



LEPROSY RESEARCH INITIATIVE



Annual report 2016

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1. Introduction

This is the second Annual Report of the Leprosy Research Initiative (LRI). The LRI, founded in 2013, is a unique model of cooperation and coordination in the funding of leprosy research. Five international NGOs committed to the fight against leprosy combine their funding for research in a joint fund under one policy. In 2016 the LRI allocated about € 1.4 million to 26 research projects. Included in this amount is the very substantial contribution of € 0.5 million provided by the Turing Foundation, associate partner of the LRI.

The 5 partners working together in the LRI in 2016 were:

American Leprosy Missions (ALM)

German Leprosy Relief Association (GLRA)
effect:hope

The Leprosy Mission International (TLMi)
Netherlands Leprosy Relief (NLR)

The Leprosy Mission Ireland (TLM Ireland) continued in 2016 its support to the running cost of the LRI. The Austrian Leprosy Relief Association (ALRA) funded a research project via the LRI.

The LRI, a Foundation under Dutch law, is managed by the Director of Netherlands Leprosy Relief (NLR), implementing the decisions of the LRI Executives Group and supervised by the Supervisory Board of NLR. This annual report gives account to the LRI partners and other stakeholders of the LRI proceedings and activities in 2016. The financial proceedings have been audited by an independent auditor.

The LRI partners have confirmed their participation in the LRI for a minimum of 3 years and have agreed to decide annually about extension of this three year commitment by another year. In 2016 the LRI

was therefore able to fund research projects with a duration of up to three years.

The small and hardworking LRI office team was again assisted by many outstanding professionals and experts who are members of the LRI Steering Committee, members of the Scientific Review Committee or independent reviewers.

The LRI is keen to welcome new partners and co-funders in its exciting model of research funding that offers perspectives for innovation and increasing effectiveness in the various aspects of the fight against leprosy and its consequences.

We wish to thank everyone who contributed to the LRI work in 2016 via personal involvement, financial support or co-operation.

Jan van Berkel

Director NLR

Bram van Ojik

Chair NLR

Supervisory Board

2. Vision and Policy

Vision

A world free from leprosy

Mission

To contribute to our vision by:

1. promoting, facilitating and funding high-quality leprosy research;
2. strengthening research capacity in endemic countries, and;
3. facilitating translation of research results into policy and practice.

Purpose

1. To establish and maintain a joint research fund to support leprosy research that fits with the LRI priorities.
2. To secure funding from external sources for research projects related to the LRI joint research agenda that cannot be funded (solely) by the LRI fund.

Objectives

1. To facilitate the development of research funding proposals in collaboration with concerned research groups.
2. To establish and maintain a joint research fund for leprosy research.
3. To facilitate adequate resourcing of leprosy research projects.
4. To provide an efficient, transparent and scientifically rigorous selection process of research proposals that fit the priorities set in the joint research policy.
5. To provide a scientifically high-quality monitoring mechanism of research projects supported by the LRI.

6. To expand the number of partners in the LRI.

Current research priorities

Based on current global research needs, the partners of the LRI have agreed on a joint policy with clearly defined research priorities. Research results should be directly applicable to leprosy services or to the wellbeing of persons affected by leprosy. In addition research projects need to generate results that can be used in the short- or medium term.

Five research areas are selected as main priorities. The projects should aim to:

1. Early detection

Promote and enable early detection of leprosy

Early detection is important to reduce further transmission, but particularly because it reduces the risk of permanent impairments. The LRI will support studies that examine approaches, methods or tools to improve early case detection. This will include health systems approaches to promote community awareness, appropriate health-seeking behaviour of patients and access to services, as well as the testing of lab-based tools for subclinical infection or disease. It may also include interventions to reduce community stigma, if this is a barrier to early detection in a given setting.

2. Nerve function impairment and reactions

Promote prevention, early detection and effective treatment of nerve function impairment (NFI) and reactions

Neural and ocular impairments are the main causes behind the many problems persons affected by leprosy may experience. The LRI will therefore support studies of approaches and interventions for primary prevention of nerve or ocular damage, methods to improve detection and interventions and treatment regimen to improve the prognosis of NFI and leprosy reactions.

3. Inclusion

Promote inclusion of persons affected by leprosy in society

Exclusion from society is the most feared and severe consequence of leprosy. This may happen overtly, as when people are sent away from their home or faced divorce, or in much more subtle ways, such as loss of status, gossip, avoidance, etc. The LRI will support research that promotes inclusion and participation of persons affected by leprosy in any aspect of society. Important aspects are relationships, including marriage and promotion of the sexual and reproductive health and rights of affected persons, livelihoods and labour participation, education, and participation in civil organisations, such as disabled people's organisations. Participation of affected persons in leprosy services is another aspect that deserves specific attention.

4. Prevention of disability

Improve the coverage of prevention of disability activities and their integration in national programmes and integrated wound and limb care programmes

Prevention of disabilities (POD) is a core component of leprosy services. Appropriate methods and tools are already available, but often they are not used and not used adequately. Examples are nerve function assessment and self-care training. Usually, POD interventions or activities are carried out in a leprosy-only mode, while there are many people with similar problems who would also benefit from such interventions and activities (e.g. people with diabetic neuropathy). The LRI will support implementation research that explores or provides ways to improve the use of existing methods and tools for POD, the integration of POD interventions in national leprosy policies and programmes, and the integration of leprosy-related POD in general wound and limb care programmes.

5. Interrupt transmission

Test methods and tools to interrupt the transmission and incidence of leprosy, including increasing the coverage of effective contact management and chemoprophylaxis

The ultimate goal of leprosy control services is to interrupt the transmission of leprosy. Current approaches to case detection and treatment with MDT have not led to a sufficient decrease in incidence of leprosy in many countries or areas within countries. Recent research has shown that strategies aim at contacts of leprosy patients are the most promising and cost-effective options to further reduce the incidence of leprosy. The LRI will support implementation research aimed at introducing or scaling up effective contact management or chemoprophylaxis interventions. Testing of additional contact examination interventions, chemoprophylaxis regimen or other prophylaxis approaches, such as immune-prophylaxis, would be eligible for support. Studies aimed at reducing or removing barriers to the effective use of contact-based interventions are also eligible for support.

4. Proposals received and approved

The application procedure for LRI research funds is structured as follows:

- Step 1: Submission of Letter of Intent (LoI) outlining the intended research
- Step 2: The first selection is made by the Steering Committee (SC), using a review format
- Step 3: Feedback is given to the applicant. This can be:
 - An invitation for full proposal submission
 - Recommendations on a major revision of the proposal (not an invitation)
 - Rejection
- Step 4: Submission of the full research proposal
- Step 5: Proposal is reviewed by two independent reviewers
- Step 6: Feedback of the reviewers is sent to the applicants
- Step 7: Applicants submit their rebuttal
- Step 8: The Scientific Review Committee (SRC) makes recommendations on which projects to fund.
- Step 9: The SC reviews the recommendations and add their feedback and ranking.

- Step 10: The Executive group decides which proposals to fund

In December 2014 a call for proposals was published, inviting to present letters of intent by February 28th 2015 for the 2016 funding round.

Among the priorities of the LRI, research to 'Promote inclusion of persons affected by leprosy in society' was underrepresented. Therefore, the LRI announced to reserve € 100,000 of the 2016 budget for pilot projects with a maximum total budget of € 50,000 per project specifically for addressing inclusion research.

The deadline for full proposals was June 1st 2015. Projects that were approved started in 2016.

Letters of Intent received

In 2015 a total number of 71 Letters of Intent (LoI) were received for the budget round 2016, of which 16 (23%) were rated positive, and 56 (79%) were rejected. Applications were received from both leprosy endemic and non-endemic countries. 73% of the lead applicants were from leprosy endemic countries, in 2014 this was 60%.

Letters of intent received for budget round 2016	Number	Invitation for full proposal	Approved	Success rate
Lead applicant from leprosy endemic country	52	10	11	21%
Lead applicant from leprosy non-endemic country	19	6	4	21%
Total	71	16	15	21%

Table 1: Number of Letters of Intent (LoIs) and their origin received for budget round 2016, the number of applicants that were invited to write a full proposal, approved projects and the success rate.

Full proposals received

15 full proposals were received, with a total requested budget of almost € 2.5 million. Almost two thirds of the proposals came from endemic countries, requesting 24% of the total requested budget. The budgets ranged from € 33,928 to € 147,677. The 6 proposals received from non-endemic countries

requested 76% of the total budget and ranged from € 24,270 to € 1,433,200 (Table 2).

Overall the requested budgets were lower than last year's round, with only one project with a large budget. When the large budget is subtracted from the total requested budget, the distribution between endemic and non-endemic countries evens out to 57% vs 43% respectively.

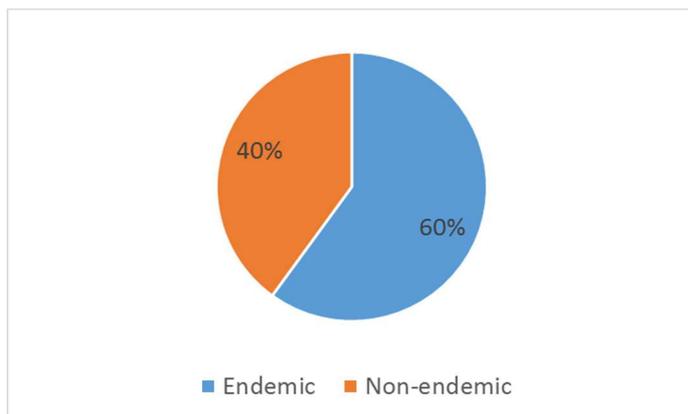


Figure 1. Origin of the full proposals received for budget round 2016 (n=15)

	Number	Budget requested
Full proposals received	15	€ 2,465,336
From endemic countries	9	€ 590,371 (24%)
From non-endemic countries	6	€ 1,874,965 (76%)

Table 2. Overview of the origin, number of proposals and requested budget for budget round 2016

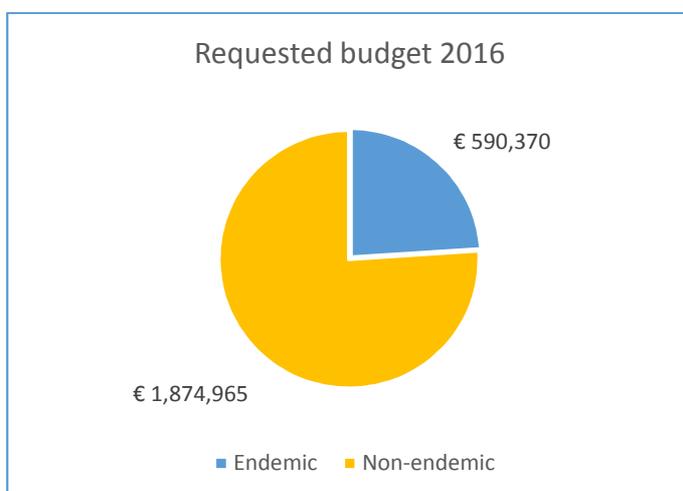


Figure 2. Distribution of the requested LRI budget 2016 shown by origin of the applicant. Total requested budget 2016: € 2,465,336.

The majority of the proposals (6 out of 15) addressed research priority 3 - Inclusion. In 2016, part of the budget was reserved for priority 3 and the call specifically invited pilot

projects on priority 3. Figure 3 shows the number of proposals received per LRI research priority.

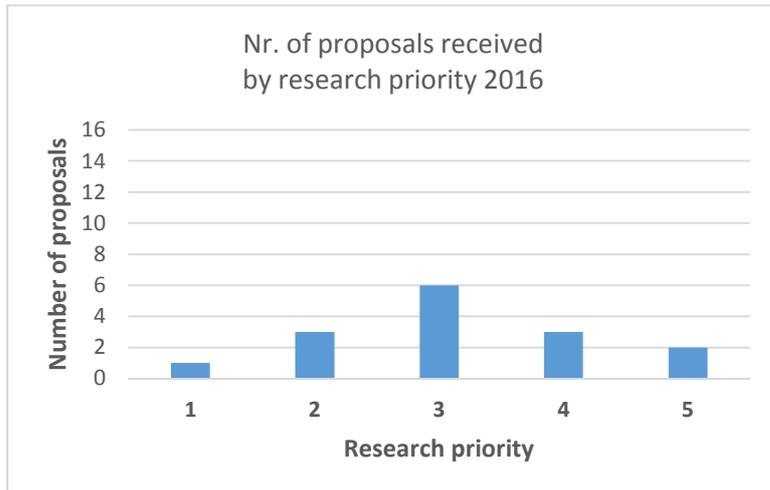


Figure 3. Number of proposals received by research priority (budget 2016)

External review

Forty-two external reviewers were approached, of whom 32 responded positively to the request to review a research proposal. Fourteen proposals were reviewed by 2 reviewers and one proposal was reviewed by 4 reviewers. The feedback of the reviewers was shared with the applicants.

- 8 projects to be fully funded (53%)
- 2 projects to be funded with a reduced budget (13%)
- 1 project to be funded as a pilot project (7%)
- 4 projects to be rejected (27%)

Funding decisions

After careful consideration of the advices of the SRC and LRI SC, the Executives Group made the following decisions:

Figure 4 shows the number of approved and rejected proposals per LRI research priority. Forty-five percent of the funded projects addresses priority 3 (5), followed by priority 2 and 4 (both 2). Priority 1 and 5 are addressed by 1 project each.

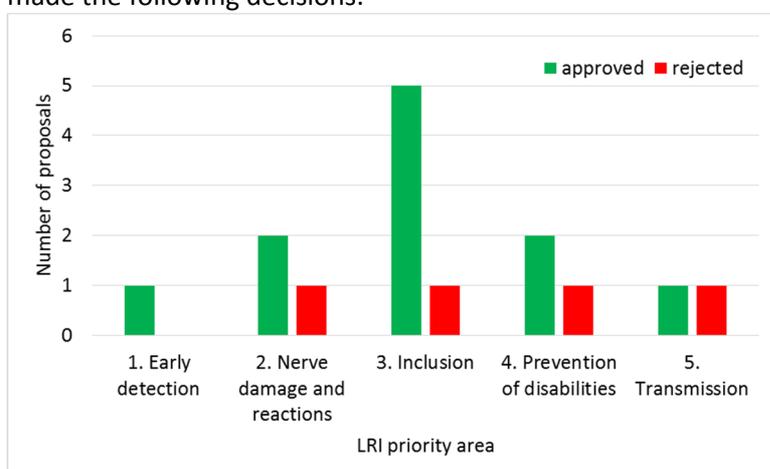


Figure 4: Number of proposal accepted and rejected by research priority (budget 2016)

5. New research projects in 2016

These new projects started in 2016. Details of these projects can be found on <https://leprosyresearch.org/research/projects>.

Priority area	LRI FUNDED PROJECTS IN 2016	CO-FUNDERS	TOTAL GRANT	FOCUS
2	SIH-R & LC/To identify leprosy associated M.Leprae transcriptomic & human host immune signatures that aid as early signals for determination of Type I & II reactions		€ 147,676	India
2	LSHTM/ ENLIST MTX - two randomised controlled trials in of methotrexate in Erythema Nodosum Leprosum (ENL)	Turing Foundation, ALRA	€ 931,525	Bangladesh, Brazil, Ethiopia, India, Indonesia, Nepal, Philippines
3	READ/Social exclusion/inclusion and livelihood status of Leprosy affected people in Nepal		€ 20,130	Nepal
3	Enablement/The role of Christian churches in leprosy and disability related stigma, in the Nigerian middle belt states		€ 51,820	Nigeria
3	Enablement Nepal/Breaking down barriers; strategies to include people with physical disabilities in agriculture		€ 49,990	Nepal
3	IDEA/Using the UN Principles & Guidelines in Local Participatory Campaigns to increase Dignity, Empowerment, and Inclusion		€ 49,990	Niger, Nigeria, Mozambique
3	NLR Indonesia/Promoting inclusive and enabling environments for persons affected by leprosy and with other disabilities in Indonesia		€ 65,208	Indonesia
4	TLMM/"Burden of Treatment" for people with leprosy. A case exploration in Myanmar to document issues and provide a foundation for future scale development		€ 24,270	Myanmar
4	NLR Indonesia/Map the Gap – Inclusive Medical Rehabilitation for Persons with Disability due to Leprosy, Lymphatic Filariasis (LF) and Diabetes Mellitus (DM) in Indonesia		€ 64,636	Indonesia
5	PUCP/Comparative sequencing analysis of genes associated with susceptibility to leprosy and its reactive states	Turing Foundation	€ 42,666	Brazil

An overview of all current projects can be found on <https://leprosyresearch.org/research/projects>

6. Other activities

Besides supporting research projects financially, the LRI aims to strengthen capacity for leprosy research. One new initiative in 2016 was the two-day scientific Spring Meeting held in the Reehorst Conference Centre in Ede, Netherlands. Each project that started in the year before the meeting or earlier was invited to send a representative to present (interim) results to the members of the Scientific Review Committee, the Steering Committee and to each other. An important second objective of the meeting was to promote interactions between researchers and capacity strengthening. The LRI Spring meeting was attended by 46 participants.

Responses from the evaluation questionnaire showed that the meeting was highly appreciated, especially with regards to the opportunity to interact/network with others and the interdisciplinary and disciplinary group sessions.

For several respondents, the interaction between the participants and exchange of knowledge were important aspects of the meeting.

The LRI decided to organise the next Spring Meeting early 2017.

7. Future perspectives

The call for proposals to be financed under the LRI 2018 budget was published December 2016. Preference was given to proof of concept studies of combined approaches in disease control, (prevention of) disability, rehabilitation or inclusion, combining leprosy with other neglected tropical diseases (NTDs) or other diseases that share cross-cutting issues with leprosy. Decisions about approvals for the budget 2018 are planned in the Executives Group meeting of November 2017.

In 2017 the LRI Spring Meeting will take place to enable project leaders to present interim results to the members of the Scientific Review Committee and Steering Committee. An important second objective of this meeting will be to promote interactions between researchers.

The Steering Committee had to say good-bye to Prof Cairns Smith, who stood down as Chair. We are grateful to have found a worthy successor in Dr David M. Scollard, former Director, National Hansen's Disease Programs USA, who will take up office in 2017.

The search for additional partners and new co-funders of LRI approved research projects will continue in 2017. The need and requests for leprosy-related research still exceeds the available budget of the LRI and its present co-funders. We expect to publish a joint call with the European & Developing Countries Clinical Trials Partnership (EDCTP) in the summer of 2017, inviting proposals for intervention and implementation research in NTDs, including leprosy.

8. Who is who in LRI

Executives Group

The LRI Executives Group (EG) consists of the executive directors of the LRI partners.

Mr Bill Simmons	President/CEO, ALM
Mr Burkard Kömm	CEO, GLRA
Mr Peter Derrick	CEO, effect:hope
Mr Brent Morgan	Director, TLMI
Mr Jan van Berkel	Director, NLR (Chair)

Steering Committee

The LRI is guided by a Steering Committee (SC). The SC membership comprises the research consultants or coordinators of the LRI partner organisations (ex-officio) and an independent Chair. The members in 2016 were:

Prof Dr W.C.S. Smith, OBE MD MPH PhD	Emeritus Professor of Public Health (Chair)
Dr Wim H. van Brakel, MD MSc PhD	Head Technical Department, NLR (Secretary)
Dr Paul R. Saunderson, MBBS MSc PhD	Medical Director, ALM
Dr Christa Kasang, MSc PhD	Research Coordinator, GLRA
Dr Tom P. Gillis, BSc MSc PhD	Research Coordinator, effect:hope
Dr Pim Kuipers, BA (Hons) MA PhD	Research Coordinator, TLMI

The LRI SC is responsible to LRI Executives Group (EG).

Scientific Review Committee

The quality, relevance and feasibility of submitted research proposals are assessed by the independent Scientific Review Committee (SRC), comprising experts in leprosy, clinical medicine, public health, rehabilitation and social sciences. This committee makes recommendations to the LRI EG concerning funding. The SRC also monitors the progress of the ongoing projects. Members serve for a maximum of two terms (eight years). The SRC members in 2016 were :

Prof Dr William R. Faber (Chair)	Emeritus Professor of Tropical Dermatology, Academic Medical Center, University of Amsterdam, Netherlands
Dr Fons van Dijk (until Autumn 2016)	Rehabilitation Physician at the Rehabilitation Centre Het Roessingh in the Netherlands

Prof Dr Jos H.M. Dekker (as of Autumn 2016)	Rehabilitation Physician at Heliomare Rehabilitation Centre at Red Cross Hospital, Netherlands
Dr Gigi J. Ebenezer	Associate Professor, Neurology Department, Johns Hopkins School of Medicine, USA
Dr Bassey E. Ebenso	Research Fellow, Leeds University, Institute of Health Science, United Kingdom
Prof Dr Victor P.M.G. Rutten	Associate Professor at Department of Infectious Diseases and Immunology, University of Utrecht, Netherlands and Extraordinary Professor at Department of Veterinary Tropical Diseases, University of Pretoria, South Africa
Dr Pieter A.M. Schreuder (until Autumn 2016)	Medical doctor/leprologist (retired) with leprosy control field work experience
Prof Dr Maria Leide W.R de Oliveira (as of Autumn 2016)	Professor of Dermatology at Federal University of Rio de Janeiro, Brazil
Prof Dr Tjip S. van der Werf	Pulmonologist, Head of the Infectious diseases service & Tuberculosis unit, University Medical Centre Groningen, Netherlands

Office team

Nicole Dinnissen MSc	LRI Programme Officer
Tamara Prinsenbergh MSc MPH	Research Funding Officer
Nanny Jaski	Secretary

9. Finance

Annual Accounts 2016

Jaarrekening 2016

Stichting Leprosy Research Initiative

Amsterdam, The Netherlands

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Annual Accounts LRI 2016
I. Balance sheet as at 31 December 2016

Amounts in Euros

	Notes	31 December 2016		31 December 2015	
ASSETS					
<i>Fixed assets</i>					
	1.				
Tangible fixed assets		€ 0		€ 0	
			€ 0		€ 0
<i>Current assets</i>					
	2.				
Contributions due		€ 62,629		€ 20,000	
Balances and accounts to be received from NLR		€ 329,370		€ 481,161	
Paid in advance		€ 205,303		€ 191,099	
Cash and cash equivalents		€ 71,320		€ 11,767	
			€ 668,622		€ 704,027
			<hr/>		<hr/>
Total assets			€ 668,622		€ 704,027
			<hr/> <hr/>		<hr/> <hr/>
LIABILITIES					
<i>Reserves</i>					
	3.				
Continuity reserves		€ 0		€ 0	
Earmarked reserves		€ 447,360		€ 417,195	
			€ 447,360		€ 417,195
<i>Short-term liabilities</i>					
	4.				
Accounts payable			€ 221,262		€ 286,832
			<hr/>		<hr/>
Total liabilities			€ 668,622		€ 704,027
			<hr/> <hr/>		<hr/> <hr/>

Annual Accounts LRI 2016
II. Statement of Income and Expenses for the year 2016

Amounts in Euros

	Notes	Realisation 2016	Budget 2016	Realisation 2015
Income	5.			
Income from contributors		€ 1,103,920	€ 1,104,000	€ 1,317,636
Other income		€ 21,849	€ 25,000	€ 23,118
Total income		€ 1,125,769	€ 1,129,000	€ 1,340,754
Expenses	6.			
Research project costs		€ 887,383	€ 1,338,000	€ 720,832
Staff costs, housing and office costs		€ 157,557	€ 175,000	€ 178,426
Other operating expenses		€ 50,664	€ 17,000	€ 24,301
Total expenses		€ 1,095,604	€ 1,530,000	€ 923,559
Result of income and expenses		30,165	(401,000)	417,195

LRI Annual Accounts 2016

III. Notes accompanying the annual account for 2016

a. General and accounting policies

This is the annual account of 2016 of LRI (Leprosy Research Initiative). The LRI has been registered since June 1st 2015 as a Foundation under Dutch law. The LRI has taken over all activities from the 1st of January of 2015 from NLR and this are annual accounts of the LRI presented for the year 2016, started on the 1st of January and ended December 31st.

Activities

LRI (Leprosy Research Initiative) is a combined venture of NLR, American Leprosy Missions (ALM), German Leprosy and Tuberculosis Relief Association (GLRA), effect:hope (The Leprosy Mission Canada) and The Leprosy Mission International (TLMI). Guided by an allied policy with clearly defined research priorities, the partners have established a joint fund to support leprosy research. The joint fund is reserved for research that is exclusively or strongly related to leprosy. A comprehensive explanation of our mission and goals and a detailed account of the content of our work can be found in our annual report.

LRI work proceedings and work activities

The LRI has all its work proceedings and activities fully delegated to NLR. NLR runs the Leprosy Research Initiative's secretariat and all work proceedings and activities are also performed by NLR. The Supervisory Board of NLR supervises the proceedings and activities as reported by the NLR Director.

Registered address

The registered and actual address of the LRI is Wibautstraat 137k, 1097 DN in Amsterdam, Netherlands.

The annual accounts have been prepared on a historical cost basis of accounting.

Accounting period

The annual accounts have been drawn up by reference for an accounting period of one year. The financial year is equal to the calendar year.

Comparison with prior year(s) and opening balance

On January 1st 2015, LRI has taken over all activities that fall within the objectives of LRI from NLR, including assets and liabilities. These funds are allocated for specific research projects and for funding of the current research projects, to grant new projects and for the running costs of the LRI foundation. The comparison with 31 December 2015 is shown on the balance sheet of the annual accounts. This is the first annual account of the LRI with comparison to prior year(s).

Budget comparison

Due to the start up year of the LRI no formal budget for the LRI was drawn up. The NLR approved budget for 2015 included the expenses and income for (scientific) research, which in 2015 falls under the Leprosy Research Initiative (LRI), the budget used in these annual accounts for 2015 were formally budgeted under the NLR budget.

Accounting policies for the valuation of assets and liabilities and the determination of the result

The annual account has been prepared in accordance with Guideline C for small non-profit organisations (Dutch: Richtlijn C1 Kleine organisaties zonder winststreven) as published by the Dutch Accounting Standards Board (Raad voor de Jaarverslaggeving). All amounts in the annual accounts are in Euros or a multiple of 1,000 Euro, or rounded to the nearest amount in Euros. The amounts are compared to the part for research activities and objectives from the formal NLR budget for 2016 (approved by the Supervisory Board in December 2015).

The financial statements have been prepared in accordance with the principle of continuity.

Income from funding and the allocation of funds

Each LRI partner has committed an annual contribution to the LRI research fund and contributes an equal share to the LRI running costs. The income from partners, associate partners, contributors and co-financiers are recognised in the year to which the item of income relates and are allocated to the year in question on a actual cost basis. The income is shown gross, before any deduction of associated costs, unless otherwise is stated. Necessary costs to realise certain benefits, are presented in the statement of income and expenses as expense.

Accounts receivable

Receivables are initially valued at the fair value of the consideration to be received, including transaction costs if material.

Cash and cash equivalents

Cash and cash equivalents include cash and bank balances represents the balance of the bank account held for head office of the LRI, in the Netherlands and are immediately accessible. LRI does not have any borrowings or loans. LRI does not invest nor does it make use of any financial instruments.

General note on the balance sheet and statement of income and expenses

In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or current value. If not specifically stated otherwise, they are recognised at the amounts at which they were acquired or incurred. The balance sheet and statement of income and expenses include references to the notes. Notes to the line items of the balance sheet and the statement of income and expenses have been numbered in the financial statements.

Foreign currency

The annual accounts are presented in euro. Transactions in foreign currency are converted to Euro at the exchange rate of the transaction date.

Reserves

LRI ensures that contributions are used for the intended cause. If more money was received for a specific research project than needed in that particular year for that project, the LRI will allocate this money to the same project in the following year. If LRI no longer supports the project the following year, LRI will use the funds for a similar project. In the event there are no such projects, we will deposit the money in the general joint fund or refund this to the contributor. The reserves is the result of income and expenses and is held in accordance with budgets for (scientific) research and running costs of the LRI for future years to ensure sustainability of the LRI so that its projects proceedings and activities are not affected and to grant new research project proposals. The surplus amounts are retained in as safe as possible bank accounts with trustworthy banks. From the result of 2015 an earmarked reserve was formed. The earmarked reserve consists of reserves set aside for future funding of LRI projects. The result of 2016 is added to the earmarked reserves. The LRI holds no investments.

Management of the LRI and remuneration of Supervisory Board and Executive Group

As a Foundation the LRI is managed by the director of Netherlands Leprosy Relief (NLR), implementing the decisions of the LRI Executive Group and supervised by the Supervisory Board of NLR. No remuneratrion was paid to the Supervisory Board members and Director of NLR, and no loans, advances or guarantees were given. In 2016 no expenses were reimbursed.

Events after the reporting period

In these accounts no significant events after the reporting period occurred which should be included.

Publication

This report is available on www.leprosyresearch.org. The 2016 annual report and the annual accounts are available in a digital format primarily for environmental reasons. A (free of charge) printed copy can be obtained on request.

III b. Notes to the Balance sheet 2016

1. Tangible fixed assets

Tangible fixed assets are used for the main activities and entirely held for operational management. The LRI holds no tangible fixed assets and therefore this is not valued in 2016.

2. Receivables

All receivables are due within one year.

	31 December 2016	31 December 2015
	in €	in €
Contributions due	62,629	20,000
Funds and accounts to be received from NLR	329,370	481,161
Paid in advance	205,303	191,099
Cash and cash equivalents	71,320	11,767
	<u>668,623</u>	<u>704,027</u>

The item contributions due relates to the supporting fund from TLM Ireland (€ 20,000) for the running costs of the LRI for the year 2016. This is expected but not yet received income from partners. The income from contributions are accounted for once the commitment has been confirmed. The other amounts consist of funds yet to be received for co-financing research projects (€ 27,000) and an amount from the ING Bank due to a bounced payment to a Bank in India towards an University. This amount is recently received in 2017.

The item amounts to be received from NLR relates to the funds and accounts to be received from NLR. From January 1st of 2015, the LRI has taken over all activities that fall within the objectives of LRI from NLR, including assets and liabilities. The amount of € 329,370 reflects to the amount that is to be received from NLR. This amount has been settled in 2017.

The paid in advance amounts, also prepayments, which are already effectuated in 2016, are payments to research institutes and universities for activities in the first quarter of 2017.

Cash and cash equivalents are cash and bank balances in Euros in the Netherlands held by the LRI office in Amsterdam. LRI holds its main current account at ING Bank (NL). The balance of cash and cash equivalents is immediately available. The cash and cash equivalents balance for the year ended 31 December 2016 is € 71,320.31.

3. Reserves

The reserves are the result of income and expenses and are held in accordance with budgets for (scientific) research and running costs of the LRI for future years to ensure sustainability of the LRI so that its projects proceedings and ongoing activities are not affected and also to grant new research project proposals.

	31 December 2016	31 December 2015
	in €	in €
Earmarked reserves	447,360	417,195
	<u>447,360</u>	<u>417,195</u>

General notes on the reserves

In 2016 two projects with a total grant of € 282,000 started later which resulted in a more positive result than budgeted. The result of 2016 arrived at € 30,165 and is added to the earmarked reserves of LRI.

- LRI ensures that contributions are used for the intended cause. If more money was received for a specific research project than needed in that particular year for that project, the LRI will allocate this money to the same project in the following year. From the total amounts received in 2016, a few partners contributed to specific research projects which remained unspent in 2016. The majority of these funds has been allocated to activities in 2017. These consist of financing the current projects, award new research projects and a proportional part for financing the LRI organisation.
- LRI holds no continuity reserve.

The LRI's reserves are as follows:

	Continuity reserves	Earmarked reserves	Total
	in €	in €	in €
Balance as per 1 January 2016	0	417,195	417,195
- Movements	0	0	0
- Withdrawals and additions	0	30,165	30,165
Balance as per 31 December 2016	0	447,360	447,360

4. Short-term liabilities

All current liabilities fall due in less than one year. The fair value of the current liabilities approximates the book value due to its short-term character.

	31 December 2016	31 December 2015
	in €	in €
Accounts payable/creditors	<u>221,262</u>	<u>286,832</u>
	<u>221,262</u>	<u>286,832</u>

Accounts payable are mainly amounts payable to the amount of € 175,181 for (scientific) research in 2016, not yet formally invoiced by the researchers and institutes concerned. This item also concerns bank charges and audit fees (€ 6,655). These are paid in the first quarter of 2017 by the LRI. The amounts received in advance (€ 46,081) are also calculated under this item.

5. Commitments not included in the balance sheet

LRI has made commitments for 2017 and beyond for running research projects for a total value of €1,637,205.

III c. Notes to the Statement of Income and Expenses 2016

Amounts in Euros

5. Income

Each LRI partner has committed an annual contribution to the joint LRI research fund and contributes an equal share to the LRI running costs. In 2016 the current partners are: Netherlands Leprosy Relief (NLR), American Leprosy Missions (ALM), German Leprosy and Tuberculosis Relief Association (GLRA/DAHW), effect:hope (The Leprosy Mission Canada) and The Leprosy Mission International (TLMi). The Leprosy Mission Ireland (TLM Ireland) is supporting the running costs of the LRI. The Austrian Leprosy Relief Association (ALRA) co-finances a research project. The breakdown of the total income is as follows:

		Realisation 2016	Budget 2016	Realisation 2015
		in €	in €	in €
Income from contributors	ALM	265,920	266,000	187,920
	ALRA	0	0	59,129
	effect:hope	126,000	126,000	128,000
	GLRA/DAHW	176,000	176,000	180,000
	TLM International	126,000	126,000	130,000
	TLM Ireland	20,000	20,000	20,000
	NLR	390,000	390,000	390,000
	Others	0	0	222,587
Other income	Turing Foundation	21,849	25,000	23,118
		<u>1,125,769</u>	<u>1,129,000</u>	<u>1,340,754</u>

The total amount available for allocation in line with the objectives for 2016 arrived at: € 1,125,769.

The realisation of the total income in 2016 was for the major part according to the drawn up budget. In 2015 the realisation was higher due to the outstanding balances from contributors and the income received in advance in 2014 for 2015. From the Turing Foundation we received a contribution for the running costs of the LRI to the amount of € 21,849. This actual contribution was slightly lower than budgeted (€ 25,000) this is because the Turing Foundation contributes five percent of their actual co-funded allocated budget on project funding towards running costs as realised at the end of the year 2016. The total amount allocated to the research projects by the Turing Foundation was € 443,538 and by ALRA € 20,795 in 2016.

6. Expenses

The expenses involve mainly the funding of (scientific) research project costs. A total of 9 new projects started in 2016. Five projects were ongoing with start dates before 2015 under NLR, in the meantime four of these projects are completed in 2016. Please refer to the overview of research costs on page 11 for the specification of the project expenses. The LRI has spent a total of € 1,120,457 on research funding and running costs in 2016.

	Realisation 2016	Budget 2016	Realisation 2015
	in €	in €	in €
<i>Research</i>			
- Research projects funding	887,383	1,338,000	720,832
	<u>887,383</u>	<u>1,338,000</u>	<u>720,832</u>

The actual research project costs were 34% lower than budgeted due to two LRI projects which were scheduled at the end of the year to start with their activities. One project requested to start in January 2017 instead of October 2016 with their activities, this request was approved by the LRI. However the budgets for the research projects are year budgets and also allocated yearly, and from the moment a proposal is granted the project should start within six months. The research project overview on page 11 specifies the granted funds per (scientific) research project.

Including the amount co-financed by Turing Foundation the total budget allocated under the LRI policy in 2016 sums up to € 1,400,048.

	Realisation 2016	Budget 2016	Realisation 2015
	in €	in €	in €
<i>Running costs</i>			
- Staff, housing and office costs	157,557	175,000	178,426
- Other operating expenses	50,664	17,000	24,301
	<u>208,221</u>	<u>192,000</u>	<u>202,727</u>

LRI has no staff members, all staff is employed by NLR. Due to this fact, NLR runs the LRI's secretariat, therefore the running costs mainly involves wages, salaries, pension costs (insured with Pensioenfonds Zorg en Welzijn), social security charges to the amount of € 133,923 and other charged support costs for the LRI secretariat officers to the amount of € 23,634. These costs are reimbursed to NLR. In 2016 on average equivalents 1.84 fte were employed via NLR in the LRI secretariat in Amsterdam. The LRI has no staff employed abroad during 2016. For the LRI secretariat officers the NLR standard terms, benefits and conditions of employment apply.

In 2016 the total running costs were 8% higher than budgeted due to the appointment of an external interim secretary for the support of the LRI secretariat. This vacancy was budgeted under staff costs, however no staff was found for this position, therefore the LRI hired an interim secretary from January to July 2016, the fees for the external are taken under operating expenses. From August 2016, the vacancy of LRI secretary has been filled.

The staff costs for the LRI officers arrived at €133,924 and can be specified as follows:

	Realisation 2016	Budget 2016	Realisation 2015
	in €	in €	in €
Wages and salaries	101,891	111,000	105,255
Social security costs	17,074	17,000	16,630
Pension contributions	11,096	13,000	11,042
Other personnel costs	3,863	11,000	3,402
	<u>133,924</u>	<u>152,000</u>	<u>136,329</u>

Number of LRI employees on Dec. 31	3	3	2
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In addition to these staff costs for the LRI officers, the running costs also consist of the housing and general office expenses that cannot be directly allocated to the research projects. The other charged support costs involves the housing and general office expenses at € 23,634 in 2016. The total staff costs of the LRI amount to € 157,557. This was 23% lower than budgeted due to the appointment of the external interim officer. The expenditure on total running costs arrived at 8% higher than budgeted due to the costs for the interim officer. Due to lower expenditure in 2016 (34% lower than budgeted) to research projects, the running costs arrived at almost 19% of the realisation of total expenses, which is 8% higher than budgeted for 2016.

The Director of NLR and the Supervisory Board of the NLR and the Executive Group of the LRI, do their work on a voluntary basis and do not receive any remuneration for their activities.

INDEPENDENT AUDITOR'S REPORT

To: the Management Board and the Supervisory Board of
Stichting Leprosy Research Initiative.

A. Report on the audit of the financial statements 2016 included in the annual report

Our opinion

We have audited the financial statements 2016 of Stichting Leprosy Research Initiative based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting Leprosy Research Initiative as at 31 December 2016 and of its result for 2016 in accordance with the Guidelines for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board.

The financial statements comprise:

4. the Balance sheet as at 31 December 2016;
5. the Statement of Income and Expenses for 2016; and
6. the notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting Leprosy Research Initiative in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the Management Board's report;
- other information.

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Based on the following procedures performed, we conclude that the other information is consistent with the financial statements and does not contain material misstatements.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements. Management is responsible for the preparation of the other information, including the management board's report, in accordance with the Guidelines for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board.

C. Description of responsibilities regarding the financial statements

Responsibilities of the Management Board and the Supervisory Board for the financial statements

The Management Board is responsible for the preparation and fair presentation of the financial statements, in accordance with the Guidelines for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the Management Board is responsible for assessing the foundation's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the foundation or to cease operations, or has no realistic alternative but to do so.

The Management board should disclose events and circumstances that may cast significant doubt on the foundation's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for monitoring the financial reporting process of the organization.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements.

Our audit included e.g.:

- identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control;
- evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board;
- concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a foundation to cease to continue as a going concern;
- evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

Amsterdam, 8 June 2017

Dubois & Co. Registeraccountants

Origineel getekend door:
A.P. Buteijn RA

Overview of research projects with budget comparison 2016

Amounts in Euros

Project number		Budget 2016	Allocation 2016	Realisation 2016*)	In % of the budget
	1. Current research projects				
709.00.22	DSiN/Stigma Assessment and Reduction of Impact, follow up (2010-2016)	27,000	21,511	21,961	
701.03.52	KIT/Treatment of Early Neuropathy in Leprosy Trial (2010-2016)	31,000	29,210	29,210	
701.05.20	LWM/Macro and micro epidemiology of leprosy in Cebu (2011-2016)	45,000	44,685	44,684	
703.15.01	INF/Delays in diagnosis & treatment (April 2015-Jan 2018)	28,000	34,041	33,648	
703.15.10	TLMB/Contact cohorts (May 2015- Oct 2016)	28,000	27,567	27,568	
703.15.47	TLMB/Trial for effective plantar pressure (April 2015- March 2016)	2,000	2,376	2,376	
703.15.05	IDRI/Integration of rapid diagnostic tests to (May 2015- April 2019)	54,000	53,974	54,010	
703.15.50	DSiN/BRIDGES (July 2015 - June 2016)	50,000	49,471	63,729	
703.15.07	EUR/Field evaluation of novel immunodiagn. (Jan 2015- Dec 2018), INDIGO	169,000	168,778	168,778	
703.15.25	GHI/Earlier detection of leprosy (June 2015 - March 2016)	4,000	3,638	1,297	
703.15.40	LSHTM/Developm. & validation severity scale ENL (May 2015 - April 2016)	6,000	6,570	0	
703.15.43	HSRA/Internat.collaboration for translation of Mleprae (July 2015- June 2018)	52,000	52,440	52,491	
703.15.15	TLM India/Comparison of 3 types targeted community (Sept 2015- Aug 2018)	61,000	58,518	58,560	
703.15.45	FIOCRUZ/Evaluation of the qPCR in household contact (Aug 2015- July 2018)	27,000	27,400	27,425	
703.15.41	TLM Nepal/Helminth influences in leprosy (Sept 2015 - Aug 2019)	51,000	51,268	51,299	
709.00.20	SRC Spring & Autumn meeting (annually)	38,000	38,000	33,387	
704.16.06	READ/Social exclusion/inclusion and livelihood status (April 2016 - Dec 2016)	20,000	20,130	20,130	
704.16.16	TLMM/Burden of Treatment, Myanmar (Feb 2016 - May 2017)	24,000	21,843	22,030	
704.16.31	PUCP/Comparative sequencing, Brasil (April 2016 - March 2019)	19,000	18,716	18,714	
704.16.34	Enablement/Role of Christian churches, Nigeria (Feb 2016 - March 2018)	26,000	26,060	26,060	
704.16.36	Enablement Nepal/Agricultural Water Manag., Nepal (Jan 2016 - Dec 2017)	27,000	26,760	26,760	
704.16.43	IDEA/UN Guidelines Regarding Leprosy & Human Rights, US (April 2016 - Nov 2017)	34,000	34,310	34,310	
704.16.47	NLR Indonesia/Promoting inclusive & enabl. environm. (May 2016 - April 2018)	32,000	32,088	12,735	
704.16.49	NLR Indonesia/Map the Gap - Inclusive medical rehab (May 2016 - April 2017)	65,000	50,254	20,113	
704.16.57	SIH-R & LC/To identify Mycobacterium leprae, India (18 Jan 2016 - 18 Jan 2020)	36,000	36,107	36,107	
704.16.59	MSU/Biomarkers for early detection of leprosy, India/US (Jan 2017 - Dec 2019)	25,000	0	0	
704.16.71	ENLIST MTX - two randomised controlled trials in ENL, (Nov 2016 - Oct 2020)	257,000	0	1	
	Contingency fund (discontinued, added to budget for funding research projects)	100,000	0	0	
	Total research costs for current projects	1,338,000	935,715	887,383	0%
	2. Running costs (staff, housing and office costs)	175,000	175,000	157,557	-10%
	3. Other operating expenses	17,000	17,000	50,664	198%
	SUBTOTAL	1,530,000	1,127,715	1,095,604	-39%
	TOTAL	1,530,000	1,127,715	1,095,604	-39%

*) The realisation is excluding co-financing from Turing Foundation (€ 443,538) and ALRA (€ 20,795)

Budget Stichting Leprosy Research Initiative (LRI) 2017

Amounts x €1,000/ in Euro thousands

Main Group	Specification	Budget 2017	Realisation 2016	Budget 2016
<u>Income:</u>				
-Income from contributors *)	ALM	271	266	266
	GLRA/DAHW	181	176	176
	NLR	350	390	390
	effect:hope	131	126	126
	TLM International	131	126	126
	TLM Ireland	20	20	20
	ALRA	0	0	0
- Other income	Turing Foundation	23	22	25
Sum of income		1,107	1,126	1,129
<u>Expenses:</u>				
Expenses on the Objectives:				
-Research project costs		1,029	887	1,338
	TOTAL RESEARCH PROJECTS BUDGET	1,029	887	1,338
		1,029	887	1,338
-Running costs (via NLR) and other operating expenses		200	208	192
		200	208	192
Sum of expenses		1,229	1,096	1,530
Result		(122)	30	(401)
Accumulated joint fund balance 2016			0	
Accumulated joint fund balance 2017			30	

*) Turing Foundation has cofinanced a total of € 443,538 to research projects in 2016 (2015: € 457,502). ALRA cofinanced a total of € 20,795 towards one research project. The total allocated funding, including cofinancing by Turing Foundation and ALRA via the LRI is € 1,590,101 in 2016 (2015: € 1,575,502).

Multi Annual Budget Stichting Leprosy Research Initiative (LRI) 2017-2019

Amounts x €1,000/ in Euro thousands

This overview shows the budget and projection for the upcoming three years:

	Budget 2017	Projection 2018	Projection 2019
Income:			
Income from contributors	1,108	1,105	1,105
Sum of income	1,108	1,105	1,105
Expenses:			
Expenses on the Objectives:			
- Approved Leprosy research projects (ongoing)	872	541	612
- Funding of new research projects	158	364	293
	1,030	905	905
Running costs	200	200	200
	200	200	200
Sum of expenses	1,230	1,105	1,105
Result	(122)	0	0
	=====	=====	=====

Leprosy Research Initiative (LRI)

Management Board

From

Netherlands Leprosy Relief (NLR)

1-6-2015

Executives Group

The LRI Executives Group (EG) consists of the executive directors of the LRI partners.

Mr B. Simmons

President/Chief Executive Officer; American Leprosy Missions

Mr B. Kömm

Chief Executive Officer; German Leprosy Relief Association

Mr P. Derrick

Chief Executive Officer; effect:hope The Leprosy Mission Canada

Mr B. Morgan

Director; The Leprosy Mission International

Mr J. van Berkel

Director; Netherlands Leprosy Relief (Chair)