodside Neurotrauma Vacation Scholarships were:

- 1. Aygul Abzalov, School of Biomedical & Chemical Sciences, UWA**
Supervisor: Dr Peter Arthur

Project: Developing a method to measure oxidative stress in cultured neurons.

- 2. William Kien Hin Wong, School of Animal Biology and School of Anatomy & Human Biology, UWA**
Supervisors: Dr Jenny Rodger and Dr Rachel Sherrard

Project: Detecting ephrin-A2 and ephrin-A3 on cells in the rat cerebellum and assessing the role of interactions between these molecules in establishing connectivity following a cerebellar lesion.

- 3. Lucy Millar, Centre for Neuromuscular and Neurological Disorders, UWA**
Supervisors: Dr Dylan Edwards, A/Prof Gary Thickbroom and Prof Frank Mastaglia

Project: Exploring paired pulse Transcranial Magnetic Stimulation as a method to modulate brain plasticity and improve recovery following brain injury.

- 4. Renae Happs, School of Animal Biology, UWA**
Supervisors: Dr Lisa Tee, Prof Sarah Dunlop and A/Prof May Lai

Project: Assessing the effects of gene therapy to reduce retinal neovascularisation and improve retinal morphology in a transgenic mouse prone to blindness.

- 5. Lachlan Walsh, School of Animal Biology, UWA**
Supervisor: Dr Jenny Rodger

Project: Developing a live imaging protocol for visualising the outgrowth of neurites from retinal ganglion cells in a retinal explant culture.

Western Australian Neurotrauma Research Program (NRP)

The following projects are funded by the NRP during 2005-2006:

- 1. Dr Mel Ziman, Professor Lyn Beazley, Dr Roger Barker, Dr Meghan Thomas**

Project Title: Matching the developmental transcription factor profiles of transplanted cells and host injured brain regions is crucial for successful cell transplant therapies (\$60,000).

This collaborative research between scientists in Perth and the Cambridge Centre for Brain Repair (UK) aims to improve cell transplantation to repair neurotrauma. The team recently demonstrated that the transcription factor Pax7, crucial for brain development, is re-expressed in adult brain regions after injury. It will now determine whether recovery is better if transplanted stem and host cells both express Pax7

- 2. Dr Giles Plant, Dr Stuart Hodgetts, Associate Professor Paul Simmons, Dr David Haylock, Dr Marc Ruitenber**
Project Title: Human Stromal Cell Transplants for Spinal Cord Injury (\$77,000).

Even partial restoration of damaged fibres in the cord following a spinal cord injury (SCI) could result in major improvements in limb function, increasing the injured person's independence and reducing the reliance on carers. Using transplanted human bone-marrow-stromal-stem-cells (hBMSCs) as a transplantation therapy for SCI, we will analyse the impact of these cells, which are isolated from adult human SCI patients, to reduce tissue degeneration and promote regeneration of nerve pathways. The therapeutic potential of hBMSCs, together with scar-reducing compounds, will be assessed in chronic SCI both behaviourally (functional recovery) and anatomically, to see if this enhances the level of spinal cord repair.

- 3. Dr Cui Qi and Professor Alan Harvey**
Project Title: Gene Silencing of Axon-growth Inhibitory Molecules in Promoting Axon Regeneration of Central Nervous System Neurons (\$40,000).

Because of limited intrinsic potential for the regeneration of injured nerve fibers in the adult central nervous system (CNS), traumatic injury always results in long-lasting functional impairments. The main reasons for this regrowth failure are the presence of growth inhibitory molecules in the CNS and lack of the specific factors to support their growth. The aims of this

study are to firstly investigate whether (and to what extent), gene silencing of the growth inhibitory molecules can promote nerve fibre regeneration after injury, and secondly, whether synergistic effects can be obtained after combined application of gene silencing and the supply of appropriate growth factors.

4. Associate Professor Gary Thickbroom, Dr Dylan Edwards, Professor Frank Mastaglia

Project Title: Can interventional brain stimulation improve motor performance after stroke? (\$53,000).

There is presently a resurgence of interest in the use of non-invasive brain stimulation to modulate brain plasticity, and thus potentially to improve functional recovery after injury to the brain. On the basis that it is likely that adaptive changes in the motor cortex of the unaffected hemisphere contributes to motor recovery after stroke, this group will compare two brain stimulation methods that can increase cortical excitation or inhibition, to determine whether, when applied to the unaffected motor cortex, they can facilitate motor function after stroke.

5. Professor Alan Harvey and Professor Don Robertson

The effect of long-term expression of virally introduced genes on the phenotype of genetically modified neurons (\$55,000).

Trauma to the adult central nervous system causes disruption of nerve pathways and death of associated cells, resulting in long-lasting functional deficits. Therapeutic strategies are needed to ensure the viability of affected cells and to promote

the regeneration of damaged pathways. One promising strategy is to use modified viruses to introduce growth-promoting genes into injured nerve cells. Importantly however, the long-term effect of such genetic modifications on transduced cells has not been studied. Professors Harvey and Robertson will therefore analyse how sustained expression of virally-introduced growth-promoting genes affects cell morphology and the expression of host genes in retinal nerve cells in the eye.

6. Dr Peter Arthur, Dr Marie Bogoyevitch

Project Title: Improving the effectiveness of a neuroprotective agent able to prevent delayed neuronal death following trauma (\$55,000).

Injury to the brain or spinal cord triggers, for the survivors of the initial ordeal, delayed death of nerve cells over the following hours and days. If this delayed cell death could be prevented, then the quality of life for the survivors could be improved. This could mean the difference between retaining the ability to walk, talk and control bodily functions or be confined to a wheelchair or require 24 hour nursing care. This team aims to enhance the effectiveness of a promising neuroprotective agent that prevents delayed nerve cell death.

7. Professor Sarah Dunlop, Dr Jenny Rodger, Professor Lyn Beazley

Project Title: Delaying the onset of training after neurotrauma: do you still get recovery? (\$50,000).

One of the most exciting recent advances in neurotrauma research

is the recognition that the adult CNS has a capacity for repair and that appropriate neural activity, produced via relevant experience or specific training, is essential to ensure useful recovery. Rehabilitation for SCI injury using exercise training often starts long after the injury, if at all, and we do not yet know the critical window for training. In a lizard model of neurotrauma, training restores vision after injury to the optic nerve. The current project asks how soon after injury must training start to restore useful function.

8. Dr Carolyn King, Professor Lyn Beazley, Associate Professor Adrian West, Dr Roger Chung

Project Title: Investigation of neuroprotection and neuroregeneration by MT when administration is delayed relative to axotomy (\$50,000).

Therapeutic strategies to reduce nerve cell death following neurotrauma and to enhance regeneration are urgently needed. Recently this team demonstrated that a particular metal-binding protein, that exists naturally in the human body, prevents the death of injured central nerve cells and promotes regeneration of their fibres. This project uses the visual system to test whether the molecule (which can't be named at this point because of patent issues!) retains these properties if administration is delayed relative to the injury. The research will indicate the likely 'therapeutic time window' for enhancing survival of injured nerve cells and promoting regeneration of nerve tracts.

9. Ms Michelle Nunn, Ms Carolyn Knight, Ms Justine Mitchell (Occupational Therapists)

Project Title: Does the Cognitive Assessment of Minnesota (CAM) accurately predict functional outcomes of patients with cognitive deficits following an acquired brain injury? (\$3,000).

Current research identifies that the longer-term impact of cognitive and behavioural deficits following an acquired brain injury are the most limiting to functional performance and achievement of independence. Evidence suggests that cognitive ability significantly relates to functional performance, therefore cognitive impairment measured during acute recovery is prognostically important. In this project, participants with acquired brain injuries will be screened for cognitive deficits. If identified, the patient will be recruited to the study and will participate in a cognitive assessment using the CAM. Predictive relationships between CAM scores and functional outcome measures will be examined. Outcomes collected will include discharge destination, functional independence as measured by the Functional Assessment Measure (FAM) and occupational performance as measured by the Assessment of Motor and Process Skills (AMPS). These assessments will be conducted 3 months following initial administration of the CAM.

10. Ms Melissa Nott, Dr Christine Chapparo (Occupational Therapists)

Project Title: Using the Perceive, Recall, Plan and Perform system of task analysis to measure information processing in agitated clients following traumatic brain injury: A Reliability Study (\$2,000).

The PRPP System of Task Analysis is an assessment used by occupational therapists to identify problems with cognitive information processing during performance of daily activities. This study will examine the reliability of the PRPP System of Task Analysis to assess cognitive deficits in agitated, brain injured adults. The study will involve videotaping of individuals with cognitive deficits, followed by assessment of these videos by trained occupational therapists to determine the level of functional recovery following TBI. The level of agreement between therapists observing each individual will be measured, in addition to the reliability of the test over repeated administration by the same therapist.

11. Associate Professor Jamie Cooper, Dr Geoff Dobb and Mr Paul Bannan

Project Title: Multi-centre randomised trial of early decompressive craniectomy in severe traumatic brain injury (DECRA). (Funds allocated previously for a three-year period).

The NRP is funding the WA component of a multi-centre randomised trial of early decompressive craniectomy in severe traumatic brain injury (DECRA). Decompressive craniectomy (DC) is a surgical operation that may improve neurological outcomes in patients with traumatic brain injury by decreasing brain pressure caused by severe swelling during the early phase after injury. DC is currently used inconsistently, because it is unclear whether patient outcomes are improved. This Australian and New Zealand multi-centre trial will determine whether early DC does improve neurological outcomes. If so, trauma clinicians will be able to ensure better recovery outcomes for many more survivors of brain injury.

financial report

In 2004/2005 our income indicated two one-off items, a bequest of \$657,774 and funds from The Spinal Research Foundation of \$154,611. Our general fundraising contributed \$366,029. In 2005/2006 Revenue from ordinary activities was \$420,778, a 15% increase over last year.

Our expenses were well up on last year but this was due to the 63% increase in the payment of Research Grants – from \$307,200 in 2003/2004 to \$499,304 in 2005/2006. We spent less on fundraising due to few special events being held but more on Conferences and Sponsorship. We believe the latter is worthwhile as it results in scientists meeting to discuss and examine recent progress on spinal cord research.

fundraising and community support

In common with all other not-for-profit organisations we face increasing competition for the funds we need to achieve our goals.

We are fortunate to have benefactors with stamina as many individuals donate to us regularly and we also have outstanding supporters who arrange fundraising events. In particular, we must mention the following:

Robert and Kelly McCann 7th Annual Golf Day

This annual event was held for the first time at Camden Lakeside Country Club and was very successful grossing \$40,665. This takes the total raised over the seven years to \$218,817.

The winning team was A. Thomson, T. Rogic, D. Edwards and L. Campbell representing Plumbers Supplies Co-op, with a nett score of 55 3/8.

We thank Liverpool Catholic Club most sincerely for their major sponsorship over the past six years. The supporters on the day were:

- Carlton & United Beverages
- CLM Excavations Pty Ltd
- Colemans Fencing (Aust) Pty Ltd
- Dalmore Stud
- Enterprise Finance Solutions
- Fielders (One Steel)
- Garda Turner
- GEMI Financial Services
- Gledhill Constructions Pty Ltd
- Globe Pros
- Ingleburn RSL Club
- JAB Constructions Pty Ltd
- Linak Australia Pty Ltd
- Mobil Petrol (Camden)
- Morten Weaver
- Nursing Group NSW
- Para-Mobility
- Plumbers Supplies Co-op Ltd
- Public Trustee of NSW (Liverpool)
- Quick Plumbing Pty Ltd
- Richard Cusbert Motor Repairs Pty Ltd
- Sear Group Pty Ltd
- Smith Spratt Pty Ltd
- The Athlete's Foot
- Trio Plumbing

The Sun-Herald City2Surf 2005

Geraldine Gibson entered this event with generous backing from her group of sponsors. Once again, her 14km time of 123.47 minutes was an improvement on last year's event by 7.39 minutes. Through sponsorship she raised over \$8000.

Mandurah Lions Club Quiz Night

Long-time supporters, Mandurah Lions, held a popular Quiz night and raised \$4000.

Eileen Bond's VAT2 Luncheon

Red Bond again showed how much support she has in Western Australia. At the VAT2 luncheon held in Bunbury, she and her friends raised \$20,360 which will be used to further the work of Dr Giles Plant at Red's Laboratory, The University of Western Australia.

Michael Long (Patron) - PGA Tour 2005

Michael, who had suffered a spinal cord injury in 1999, made a 'Birdies for Charity' pledge that he would personally donate \$50 for every birdie during his PGA Tour in the US - a tour that is known as the toughest in the world. His result was 216 birdies and 12 eagles, equating to a donation of \$11,400.

Cocktails in Brisbane

In August 2005 nearly 300 people attended the Cause-for-Cocktails fundraiser event. Guests traveled from as far as Northern Territory and Western Queensland.

The event took place at the Story Bridge Hotel and was sponsored by Ironfist Metalcraft, Queensland Cotton, Georgina Morrow, Canterbury and Outback Organics. \$4500 was raised for research.

Ben Higgins

In November Ben Higgins competed in Iron Man in Busselton WA and raised \$840. His finishing time was 12 hours 53 minutes with the following splits: 3.8 km swim @ 1hr 27 mins; 180 km cycle @ 6 hrs 6 mins and 42 km run @ 5 hrs 20 mins.

financial statements

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independence declaration

for the year ended 30 June 2006

Auditor's Independence Declaration Under Section 307c of the Corporations Act 2001 to the Directors of SpinalCure Australia Limited

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2006 there have been:

- i. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

FLEMING MOYNIHAN & KAY
Chartered Accountants
Darren A Kay

31 August 2006

Suite 16, Level 2
25 Solent Circuit
Baulkham Hills NSW 2153

The accompanying notes form part of the financial statements. These statements should be read in conjunction with the attached audit report of Fleming Moynihan & Kay.

income statement

for the year ended 30 June 2006

	NOTE	2006 \$	2005 \$
Revenues from Ordinary Activities	2	420,778	1,178,414
Employee Benefits Expense		21,180	21,221
Depreciation Expense		1,497	2,020
Fundraising Expenses	2	10,641	50,539
Research Grants		499,304	307,200
Administration Expenses		18,273	20,074
Other Expenses from Ordinary Activities		43,784	12,796
Profit from Ordinary Activities Before Income Tax Expense		(173,901)	764,564
Income Tax Expense Relating to Ordinary Activities		-	-
Net Profit from Ordinary Activities After Income Tax Expense	9	(173,901)	764,564

The accompanying notes form part of the financial statements. These statements should be read in conjunction with the attached audit report of Fleming Moynihan & Kay.

balance sheet

as at 30 June 2006

	NOTE	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalents	3	434,676	1,113,025
Receivables	4	3,207	2,300
TOTAL CURRENT ASSETS		437,883	1,115,325
NON-CURRENT ASSETS			
Plant And Equipment	5	3,679	3,367
Financial assets	6	493,207	-
TOTAL NON-CURRENT ASSETS		496,886	3,367
TOTAL ASSETS		934,769	1,118,692
CURRENT LIABILITIES			
Payables	7	4,253	2,403
Borrowings	8	28,000	28,000
TOTAL CURRENT LIABILITIES		32,253	30,403
TOTAL LIABILITIES		32,253	30,403
NET ASSETS		902,516	1,088,289
EQUITY			
Retained earnings		914,388	1,088,289
Financial assets reserve	10	(11,872)	-
TOTAL EQUITY		902,516	1,088,289

The accompanying notes form part of the financial statements. These statements should be read in conjunction with the attached audit report of Fleming Moynihan & Kay.

statement of changes in equity

for the year ended 30 June 2006

Balance as at 1 July 2004	323,725
Profit for the year	764,564
Balance as at 30 June 2005	1,088,289
Profit/(loss) for the year	173,901
Transfers to reserves:	
Financial assets reserve	(11,872)
Balance as at 30 June 2006	902,516

The accompanying notes form part of the financial statements. These statements should be read in conjunction with the attached audit report of Fleming Moynihan & Kay.

cash flow statement

for the year ended 30 June 2006

	NOTE	2006 \$	2005 \$
Cash Flows From Operating Activities			
Receipts from donors and supporters		363,278	1,150,115
Payments to suppliers and employee		(86,783)	(102,792)
Payments for research grants		(499,304)	(307,200)
Interest received		46,269	25,999
Net cash provided by/(used in) operating activities	11	(176,540)	766,122
Cash Flows From Investing Activities			
Payments from plant and equipment		(1,809)	
Payment for financial assets		(500,000)	-
Net cash used by investing activities		(501,809)	-
Cash Flows From Financing Activities			
		-	-
Net cash used by financing activities		-	-
Net increase/(decrease) in cash held		(678, 349)	766,122
Cash at beginning of year		1,113,025	346,903
Cash Assets At End Of Year	3	434,676	1,113,025

The accompanying notes form part of the financial statements. These statements should be read in conjunction with the attached audit report of Fleming Moynihan & Kay.

notes

Notes to the financial statements for the year ended 30 June 2006

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers SpinalCure Australia Ltd, which is a charitable organisation, established and domiciled in Australia.

The financial report of SpinalCure Australia Ltd complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies which have been adopted in the preparation of this financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of preparation

SpinalCure Australia Ltd has prepared financial statements in accordance with AIFRS from 1 July 2005.

In accordance with the requirements of AASB 1: First-time adoption of Australian Equivalents to International Financial Reporting Standards, adjustments resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of SpinalCure Australia Ltd to be prepared in accordance with AIFRS.

The accounting policies set out below have been consistently applied to all years presented. No reconciliations of the transition from previous Australian GAAP to AIFRS are required.

This financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(a) Revenue Recognition

Donations and Fundraising
Donations and fundraising revenue are recognised when received by the Company.

Interest Revenue

Interest revenue is recognised as it is received.

(b) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(c) Income Tax

The Company is exempt from paying income tax.

(e) Plant and Equipment

Each class of plant and equipment is carried at cost of fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated

notes

Notes to the financial statements for the year ended 30 June 2006

with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over their useful lives to the entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Office Equipment 37.5%

Pooled Assets 18.75 – 37.5%

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement.

e) Cash and Cash Equivalents

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at banks including all call deposits with banks.

f) Financial Instruments

Recognition

Financial instruments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management.

Derivatives are also categorised as held for trading unless they are designated as hedges.

Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories.

Available-for-sale financial assets are reflected at fair value.

Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's lengths transactions, reference to similar instruments and option pricing models.

notes

Notes to the financial statements for the year ended 30 June 2006

	NOTE	2006 \$	2005 \$
NOTE 2 – REVENUE FROM ORDINARY ACTIVITIES			
Revenue from fundraising activities	2a	93,356	226,148
Donations received			
general		270,829	113,882
bequest		-	657,774
The Spinal Research Foundation		-	154,611
OTHER REVENUES			
From operating activities			
Interest		46,269	25,999
Managed Funds Distribution		10,324	-
TOTAL REVENUE FROM ORDINARY ACTIVITIES		420,778	1,178,414
NOTE 2a - Further information on fundraising activities conducted during the year:			
R & K McCann Charity Golf Day			
Income		40,665	33,403
Expenditure		(10,586)	(8,561)
Profit		30,079	24,842
Trivia Nights			
Income		7,651	30,594
Expenditure		-	(3,849)
Profit		7,651	26,745
E Bond Fundraiser			
Income		20,360	120,684
Expenditure		-	(20,107)
Profit		20,360	100,577

These notes should be read in conjunction with the attached audit report of Fleming Moynihan & Kay

notes

Notes to the financial statements for the year ended 30 June 2006

	2006 \$	2005 \$	
NOTE 2 – REVENUE FROM ORDINARY ACTIVITIES			
NOTE 2a - Further information on fundraising activities conducted during the year:			
P Cross Charity Golf Day			
Income	-	30,805	
Expenditure	-	(18,022)	
Profit	-	12,783	
City to Surf			
Income	8,065	10,662	
Expenditure	-	-	
Profit	8,065	10,662	
Birdies for Charity			
Income	11,400	-	
Expenditure	-	-	
Profit	11,400	-	
WA Film Fundraiser			
Income	715	-	
Expenditure	(55)	-	
Profit	660	-	
Cocktail Fundraiser			
Income	4,500	-	
Expenditure	-	-	
Profit	4,500	-	
Summary of Fundraising Income			
Income	93,356	226,148	
Expenditure	11.4% (10,641)	(50,539)	22.3%
Profit	88.6% 82,715	175,609	77.7%

The net surplus from Fundraising Activities was used to fund the payment of research grants.

notes

Notes to the financial statements for the year ended 30 June 2006

	NOTE	2006 \$	2005 \$
NOTE 3 – CASH ASSETS			
Cash at bank		64,807	1,084,569
Cash on deposit		369,869	28,456
		<u>434,676</u>	<u>1,113,025</u>
 NOTE 4 – RECEIVABLES			
Sundry debtors		<u>3,207</u>	<u>2,300</u>
 NOTE 5 - PLANT AND EQUIPMENT			
Furniture & Fittings - at Cost		10,499	10,499
Less Provision for Depreciation		(10,499)	(10,499)
		<u>-</u>	<u>-</u>
 Office Equipment – at Cost		 12,008	 10,422
Less Provision for Depreciation		(8,679)	(7,261)
		<u>3,329</u>	<u>3,161</u>
 Pooled Assets		 <u>350</u>	 <u>206</u>
 TOTAL PLANT AND EQUIPMENT		 <u>3,679</u>	 <u>3,367</u>

These notes should be read in conjunction with the attached audit report of Fleming Moynihan & Kay

notes

Notes to the financial statements for the year ended 30 June 2006

	NOTE	2006 \$	2005 \$
NOTE 5 – PLANT AND EQUIPMENT (cont...)			
RECONCILIATION			
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:			
FURNITURE AND FITTINGS			
Carrying amount at beginning of year		-	-
OFFICE EQUIPMENT			
Carrying amount at beginning of year		3,161	5,058
Additions		1,586	-
Depreciation		(1,418)	(1,897)
Carrying amount at end of year		<u>3,329</u>	<u>3,161</u>
POOLED ASSETS			
Carrying amount at beginning of year		206	329
Additions		223	-
Depreciation		(79)	(123)
Carrying amount at end of year		<u>350</u>	<u>206</u>
NOTE 6 – FINANCIAL ASSETS			
Available-for-sale financial assets	6a	<u>493,207</u>	-
NOTE 6A – AVAILABLE-FOR-SALE FINANCIAL ASSETS COMPRISE:			
Unlisted investments, at fair value		<u>493,207</u>	-

notes

Notes to the financial statements for the year ended 30 June 2006

	2006 \$	2005 \$
NOTE 7 – PAYABLES		
CAMRA	7a 2,055	2,403
Other payables	2,198	-
	<u>4,253</u>	<u>2,403</u>

NOTE 7a – CAMRA

CAMRA stands for Campaign for Advancement of Medical Research in Australia. Funds contributed will be used to lobby governments on issues relating to Spinal Research. Any funds remaining (if any) upon cessation of the group will be returned to the contributors.

Balance as start of year	2,403	-
Funds contributed	7,000	4,000
Less: Expenses	(7,348)	(1,597)
Balance at Year End	<u>2,055</u>	<u>2,403</u>

NOTE 8 – BORROWINGS

CURRENT

Loan – R Dittrich	<u>28,000</u>	<u>28,000</u>
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The loan from R Dittrich is an interest only, at call loan.

NOTE 9 – AUDITORS REMUNERATION

Amount received or due and receivable for audit services by auditors of the company

<u>Nil</u>	<u>Nil</u>
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notes

Notes to the financial statements for the year ended 30 June 2006

	NOTE	2006 \$	2005 \$
NOTE 10 – RESERVES			
Financial assets reserve		(11,872)	-
The financial assets reserve records revaluation of financial assets.			
NOTE 11 – NOTES TO THE STATEMENTS OF CASH FLOWS			
(a) Reconciliation of Cash			
For the purposes of the statements of cash flows, cash includes cash on hand and at bank and short term deposits at call. Cash as at the end of the financial year as shown in the statements of cash flows is reconciled to the related items in the statements of financial position as follows:			
Cash assets	3	434,676	1,113,025
(b) Reconciliation of profit from ordinary activities after income tax to net cash provided by operating activities			
Profit/(Loss) from ordinary activities after income tax		(173,901)	764,564
Add/(less): items classified as investing / financing activities		-	-
Add/(less): non cash items:			
Depreciation		1,497	2,020
Managed funds transactions (reinvested) / withdrawn		(5,080)	-
Net cash provided by operating activities before change in assets and liabilities		(177,484)	766,584
Change in assets and liabilities:			
(Increase)/decrease in receivables		(907)	(2,300)
(Decrease)/increase in payables		1,851	1,838
Net cash provided by/(used in) operating activities		(176,540)	766,122

These notes should be read in conjunction with the attached audit report of Fleming Moynihan & Kay

notes

Notes to the financial statements for the year ended 30 June 2006

	2006 \$	2005 \$
NOTE 12 – DIRECTORS REMUNERATION		
The number of Directors of the company who received remuneration as shown in the following bands were:		
\$0 - \$9,999	12	12

All Directors act in an honorary capacity. They receive no fees or remuneration of any kind.

NOTE 13 – RELATED PARTY DISCLOSURES DIRECTORS

The names of each person who held the position of Director of the company during all of the past two financial periods unless otherwise stated are:

- Mr S Yesner
- Ms J M Knott
- Professor P F Bartlett
- Mr R Turner
- Mr W A Gibson
- Mr A D Cooper
- Mr D Prast
- Mr G F Allsop
- Mr P R Cross
- Mr F P C Kaad
- Associate Professor J D Yeo
- Mr N H Rowley appointed 14 March 2006

notes

Notes to the financial statements for the year ended 30 June 2006

NOTE 14 – COMPANY LIMITED BY GUARANTEE

SpinalCure Australia Ltd is a company limited by guarantee with the liability of members limited to the amount set out in the Company's Constitution.

NOTE 15 – FINANCIAL REPORTING BY SEGMENTS

SpinalCure Australia Ltd operates in one industry. The principal activities of the company is receiving donations and fundraising income and the payment of research grants. The company operates predominately in one geographical area, being Pyrmont NSW, Australia.

NOTE 16 – COMPANY DETAILS

The registered office and principal place of business of the company is:

1st Floor
Sydney Fish Market
Cnr Bank Street and Bridge Road
PYRMONT NSW 2009

directors declaration

Financial statements for the year ended 30 June 2006

1. In the opinion of the Directors of Spinal Cure Australia Ltd:

- (a) the financial statements and notes, set out on pages 18 to 31:
 - (i) give a true and fair view of the financial position of the Company as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the year ended on that date; and
 - (ii) comply with Accounting Standards in Australia.
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
- (c) the statement of financial performance gives a true and fair view of all income and expenditure of the organisation with respect to fundraising appeals.
- (d) the statement of financial performance gives a true and fair view of the state of affairs of the organisation with respect to fundraising appeals conducted by the organisation.
- (e) the provisions of the Charitable Fundraising Act, the regulations under the Charitable Fundraising Act and the conditions attached to the authority have been complied with.
- (f) the internal controls exercised by the organisation are appropriate and effective in accounting for all income received and applied by the organisation from any of its fundraising appeals.

Dated at Sydney this 19th day of September 2006.

Signed in accordance with a resolution of the directors:



Mr W. Gibson
Director



Ms J. Knott
Director

independent audit report

for the year ended 30 June 2006

Scope

We have audited the financial statements of Spinal Cure Australia Ltd for the financial year ended 30 June 2006 consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes and the Directors' declaration. The Directors are responsible for the financial statements. We have conducted an independent audit of the financial statements in order to express an opinion on them to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Additional scope pursuant to the Charitable Fundraising (NSW) Act 1991

In addition, our audit report has also been prepared for the members of the company in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991. Accordingly we have performed additional work beyond that which is performed in our capacity as auditors pursuant to the Corporations Act 2001. These additional procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Charitable Fundraising (NSW) Act 1991 and Regulations.

It should be noted that the accounting records and data relied upon for reporting on fundraising appeal activities are not continuously audited and do not necessarily reflect after the event accounting adjustments and the normal year end financial adjustments for such matters as accruals, prepayments, provisioning and valuations necessary for year end financial report preparation.

The performance of our statutory audit included a review of internal controls for the purpose of determining the appropriate audit procedures to enable an opinion to be expressed on the financial report. This review is not a comprehensive review of all those systems or of the system taken as a whole and is not designed to uncover all weaknesses in those systems.

The audit opinion expressed in this report pursuant to the Charitable Fundraising (NSW) Act has been formed on the above basis.

Qualification

SpinalCure Australia Ltd has determined that it is not practicable to establish controls over the collection of donations prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to donations received had to be restricted to the amounts recorded in the financial records. We are therefore unable to express an opinion whether the donations Spinal Cure Australia Ltd obtained are complete.

independent audit report

for the year ended 30 June 2006

Qualified Audit Opinion

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been required had the limitation on our audit procedures referred to in the qualification paragraph not existed, the financial report of Spinal Cure Australia Ltd is in accordance with:

- a) The Corporation's Act 2001, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001;
- b) other mandatory professional reporting requirements in Australia.

Qualified audit opinion pursuant to the Charitable Fundraising (NSW) Act 1991

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been required had the limitation referred to in the qualification paragraph not existed:

- a) The financial report gives a true and fair view of the financial result of fundraising appeal activities for the financial year ended 30 June 2006;
- b) The financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2005 to 30 June 2006, in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations;
- c) Money received as a result of fundraising appeal activities conducted during the period from 1 July 2005 to 30 June 2006 has been properly accounted for and applied in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations; and
- d) There are reasonable grounds to believe that Spinal Cure Australia Ltd will be able to pay its debts as and when they fall due.

Darren A Kay

Fleming Moynihan & Kay
Baulkham Hills
22 September 2006

detailed profit and loss statement

for the year ended 30 June 2006

	NOTE	2006 \$	2005 \$
INCOME			
Donations Received		270,829	268,493
Fundraising Revenue	2	93,356	226,148
Interest Received		46,269	25,999
Bequest Received		-	657,774
Managed Funds Distribution		10,324	-
TOTAL INCOME		420,778	1,178,414
EXPENSES			
Advertising & Promotion		4,807	3,970
Bank Charges		6,380	2,816
Conference & Sponsorship		26,288	565
Depreciation		1,497	2,020
Fundraising Expenses	2	10,641	50,539
General Expenses		4,093	2,536
Insurance		2,077	3,669
Postage & Courier		2,322	2,345
Printing & Stationery		4,377	2,229
Rent		2,000	2,000
Salaries		19,432	19,468
Repairs		214	910
Research Grants		499,304	307,200
Superannuation		1,749	1,752
Telephone		6,496	6,396
WA Expenses		3,002	5,435
TOTAL EXPENSES		594,679	413,850
NET OPERATING PROFIT		(173,901)	764,564

valued friends

The following individuals and organisations have made substantial gifts to SpinalCure Australia, which enables us to maximise our funding of research projects. Without their generosity and kindness, our work would not be possible:

Bond, Eileen	Lions Club of Mackay City Spirit
Cameron, John T.	Lions Club of Mandurah
Cormack, Steve	Liverpool Catholic Club Limited
Cross, Perry	Long, Michael
Equititrust Limited	Mayne, Jeremy
Falconer, A.D.	Norman Disney & Young
Forbes, Julia	NRMA Insurance
Freeman, Bruce	Nursing Group (NSW)
Geddes, Beverley A.	Profield Foundation, The
Gibson, Geraldine	Quick Plumbing
Gibson, W.A.	Rowland, R.J.
Glover, Jan	Sear Group Pty Ltd
Harding, Julie	Trimboli, Leticia
Hawker, Michael	Trio Plumbing
Hayward, Ross	Tyree Foundation, A.W.
Heerey, Edward J.C.	Weaver, Morten
Hore, Jessica B.	Woodside Energy Limited
Knott, Joanna M.	Wormald, Nick & Jo

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