

The British Diabetic Association known as  
Diabetes UK

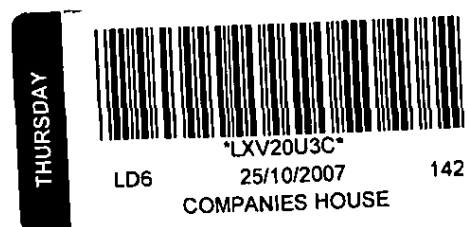
Company Number 339181

Charity commission registered number 215199

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## **Report and financial statements**

31 December 2006



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### Our mission

***To improve the lives of people with diabetes and to work towards a future without diabetes***

### Our vision

- ***To set people free from the restrictions of diabetes***
- ***The highest quality care and information for all***
- ***An end to discrimination and ignorance***
- ***Universal understanding of diabetes and Diabetes UK***
- ***A world without diabetes***

- Diabetes is a medical condition in which the amount of glucose (sugar) in the blood is too high because the body cannot use it properly. If left untreated or if badly controlled, it can lead to heart disease, stroke, kidney disease, blindness and lower limb amputation.
- Diabetes affects 6 per cent of the world's adult population and its prevalence is doubling every generation. Globally there are 246 million adults

- living with diabetes
- Nearly 2.5 million people in the UK have diabetes, and the numbers are increasing fast. There are also an estimated 500,000 people who have diabetes but don't know it.
- Three million people in the UK are expected to be diagnosed with diabetes by 2010.
- Diabetes UK is the leading charity for people with diabetes in the UK. We champion the rights of people with diabetes

to ensure they get the standards of healthcare they deserve. We provide information and support to people with diabetes and fund vital medical research into the condition.

## Chair's introduction

Prof Simon Howell

Diabetes continues to be a growing issue. Nearly 2.5 million people in the UK have diabetes, every minute of every working day another person is diagnosed with diabetes and there are estimated to be 500,000 people in the UK who have diabetes and do not know it. Diabetes UK is the major charity in the UK in the field of diabetes and faces significant challenges in responding to these statistics. We are determined to face these challenges, to the benefit of people with diabetes.

The 'Measure Up' awareness campaign aimed at people at risk of Type 2 diabetes was the largest and highest profile awareness campaign in the organisation's history, with posters at public transport areas, press coverage and various roadshows and events across the four nations. It reached more than 33 million people in the UK and resulted in more than 150,000 people being tested for diabetes.

In research we published a new research strategy and launched our biggest single call for research proposals to improve the care and treatment of diabetes and its complications and received a large number of outstanding proposals for projects which aim to improve the lives of people with

diabetes in the near term. Research spend increased by 40 per cent to £6.6 million in 2006.

The charity also carried out a review of its *strategy* and produced its first three-year business plan, the aim of these initiatives being to achieve a step change in performance of Diabetes UK in the next three years. To help facilitate the delivery of this plan the organisation was restructured in early 2007 to more closely align directorates with the new strategic priorities.

Diabetes is a worldwide problem and as one of the world's leading charities in this field we take our *international leadership* responsibilities very seriously. Diabetes UK has been proud to be closely involved in facilitating the passage of an UN resolution on diabetes, for the first time governments have acknowledged that a non-infectious condition poses as serious a threat to world health as infectious diseases. We have also established a twinning link with Mozambique, which is a fellow member of the Commonwealth, in order to provide practical diabetes support and training in this very poor country.

As you will see from the following report the year has

been very encouraging in terms of income growth (9.75 per cent year on year), but also in terms of what we have achieved with that money.

Finally I would like to personally thank the staff of the charity, who under the leadership of the Chief Executive, Douglas Smallwood, have worked hard to achieve our objectives. Thanks and gratitude are also due to the Trustees and to our Advisory Council as well as to the thousands of members and volunteers who have tirelessly devoted their time to raising money and providing support and information locally to people with diabetes. Without their support we would not be able to do as much as we do.

This year's report provides an overview of our activities and achievements in 2006 and a snapshot of where we are going in 2007.

Prof Simon Howell

## Review of the year – the year in context

### Diabetes in the UK

Nearly 3 million people in the UK are currently living with diabetes and of these over 500,000 are undiagnosed. The number of people diagnosed has risen by 100,000 people in the last 12 months. Diabetes is one of the greatest health challenges facing the UK today. Diabetes is a growing problem and one where real action is needed to support those with the condition.

#### Type 2 diabetes

Another person is diagnosed with Type 2 diabetes every five minutes in the UK. There are currently over 2.2 million people diagnosed with the condition. This number has increased by around 50 per cent in less than 10 years.

#### Type 1 diabetes

Type 1 diabetes is also on the increase in the UK. There are now around 250,000 people who live with daily injections and the threat of sight, kidney, nerve and heart problems.

#### The impact

Diabetes has a profound impact on health, quality and length of life. People who live with diabetes have a high risk of heart disease, stroke, blindness, kidney disease and amputations. It is the leading cause of blindness in the working age population and across the UK 1,000 people with diabetes start kidney dialysis every year. Up to 5 per cent of NHS expenditure is spent on diabetes, accounting for over £3.5 billion annually. Much of this figure is spent on dealing with the complications of diabetes.

Unfortunately it is expected that the number of people diagnosed with diabetes in the UK will increase over the next few years. By 2010 it is estimated that over

5 per cent of the population of England will have diabetes. This is a 15 per cent increase in prevalence between 2001 and 2010, 40 per cent of which is due to an ageing population and 60 per cent due to increasing obesity. Diabetes is a long-term condition for which early identification and good self-management can make all the difference to quality of life. Action is needed to raise awareness and enable those people at high risk to reduce their risk.

Many factors are driving the explosion in the number of cases of diabetes. Increasing numbers and failures in care are putting lives at risk. Unless something is done to tackle the causes and the effects of diabetes, it will continue to take a massive and ever increasing toll.

#### Diabetes worldwide

- Globally there are 246 million adults living with diabetes, representing 6 per cent of the adult population and the numbers are increasing by 7 million per year.
- If left unchecked, it is projected that by 2025 there will be nearly 380 million adults with diabetes worldwide. This is more than the current adult population of the African region.

Prevalence estimates of diabetes, 2007 (Diabetes Atlas IDF)

- UK – 4%
- USA – 9.2%
- Italy – 8.7%
- India – 6.2%
- Netherlands – 7.3%

#### UN resolution on diabetes

The United Nations (UN) General Assembly passed a landmark resolution in December 2006 that recognises the global threat of diabetes and encourages action to fight the epidemic. For the first time, governments have acknowledged that a non-infectious condition poses as serious a threat to world health as infectious diseases such as malaria and HIV/AIDS.

Diabetes UK along with 150 other diabetes-related organisations has backed the International Diabetes Federation's (IDF) 'Unite for Diabetes' campaign. The campaign has been a huge global effort involving both a top-down political approach and a grass-roots awareness movement on behalf of the 246 million people living with diabetes and many millions more at risk.

## Review of the year – our aims

### Our targets for 2006

**Our vision for the future is more relevant than ever when you look at the increasing numbers of people living with diabetes here in the UK. As in 2005, we set ourselves very specific targets for 2006, in line with this vision and the priorities identified in our strategic plan (2004 – 2007).**

#### Strategic priority 1

To improve the care and lives of people with diabetes

##### 2006 objectives

- A demonstrable increase in patient access to services including the support they receive from Diabetes UK on a nation-by-nation basis
  - a quantifiable increase in access to retinal screening by digital camera on a nation-by-nation basis (all nations)
  - a quantifiable increase in access to structured diabetes education on a nation-by-nation basis (all nations)
  - a quantifiable increase in access to quality paediatric services (England, Scotland)
  - a quantifiable increase in access to psychological and emotional support (Northern Ireland, Wales)
- Exponential increase in awareness and understanding of diabetes amongst our target audiences including those at risk of diabetes (50 per cent over two years)
- 190,000 members by the end of 2006, including exponential growth amongst young people, black and ethnic minority groups and professionals working in primary care. Medium term objective remains at 250,000

- Successful championing of the rights of people with diabetes under the Disability Discrimination Act to ensure equality

#### Strategic priority 2

To develop a research programme, which addresses the needs of people with Type 1 and Type 2 diabetes now whilst striving towards our goal of a world without diabetes

##### 2006 objective

- Rollout of the agreed new Research Strategy and research management process including consultation High quality information to all our stakeholders about what we are funding and the difference it will make to the lives of people with diabetes including timeframes

#### Strategic priority 3

To generate and use our resources effectively

##### 2006 objectives

- Income to grow year on year by 20 per cent in 2006
- Operational excellence – each team to identify who its customers are (external and internal) and to implement a plan to improve their service to them. Survey at the end of 2006 to show the quality of our service is excellent

#### Targets

These targets were set after talking to many of the groups we work with and on behalf of. We believed (and still do) that these were some of the most important things we should aim for in 2006 and into 2007. Obviously they don't cover all of our work but they gave us a clear focus and specific goals to aim for.

#### So how did we do?

The next few pages outline how we actually did against these key targets for 2006.

## Review of the year – our aims (continued)

### Access to services

**Our goal is that every person with diabetes should receive excellent quality of care, regardless of where they live in the UK. As this quality of care varies from area to area, our priorities varied for each of the four nations. Our specific goal for 2006 was to see a demonstrable increase in patient access to services including the support they receive from Diabetes UK.**

#### What we did in 2006

- With the NDST (National Diabetes Support Team), we published a toolkit for primary care trusts and course providers to assess their levels of education provision and standard of courses against NICE criteria for structured patient education
- We have launched Diabetes InfoBank, an interactive, user-friendly information and campaigning tool for assessing and comparing the quality of diabetes services across the UK
- We campaigned to increase access to retinal screening across all the nations
- In England we attended diabetes meetings, PCT (Primary Care Trusts) meetings and provided support to individual DCN's (Diabetes Campaigners Networks) and voluntary groups to convey the importance of good structured education
- In Scotland, we campaigned to increase access to structured education and supported the Scottish Diabetes Group and conference on structured education
- In Wales, we lobbied local health boards (LHBs) and the Welsh Assembly Government to improve their education provision

- We provided training, resource packs and newsletters to volunteers and user representatives on how to influence the NHS and improve diabetes services
- In Northern Ireland, we worked in partnership with the EHSSB (Eastern Health & Social Services Board) developing guidelines for structured patient education for adults with Type 2 diabetes

#### Results

- Official figures and user experiences suggest that InfoBank is one of the most authoritative sources of data available on diabetes services provision
- Our *State of the Nations* report suggests that 90 per cent of our members were screened for retinopathy in the last 12 months as compared to 60 per cent nationally
- Retinopathy screening has now been commissioned in all Welsh local health boards. We secured funding for a retinopathy campaign with the RNIB in Scotland
- Counties in England are developing their own structured education programmes to meet National Institute Of Clinical Evidence (NICE) criteria
- Publication of *Scottish diabetes*

- action plan* which includes commitment to structured education for people with both Type 1 and Type 2 diabetes
- LHBs in Wales are running educational courses and central funding has been made available to support the training of LHB staff in the X-PERT programme
- The partnership work in Northern Ireland has resulted in the EHSSB issuing guidelines to local health trusts on the content of structured patient education for adults with Type 2 diabetes

#### Impact

- Positive impact on the lives, care and treatment of people with diabetes
- Through InfoBank, people with diabetes have thorough and accurate depictions of diabetes services in their area
- Improved structured education programmes lead to better self-management and outcomes
- It remains of the utmost concern that only approximately 10 per cent of people with diabetes report that they have had any structured patient education. This contrasts with the NICE guidelines that all people with diabetes should receive education to the high standards they specify

## Review of the year – our aims (continued)

### Awareness

**We want to increase levels of understanding and awareness of diabetes and Diabetes UK by 50 per cent over two years. This is part of our drive to not only support people who are aware they have diabetes but to try and reach the 500,000 others who have diabetes but don't know it.**

#### What we did in 2006

- In September we launched our 'Measure Up' awareness campaign, supported by an educational grant from Sanofi-aventis, which was the largest and highest profile awareness campaign in the organisation's history. Its main aim was to reach the 500,000 people who have diabetes but are unaware of it.
- We launched our first integrated UK-wide training for our volunteers including giving talks on diabetes, running a voluntary group and supporting the newly diagnosed.
- We continued to work in collaboration with our corporate partners - including Lloyds Pharmacy and United Co-op. This allowed us to promote our key messages about diabetes to a much wider audience.
- The millionth person was screened as a result of our partnership with Lloyds Pharmacy - a total of 250,000 people were screened in 2006.
- We have embarked on a Charity of the Year partnership with United Co-op. They have pledged to raise a minimum of £150,000 through various fundraising initiatives, although we have been advised that substantially more than this has been raised.
- Awareness of Diabetes UK amongst the general public on an unprompted basis increased from 5 per cent to 7 per cent. Prompted awareness has fallen slightly and has resulted in the combined awareness being marginally lower than last year - 36 per cent compared with 40 per cent at the end of 2005. This is obviously a disappointing result but the trend is in line with the experience of many other medical charities.

poll immediately after the campaign demonstrated that the campaign directly resulted in raising the awareness of Diabetes UK, creating the largest increase in the organisation's 73 year history. This however decreased as time post the campaign elapsed.

- The response to the campaign was excellent, with one in eight people who saw the campaign acting upon it. More than a third of those who saw the campaign recognised that having a large waist can increase their risk of developing Type 2 diabetes.
- As well as raising awareness of diabetes and Diabetes UK, the funds raised from our Charity of the Year partnerships will go towards Diabetes UK's work in providing information, education and support for people living with diabetes, including Children's Support Events.

#### Results

- The Measure Up campaign reached more than 33 million people in the UK and resulted in more than 150,000 people at risk of diabetes getting tested for the condition. The campaign was also a success politically with all the major political parties supporting the campaign.

#### Impact

- The Measure Up campaign has been really successful in persuading people to take a diabetes test and raising awareness of Diabetes UK. The results of the Ipsos-MORI

*"The Government values the dedication and application of Diabetes UK in addressing diabetes issues. I wish you a successful awareness campaign."*

**Prime Minister, Tony Blair**

## Review of the year – our aims (continued)

### Membership

**A target of 190,000 members by the end of 2006 including exponential growth amongst young people and black and ethnic minority groups. To develop our stance as a campaigning organisation by successfully championing the rights of people with diabetes under the Disability Discrimination Act to ensure equality.**

#### What we did in 2006

- We have developed our events to reach a wider audience including delivering special events targeted at black and ethnic minority (BME) audiences and 18-25 year olds
- In Scotland, we held youth summits and family network days to reach more young people and families
- We launched our online membership tool as well as deploying a wide range of marketing activities including direct mail and inserts in our various publications and through search engines
- Additionally we developed new welcome packs for our lay and healthcare professional members

- We campaigned against discrimination in the emergency services such as the police force. We launched a report "Diabetes and the Police Officer" in collaboration with the Disability Rights Commission containing recommendations on the appropriate attitude towards those with diabetes in the police force

#### Results

- Our new events were very positively evaluated by those who attended them with people wanting to attend a similar event in the future
- 24,800 people with diabetes, their families and carers joined Diabetes UK in 2006 and at the year end our

membership was just under 180,000

- We recruited 1,200 professional members

#### Impact

- There are no longer blanket bans on people with diabetes who are insulin dependent in the police force. Our report *Diabetes and the police officer* has been endorsed by the Metropolitan Police
- We are reaching out to more people with diabetes who need our support. By the end of 2006, our members were receiving the very latest information and support to help them manage their own diabetes or help others with their diabetes



## Review of the year – our aims (continued)

### Research

Research into the care and treatment of diabetes and the search for a cure remain the number one priority for most of our members and supporters. A priority for us, therefore, was to rollout the agreed new research strategy and research management process including consultation. Also to provide high quality information to our stakeholders about what we are funding and the difference it will make to the lives of people with diabetes including timeframes.

#### What we did in 2006

- In July 2006, we launched our biggest ever single call for research proposals to improve the care and treatment of diabetes and its complications
- We continued to publish *Research matters* three times a year, with updates on recently funded emerging projects, about the findings of ongoing work and about the outcomes from completed research
- We increased our funding levels for research grants and PhD studentships

#### Results

- An expert panel approved 13 applications under the heading 'care and treatment' resulting in us committing £4.1 million of funding. They had been assessed on their potential to make a difference to the care and treatment of people with diabetes in the short, medium or long-term. The call brings our spend in 2006 on research into the care and treatment, cause and prevention and cure of diabetes to over £6.6 million
- The Research department was awarded a Certificate of Best Practice by the Association of

Medical Charities (AMRC) as a result of its detailed examination of our peer review processes. The AMRC certificate is the charity sector's kite mark for excellence

- Increase in levels of funding to make Diabetes UK more competitive with other funding bodies and to make our schemes attractive to those researchers either working in or wishing to work in the field of diabetes
- Our publication *Research matters* has continued to develop. This publication provides a good overview of our research projects for the non healthcare professional audience

#### Impact

- The research community will now be aware that Diabetes UK is open and transparent in the way that it makes decisions on research grant applications and that it operates at the highest professional standard as evidenced by increased numbers of applications for research grants
- The applications that were awarded funding will impact

on the lives of people with diabetes

- Diabetes UK seen as a significant funder of diabetes research and we have an increased ability to attract young researchers into diabetes research through a competitive PhD studentship scheme

#### Queen's Anniversary Prize for pioneering Exeter diabetes researchers

Professor Andrew Hattersley and team of the Peninsula Medical School in Exeter were awarded The Queen's Anniversary Prize for their world-class work in combating diabetes. Their research which was partly funded by Diabetes UK has meant that hundreds of patients, many of them children or babies, have been able to come off insulin and transfer to tablets, dramatically improving their quality of life.

*To find out more about the significant advances made as a result of research funded by Diabetes UK visit*  
[www.diabetes.org.uk/research](http://www.diabetes.org.uk/research)

## Review of the year – our aims (continued)

### Income

**We must continue to increase our income so that we can support the increasing number of people with diabetes in the UK: raising awareness of the condition so that more people recognise that they are at risk of developing this serious condition; giving them high quality information so that they can manage their diabetes; campaigning for the best care and treatment; and continuing to invest in research.**

#### What we did in 2006

Examples of what we did in 2006

- We organised a number of events, treks and other sporting events that were supported hugely by our members, their families and friends
- We worked with companies and charitable trusts to generate funds and raise awareness
- We continued to promote our Weekly Lottery, developed a new format for prize draws and trialled face to face fundraising

A detailed breakdown is available on page 14 but here are a few highlights

#### Results

- Thanks to the generosity of those who remembered us in their wills, Diabetes UK received £8.2 million from legacies in 2006
- Membership income increased by 10 per cent to £2.6 million
- Lottery income was over £1.6 million (including the Weekly Lottery)
- Our dedicated national and regional fundraisers raised over £2.1 million with a huge range of local fundraising activities
- Our 384 voluntary groups continued to organise events and exhibitions and raised £1.3 million
- Over £1 million was donated by people who have set up a direct debit or standing order on behalf of Diabetes UK
- Total income growth of 9.75 per cent was achieved

#### Impact

- Membership income was up 9 per cent on 2005
- After a successful launch in 2005, the Weekly Lottery is now a stable income source
- Overall increase in the number of new individual supporters whilst retaining existing ones
- Increased income allowed us to undertake new activities such as road-shows and the Measure Up campaign
- Our research spending increased from £4.7 million in 2005 to over £6.6 million, an increase of 40 per cent

## Review of the year – our aims (continued)

### Operational excellence

**Diabetes UK does not own buildings or land. Our assets are our members and supporters and our reputation. That's why it's important to give all our 'customers' great service all the time. We want these customers to feel that the service they get from Diabetes UK is excellent.**

#### What we did in 2006

- We have continued to introduce and develop the formal process with which we deal with complaints across the charity. Phase two of our customer service standards is 90 per cent in place
- We asked our supporters for their opinions on our Careline, our conferences and events and our publications. We rely on the feedback from our members and supporters in order for us to ensure we are providing the highest standard of service at all times
- We have consulted widely with our stakeholders on a number of issues during the year, including the development of the strategic review and the development of our first documented research strategy

#### Results

- 90 per cent of evaluations of our food labelling guide rated as very good
- 90 per cent of contacts to Careline rated the service as very good
- 92 per cent of delegates reported that our Annual Professional Conference was good or excellent
- 90 per cent of our members are very or quite satisfied with our magazine *Balance*
- 83 per cent of our members get most of their diabetes information from *Balance* - this is more than from any other source (including healthcare professionals)

#### Impact

- Retention of members and supporters - 87 per cent of our lay members renewed their membership
- Percentage of our total spend on support services reduced from 17.9 per cent to 17.7 per cent. This results directly in more funds being available for front-line services to people with diabetes

## Review of the year – our aims (continued)

### Volunteers

Volunteers are at the heart of Diabetes UK, and without their support we could not carry out our vital work in research, education and care. Diabetes UK has over 10,000 volunteers throughout the UK and they help in many ways. Our aim is to provide them with as much support and information as they need in order to help them carry out their volunteering in the most effective ways possible.

#### What we did in 2006

- We trained 188 user representatives and campaigners in how to influence the NHS
- We launched our first integrated UK-wide training - over 850 volunteers attended training on a range of issues including giving talks about diabetes, running a voluntary group and supporting the newly diagnosed
- We continued to send out our volunteer newsletter *Get involved* to all voluntary groups
- We supported the establishment of 11 new voluntary groups
- We introduced a variety of new ways for volunteers to get involved including speaker scheme training and through setting up websites

#### Results

- 82 per cent of attendees at the NHS training feel confident about their ability to influence diabetes services after attending the events
- 84 per cent of volunteers feel Diabetes UK gives them the support and information they need to help them carry out their volunteering
- 80 per cent of volunteers trained in 2006 feel valued by Diabetes UK

#### Impact

- Our volunteers have supported and contributed to family network days and weekends
- They have helped petition for an end to blanket bans against insulin users who wish to drive a taxi
- They have raised vital funds and awareness to help us improve the lives of people with diabetes and work towards a future without diabetes

## Review of the year – our aims (continued)

### Nations and Regions

**Our national and regional structure is a very important way of reaching people locally and we have invested a significant amount of time and resource in getting this set up and operating effectively.**

#### What we did in 2006

- The Measure Up campaign was rolled out in Scotland, Wales and Northern Ireland as well as in the English regions
- Throughout the nations in 2006 fundraising activities such as Walks in the Park and the Hummingbird Balls were held raising both vital funds and awareness
- Family network days, support weekends and youth summits were held across all the nations and regions of Diabetes UK
- The Eastern regional manager worked with the East Anglian Ambulance Trust on a project leading to improved protocols for dealing with people having a diabetic emergency (usually a hypo) where ambulances are called
- The West Midlands office held 10 public meetings jointly with PCTs enabling over 2,000 people to attend
- The South West region pushed for and then recruited two user representatives to sit on the Dorset and Somerset SHA-wide programme implementation team
- Additional lobbying resulted in the first paediatric representative on the implementation team
- Following continued campaigning by the South West office and the local voluntary group, the PCT agreed to recruit a new PDSN in Swindon
- The London region successfully promoted Diabetes UK as charity of the year for Notting Hill Carnival
- A Food and Wine event was held in London with celebrity chef, Aldo Zilli, sponsored by SEGRO and supported by major donors and corporate partners

#### Results

- The Measure Up campaign attracted national TV, radio and newspaper media coverage as well as support from local politicians
- Thousands of people took part in our Walks in the Parks across the UK in 2006
- The charity balls raised thousands of pounds and

awareness in diverse communities and corporate organisations of the seriousness of diabetes

£70,000 was raised by the Edinburgh and Glasgow balls alone and £40,000 by London's Food and Wine event

- Northern Ireland delivered improved camp holidays on last year, despite staff and healthcare professional shortages

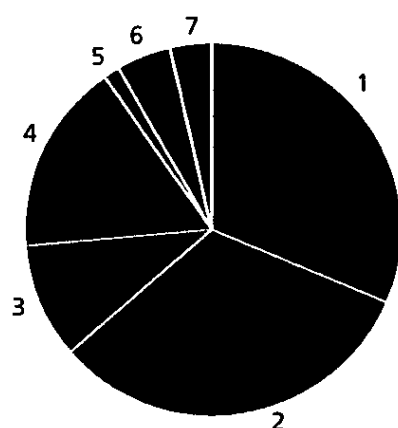
#### Impact

- Reached millions of people across the UK through the Measure Up campaign - highlighting the dangers of diabetes
- Improved care and education for people with diabetes and healthcare professionals across the UK
- People with diabetes given a voice - by holding their local PCOs accountable for diabetes services at public meetings

## Review of the year

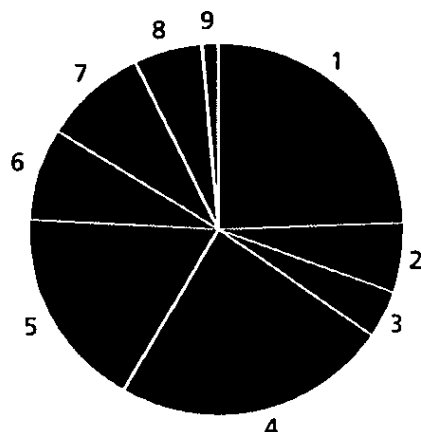
### Financial summary

Where the money came from



- 1 ■ Legacies £8.2m
- 2 ■ Donations £8.4m
- 3 ■ Membership £2.6m
- 4 ■ Income from trading £4.3m
- 5 ■ Investment income £0.4m
- 6 ■ Income from conferences £1.2m
- 7 ■ Income from charitable activities £0.9m

Where the money is spent



- 1 ■ Research £6.6m
- 2 ■ Publications £1.9m
- 3 ■ Healthcare and policy £1.3m
- 4 ■ Care and campaign £5.8m
- 5 ■ Fundraising £4.7m
- 6 ■ Membership £2.1m
- 7 ■ Trading £2.4m
- 8 ■ Conferences £1.6m
- 9 ■ Governance £0.3m

## Review of the year

### Financial review

The income in the year increased by £2.3m (9.7%) over the income for 2005. The two main areas of growth are in voluntary income, which increased by £1m (5.6%) and trading which increased by £1.1m (35%).

The main contributor to the growth in voluntary income was legacies where the income increased by £0.4m and membership where it increased by £0.2m.

However, the cost of generating the voluntary income increased by £0.8m. The increase in costs arose in the area of donations, which reflects an increased investment in this area to secure more regular donations. The pay back for this type of investment is four to five years to achieve a Return on Investment of three times.

For trading income the main increase arose in the area of corporate sponsorship primarily due to a large donation to support the awareness campaign. The other area where income grew was in lotteries where the weekly lottery has been running for a full year and where the prize draws exceeded our expectations.

As in previous years the income generated from cards and

publications was less than the cost. This is because publications fulfil the joint purpose of generating income and also providing information to people with diabetes.

The expenditure on our charitable activities has increased by £2.7m (19%) from 2005. The expenditure increased in all three of our charitable activities. The largest increase was in research where it increased by £1.9m (40%) over 2005. This increase was due to increases in the number of grants awarded in the year via the normal grant rounds and also a highly successful call for care (special extra grant round) for £3m where the size of individual grant was not capped. Publications, care and information is a major area of expenditure which supports our objectives of access to services and awareness. There was an increase in expenditure in this area of £0.5m (6.1%). Our conferences are a key way of providing information and support. This year, as in previous years, they were run at a loss (on full recovery).

During the year a fraud committed by an ex-employee was identified. This was immediately handed over to the police who have a warrant to arrest the person and are intending to prosecute. The

amount concerned was £0.27m and has been included in the support costs. The controls have been reviewed and measures put in place to ensure as far as possible that this cannot happen again. The Charity Commission has been notified and is being regularly updated on progress.

Overall the year finished with a small deficit (£0.76m) in the resources (expenditure greater than income). However this was offset by gains in the investments, which performed very well, and a reduction in the deficit of our defined benefit pension scheme. This means that at the end of the year there was a surplus of £0.67m which has bolstered our reserves. The year concluded with free reserves (as defined) of £8.95m which will stand the Charity in good stead as it commences its ambitious three year plan.

The cash position at the end of the year was very healthy with £5.5m held on deposit. Throughout the year cash is monitored very carefully as timing of events and seasonality can have quite an impact. We have a Key Performance Indicator (KPI) to hold a minimum of one month's cash and this was comfortably adhered to throughout the year.

## Review of the year - next year

### Where we are heading

Hopefully the previous section has provided a good overview of how we've done in 2006. In 2006 we also reviewed our strategy and developed a strategic plan for 2007. This plan builds on what we have achieved to date.

The objective is to work smarter and more effectively and thereby in turn to achieve even more for people with diabetes

The strategy was approved by the Board in September 2006. It was the result of probably the largest consultation exercise in our history. Every group of stakeholders was consulted over a period of over six months. This strategy review has enabled us to develop the Three Year Business Plan which is robust and sets out a step change in our results and impact including:

- Reaching 1.5 million people with diabetes from the current 600,000 with information on diabetes and living with diabetes
- Almost halving the number of people who are undiagnosed
- Doubling the number of people at high risk of diabetes who are aware of the risk factors (40%)
- Relationships with 100% of primary care organisations across the UK driven by 2,500 trained campaigners
- 4,500 volunteers trained over three years
- Commitment to tackle diabetes in every major political party manifesto at the next general election
- Launch at least three new business streams
- Become a valued and recognised successful advocate on behalf of individuals facing discrimination or inequality
- Nearly doubling the scale of our activity

The key to maximising our impact is to ensure effectiveness and efficiency. The organisation 'pyramid' describes the alignment between our mission, strategic priorities and the main activities we must deliver in order to achieve those priorities. The "enablers" are those crucial areas of our work which span all our main activities and without which those activities would not be delivered. We have restructured our organisation so there is clear responsibility at director level for each of the key priorities and main enablers. Clarity of purpose combined with alignment between activities and strategy enables us to work even smarter.

Our new strategy can be seen on the website [www.diabetes.org.uk](http://www.diabetes.org.uk)

As in previous years we have set key objectives for the year to help us focus our efforts and maximise our effectiveness.

#### Key objectives for 2007

##### Awareness

- 25% increase in awareness of diabetes risk factors and Diabetes UK
- 20,000 people attending our roadshows and 2,500 people screened at them
- 191,000 members

##### Information

- Survey to provide evidence that our information is being accessed by 20% more people, i.e. 600,000

#### Best care for all; reaching all; representing all

- 1,500 volunteers trained
- Offer advocacy services to people with diabetes
- Pilot new services and then secure rollout

#### Research

- Research priorities established and care and treatment priorities recommended jointly by the Research and the Care teams

#### Enablers

- Income £30 million
- Customer service survey showing 90% consider it good or very good

#### You can help

Diabetes UK only exists because of the generosity of thousands of people and organisations who give money and time in support of our work.

#### Some ways you can help:

- Become a member of Diabetes UK
- Make a donation
- Take part in one of our fundraising events
- Talk to your employer about payroll giving
- Join your local Diabetes UK voluntary group
- Encourage your company to make us their Charity of the Year
- Volunteer for one of our care support events
- Remember us in your will
- Gift aid your donations



## Legal and administrative information

### Statutory details

Central Office and  
Registered Office  
Macleod House  
10 Parkway  
London NW1 7AA  
**Tel** 020 7424 1000  
**Fax** 020 7424 1001

Diabetes UK Careline  
**Tel** 0845 120 2960

A company limited by guarantee  
Registered in England  
Registration number 339181  
Registered charity number  
215199  
Member of the International  
Diabetes Federation

#### Regional and National Offices

Northern Ireland  
Bridgewood House  
Newforge Business Park  
Newforge Lane  
Belfast BT9 5NW  
**Tel** 028 9066 6646  
**Fax** 028 9066 6333

North West  
First Floor, The Boultings  
Winwick Street  
Warrington WA2 7TT  
**Tel** 01925 653281  
**Fax** 01925 653288

Scotland  
Savoy House  
140 Sauchiehall Street  
Glasgow G2 3DH  
**Tel** 0141 332 2700  
**Fax** 0141 332 4880

Northern & Yorkshire  
Sterling House  
22 St Cuthbert's Way  
Darlington DL1 1GB  
**Tel** 01325 488606  
**Fax** 01325 488816

Wales  
Quebec House Castlebridge  
Cowbridge Road East  
Cardiff CF11 9AB  
**Tel** 029 2066 8276  
**Fax** 029 2066 8329

West Midlands  
1 Eldon Court  
Eldon Street  
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**Tel** 01922 614500  
**Fax** 01922 646789

East Midlands  
Rodney House  
Castle Gate  
Nottingham NG1 7AW  
**Tel** 0115 950 7147  
**Fax** 0115 950 7386

South West  
Victoria House  
Victoria Street  
Taunton TA1 3FA  
**Tel** 01823 324 007  
**Fax** 01823 324 550

Eastern  
Ground Floor  
8 Atlantic Square  
Station Road  
Witham  
Essex CM8 2TL  
**Tel** 01376 501390  
**Fax** 01376 505250

South East  
Blenheim House  
1 Blenheim Road  
Epsom  
Surrey KT19 9AP  
**Tel** 01372 720 148  
**Fax** 01372 731 379

## Legal and administrative information (continued)

### Statutory details

#### Our Patron

Her Majesty The Queen

#### Our President

Mr Jimmy Tarbuck OBE

#### Our Vice-Presidents

Professor Sir George Alberti

Mrs Barbara Elster

Mrs Anne Felton

Dr Michael Hall

Sir Michael Hirst

Professor Harry Keen CBE

Mrs Judith Rich OBE

#### Our Honorary Vice-Presidents

Mr Gary Mabbutt MBE

Sir Richard Nichols

Sir Steven Redgrave CBE

#### Board of Trustees

Professor Simon Howell (Chair) (appointed Chair 17 February) <sup>1 3 4</sup>

Mr John Grumitt (Vice-Chair) (appointed Vice-Chair 17 February) <sup>2 3</sup>

Mr Graham Spooner (Treasurer) <sup>1 2 3</sup>

Dr Stephen Beer (resigned 30 September 2006)

Ms Renata Drinkwater <sup>4</sup> (appointed to TSC 24 November 2006)

Ms Alison Finney <sup>4</sup>

Mr Peter Gibson (resigned 30 September 2006 and re-appointed 13 December 2006)

Sir Michael Hirst (retired 30 September 2006) <sup>2 4</sup> (retired as Chair 17 February 2006)

Mrs Helen Husband

Dr Niti Pall <sup>1</sup> (appointed to FSC 19 January 2007) <sup>2</sup>

Mr Ian Powell

Ms Lubna Kerr (appointed 13 December 2006)

Dr Mayank Shah (appointed 13th December 2006) <sup>2</sup> (appointed to PRSC on 19 January 2007)

Professor Mark Walker

#### Senior Management Team

##### CEO:

Mr Douglas Smallwood

##### Directors:

Mrs Dawn Jackson

(resigned 8 March 2007)

Mr Simon O'Neill

Dr Angela Wilson

Mrs Rosemary Thomas

Miss Penny Mordaunt

(appointed 3 April 2006)

Ms Estelle Burns

(appointed 20 March 2007)

Mr Michael Hales

(appointed 21 May 2007)

#### Advisors

##### Auditors

Grant Thornton UK LLP

Grant Thornton House

Melton Street

London NW1 2EP

##### Investment Managers

Barclays Private Bank Limited

43 Brook Street

London W1Y 2PB

##### Solicitors

StoneKing LLP

28 Ely Place

London EC1N 6TD

##### Bankers

National Westminster Bank plc

Marylebone & Harley St Branch

PO Box 2021

10 Marylebone High Street

London W1A 1FH

<sup>1</sup> Finance Subcommittee member

<sup>2</sup> Performance Review Subcommittee member

<sup>3</sup> Remuneration Sub-group member

<sup>4</sup> Trustee Subcommittee member

## Report of the Board of Trustees

### Principal aims and activities

The work of Diabetes UK is governed by the Memorandum and Articles of Association amended by Special Resolution passed on 4 September 2006

### The objects of

#### Diabetes UK are:

- 1 The relief of those who have diabetes and its related complications and the support of those who care for them
- 2 The promotion and the welfare of those living with diabetes and its related complications and those who care for them
- 3 The advancement of the understanding of diabetes by the education of those who live with the condition, the health professionals and others who care for them and the general public
- 4 The promotion and funding of research related to the causes, prevention and cure of diabetes and improvements in the management of the condition and its complications and the publication of the useful results of such research

**Diabetes UK's mission is to improve the lives of people with diabetes and to work towards a future without diabetes.**

#### Specifically our vision is:

To set people free from the

restrictions of diabetes

- The highest quality care and information for all
- An end to discrimination and ignorance
- Universal understanding of diabetes and of Diabetes UK
- A world without diabetes

In striving to achieve our mission, Diabetes UK is working to a three-year strategic plan, which runs from 2004 – 2007. This plan is framed around three priorities

#### These priorities relate to our core work and are:

- To improve the care and lives of people with diabetes
- To develop a research programme, which addresses the needs of people with Type 1 and Type 2 diabetes now, whilst striving towards our goal of a world without diabetes
- To generate and use our resources effectively

A copy of the Diabetes UK plan 2004 – 2007 can be found on our website [www.diabetes.org.uk](http://www.diabetes.org.uk)

#### Review of the year

For a review of Diabetes UK's main activities, achievements and developments during the year please see pages 4-16

#### Structure, governance and management

Diabetes UK (the operating name of The British Diabetic

Association, company limited by guarantee) was incorporated in 1938 and is governed by Memorandum and Articles of Association and Standing Orders. The charity operates out of offices in all four nations of the United Kingdom, and is registered at Macleod House, 10 Parkway, London NW1 7AA.

The governing body of the charity is the **Board of Trustees**, which consists of eight elected members and, in order to fill any diversity gap, up to four co-opted members. Elections are held annually and voted on by the UK Advisory Council (UKAC), after scrutiny by the Trustee Subcommittee to ensure that each applicant has the necessary skills and experience to lead a charity. Co-options, and the election of the chair and vice-chair, are matters reserved to the Board. On appointment, trustees receive an induction pack and attend an induction programme which focuses on their role and responsibilities and the governance and structure of the charity. They are also required to sign-up to a code of conduct, which requires amongst other things the disclosure of certain financial interests. Trustees can serve a maximum of four, three-year terms.

The Board meets seven times per year, including at an Away Weekend to review strategy and performance (including that of

## Report of the Board of Trustees (continued)

the Board), together with the Chief Executive and his Senior Management Team (SMT) Presentations before and during Board meetings keep the trustees informed about the operations of the charity and the latest developments in the charity and health sectors

The Board has a number of Subcommittees, each with specific Terms of Reference

- **The Finance Subcommittee** reviews the charity's financial strategy and its policies on reserves, investments and pensions. It also scrutinises the budget and assists the Board in its discussions to approve it, as well as monitoring the charity's financial performance throughout the year and reviewing the financial reporting requirements. This Subcommittee also has a responsibility for the annual audit, forming part of the 'audit committee', including discussing with the auditor any matters arising from the audit and reviewing the annual audited financial statements
- **The Performance Review Subcommittee** monitors the performance and impact of the charity (including that of the Chief Executive and of the Board) against the strategic plan, internal

objectives and external benchmarks. It also reviews the effectiveness of the charity's management systems and procedures and the performance of areas of the organisation. This Subcommittee also monitors compliance with external requirements and internal policies, forms part of the 'audit committee' and acts as a sounding board for the Chief Executive

- **The Remuneration Sub-group** agrees the annual pay award for staff and makes recommendations to the Board about the pay package for the Chief Executive
- **The Trustee Subcommittee's** role is to establish and to evaluate appropriate search, nomination, induction, continuing development and training processes and procedures for members of the Board and UKAC, to direct the search for members of the Board and the UKAC and to shortlist the most suitable candidates using the selection criteria approved by the Board, to recommend processes for the election of the Officers of the Board, and to evaluate and to monitor the implementation of the Trustee Code of Conduct
- **The Research Committee** is independent of, but reports to, the Board. It has authority delegated to it under Standing

Orders to assess and to approve applications for funding for basic, clinical and health services research within an agreed annual budget

The membership of Subcommittees (with the exception of the Research Committee) is generally restricted to trustees. However, reflecting its role in the recruitment and training of trustees, the Trustee Subcommittee has three trustee members and three non-trustee members elected from, and by, the UKAC. The membership and Terms of Reference of the Research Committee were reviewed during 2006

Whilst the approval of policy is a matter for the Board, it is the **Chief Executive and Senior Management Team (SMT)** who are charged with the implementation of policy. To this end, SMT attends meetings of the Board and relevant Subcommittees and regular, less formal discussions between both bodies is encouraged

**The UK Advisory Council (UKAC)** comprises about 120 representatives of the charity's stakeholder communities – lay, voluntary groups and healthcare professionals. There are also sub-units (comprising the same members) for England, Northern Ireland, Scotland and Wales. Elections

## Report of the Board of Trustees (continued)

for the UKAC are held annually, with approximately one-third of the total seats being contested each year, and voted on by the charity's membership. On appointment, UKAC members receive an induction pack and are invited to attend an induction programme covering their role and responsibilities and the governance and structure of the charity. UKAC members can serve for a maximum of six years.

The role of the UKAC includes to ensure that the Board is aware of the views of the charity's stakeholders, to elect the trustees, to inspire and to motivate the charity's stakeholders to renewed efforts to improve the lives of people with diabetes and to work towards a future without diabetes, to provide a large pool of stakeholders that the Board can call upon for advice at any time, to provide a forum where trustees can be asked to give account of their stewardship of the charity, and to act as the company's legal membership. These responsibilities are discharged in a number of ways, including at the annual meetings of the UKAC and the National Advisory Councils.

The charity's 384 **voluntary groups** provide valuable local information and practical and

emotional support to people with diabetes, their families, carers and healthcare professionals. They also tirelessly raise funds for the charity through local fundraising events. Although each voluntary group has its own committee, the *Charter for Diabetes UK Voluntary Groups* provides that they are all part of Diabetes UK and are therefore bound by the above governance arrangements.

The recommendations of the last comprehensive review of the charity's governance policies and procedures were implemented in 2002. We have commenced a thorough review of the governance structure looking at the three areas of representation, efficiency and value for money. If you would like any further information on the charity's structure, governance or management, please contact the Governance team at [governance@diabetes.org.uk](mailto:governance@diabetes.org.uk).

### **Risk management**

During the year the trustees have considered and identified the major risks to which the charity is exposed. This involved identifying the types of risks the charity faces, prioritising them in terms of potential impact and likelihood of occurrence, identifying the controls, systems and

procedures that are in place and any further actions required to address the risks. The highest risk identified is that of changes to the external environment, in particular changes to the NHS.

The charity's systems of internal controls are designed to provide reasonable but not absolute assurance against material misstatement or loss. The trustees are satisfied that the systems in place manage our exposure to the major risks.

During the year the charity has further developed its formal risk management process and the risk register is reviewed twice a year by the Performance Review Subcommittee. In addition to this there was a review of management controls carried out in 2005 and the Finance Subcommittee regularly reviews progress against the actions recommended. Through this process, management have assured the trustees that the appropriate systems are in place.

### **Reserves policy**

The reserves policy of the charity is to retain a level of reserves sufficient to meet all expenditure commitments (including research and pension contributions but excluding FRS 17 pension deficit funding) for between two and a half and three and a half months.

## Report of the Board of Trustees (continued)

Reserves are defined as all cash, investments, current assets and current liabilities held in the name of Diabetes UK and its trading subsidiary (Diabetes UK Services Limited) and excluding restricted or designated funds. At 31 December 2006 the charity's reserves of £8.9m represented 3.5 months of forward expenditure. The reserves policy is reviewed annually.

### Investment policy

In accordance with the Memorandum and Articles of Association, the trustees have the power to invest in such stocks, funds, shares, securities or other investments as they see fit.

The investment objective of Diabetes UK is to make investments, which will provide the opportunity for an overall return on the portfolio and which will as a minimum maintain the purchasing power of the portfolio over time. There should be no direct investment in tobacco. Property and equity investments should be via collective vehicles only. For bonds and cash, investments should only be in products that have an AA or above rating.

Barclays Private Bank Limited is retained as investment manager to Diabetes UK. At 31 December 2006, the relative

weightings in the portfolio were cash and fixed interest securities 43%, equity and equity related investments 57%. Performance in 2006 achieved the objective outlined. At the December 2006 meeting a resolution was passed by the Board to appoint UBS AG as the new investment manager.

### Grant making policy

Diabetes UK invites applications for funding of projects through advertising in specialist medical and scientific media and on the web. Applicants based in academic institutions submit proposals in a specific format. The applications are reviewed against criteria such as scientific rigour, feasibility, value for money and relevance to diabetes. All grant applications are subject to a minimum of three peer reviews before being submitted to the Research Committee. High-level research strategy and objectives are set by the Board of Trustees and the funding of specific projects is delegated to the Research Committee. The research strategy is available on our website [www.diabetes.org.uk](http://www.diabetes.org.uk).

Projects are monitored routinely via a required annual report to ensure continued funding is appropriate and, subject to satisfactory performance and compliance with the contractual terms, the funding of most projects continues for

two or three years. The terms and conditions of all our grants give the charity the right to suspend payment of the grant if the report is not received. A system has been put in place to ensure that all annual reports are received. If a report is not received payment is suspended and once the report is received it is reviewed to ensure that it is following the objectives of the grant.

Diabetes UK offers fellowships and studentships to carry out diabetes research. Applicants for fellowships are invited for interview by an expert panel which makes the funding decision and reports to the Research Committee. A member of the Research Committee is also a member of the panel.

Diabetes UK requests a copy of the final report on each piece of research and a summary of the results are made publicly available as appropriate. Diabetes UK may also invite applications in specific areas from time to time to support its policy and care objectives.

Because of the nature of the condition and its effects, Diabetes UK believes that the ethical and humane use of animals is essential in medical and scientific research to further the treatment, prevention and cure of

## Report of the Board of Trustees (continued)

diabetes. Diabetes UK funded projects must strictly observe Home Office regulations and comply with the organisation's conditions for researchers on the care and handling of animals as outlined in our Ethical considerations policy. Each grant application is carefully reviewed by the Diabetes UK Research Committee and animals are only used if no alternative method is available.

Further to wide ranging consultation with members and with due attention to ethical considerations, Diabetes UK has decided to support stem cell research, both publicly and financially through our research grant programme.

Copies of Diabetes UK's full position statements on animal research and stem cell research can be found on our website or are available from our offices on request.

### **Subsidiary companies**

Diabetes UK has two subsidiary companies.

Diabetes UK Services Limited trades in publications, Christmas goods and insurance services, sells advertising space, receives sponsorship income and organises lotteries to raise funds for Diabetes UK. The performance of the company continues to be satisfactory and a profit of £1.9m was

generated in 2006 and was donated to Diabetes UK under gift aid.

BDA Research Limited exploits the potential value of any intellectual property which arises as a result of research funded by Diabetes UK. At 31 December 2006, the company had no research funding commitments, but retains an interest in the intellectual property of certain research projects which may provide future benefits. Any profits made by the company are donated to Diabetes UK under gift aid.

### **Charitable and political donations**

Diabetes UK made no charitable donations during the year outside the scope of its own objects. No donations were made for any political purposes.

### **People**

The work of Diabetes UK is only possible through the dedicated service it receives from both staff and volunteers. We would like to place on record our appreciation of the hard work and commitment of all staff to the objectives of Diabetes UK during 2006. We also acknowledge with gratitude the work of the many volunteers who willingly and unstintingly give their time to the considerable benefit of

Diabetes UK and the people it helps. Our volunteers raise funds in a wide variety of ways from collecting with tins, through to sponsored events.

In 2006 voluntary groups raised £1.3m and spent £1.3m, including remittances to Central Office. At 31 December 2006 cash held by voluntary groups totalled £1.8m.

### **Employment strategy**

Diabetes UK encourages the recruitment of the best person for the job regardless of gender, marital status, ethnic origin, disability, religious belief or age. Should a situation arise where two short-listed applicants are thought to be equally suitable for a position and one of them has diabetes, the person with diabetes will be offered the position.

Diabetes UK is committed to the principle of equal opportunity and offers this to all staff in matters of career advancement, providing that they have the ability to perform their duties with or without training where necessary. If a member of staff becomes disabled whilst employed by Diabetes UK, retraining will be provided where appropriate.

### **Statement of trustees' responsibilities**

The trustees (who are also directors of the British Diabetic

## **Report of the Board of Trustees** (continued)

Association for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware

- there is no relevant audit information of which the charitable company's auditors are unaware
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

A resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

**On behalf of the Board of Trustees:**



**Professor Simon Howell**  
**Chair**

**30 August 2007**



# Report of the independent auditor to the members of the British Diabetic Association

We have audited the group and parent charitable company financial statements (the 'financial statements') of The British Diabetic Association for the year ended 31 December 2006 which comprise the principal accounting policies, the consolidated statement of financial activities, the group and charitable company balance sheets, the consolidated cash flow statement and notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the charitable company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of The British Diabetic Association for the purposes of company law) for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether the information given in the Trustees' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding

trustees' remuneration and transactions with the charitable company is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chair's introduction. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

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

## Report of the independent auditor to the members of the British Diabetic Association (continued)

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

### Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charitable company's affairs as at 31 December 2006 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended

- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Trustees' Report is consistent with the financial statements for the year ended 31 December 2006

*Grant Thornton UK LLP*

**Grant Thornton UK LLP**  
**Registered Auditors**  
**Chartered Accountants**  
**27 September 2007**

# Consolidated statement of financial activities

(incorporating the income and expenditure account)

for the year ended 31 December 2006

	Notes	Unrestricted income & funds £'000	Restricted income & funds £'000	Total 2006 £'000	Total 2005 £'000
<b>Incoming resources</b>					
<b>Incoming resources from generated funds</b>					
Voluntary income	2	15,446	3,865	19,311	18,279
Activities for generating funds trading	3,7	4,256	-	4,256	3,147
Investment income	8	375	27	402	459
<b>Total</b>		<b>20,077</b>	<b>3,892</b>	<b>23,969</b>	<b>21,885</b>
<b>Incoming resources from charitable activities:</b>					
Publications, care and information	4	613	-	613	595
Conferences	5	1,169	-	1,169	1,049
Grants	6	-	174	174	143
<b>Other income</b>		<b>55</b>	<b>-</b>	<b>55</b>	<b>-</b>
<b>Total incoming resources</b>		<b>21,914</b>	<b>4,066</b>	<b>25,980</b>	<b>23,672</b>
<b>Resources expended</b>					
<b>Cost of generating funds</b>					
Costs of generating voluntary income	2	6,801	-	6,801	6,000
Fundraising trading costs of goods sold and other costs	3,7	2,354	-	2,354	2,246
Investment management costs		24	-	24	33
<b>Charitable activities</b>					
Research	10	3,149	3,494	6,643	4,741
Publications, care & information	4	8,871	133	9,004	8,485
Conferences	5	1,564	-	1,564	1,240
<b>Governance costs</b>	12	<b>354</b>	<b>-</b>	<b>354</b>	<b>279</b>
		<b>23,117</b>	<b>3,627</b>	<b>26,744</b>	<b>23,024</b>
<b>Net (expenditure)/income for the year</b>	13	<b>(1,203)</b>	<b>439</b>	<b>(764)</b>	<b>648</b>
<b>Other recognised gains and losses</b>					
Gains on investments	17	770	65	835	551
Actuarial gain/ (losses) on defined benefit pension scheme	25	599	-	599	(600)
<b>Net movement in funds</b>		<b>166</b>	<b>504</b>	<b>670</b>	<b>599</b>
Fund balances at 1 January		8,251	1,046	9,297	8,698
<b>Fund balances at 31 December</b>		<b>8,417</b>	<b>1,550</b>	<b>9,967</b>	<b>9,297</b>

All activities are classed as continuing. The net expenditure for the year under the historical cost accounting convention is £165,000 (2005 - £45,000 net income)

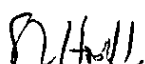
The notes on pages 30 to 47 form part of these accounts

## Balance sheet

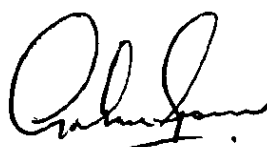
at 31 December 2006

	Notes	Group 2006 £'000	2005 £'000	Diabetes UK 2006 £'000	2005 £'000
<b>Fixed assets</b>					
Tangible assets	16	1,468	1,478	1,468	1,478
Other investments	17	9,869	9,469	9,869	9,469
Investments in subsidiaries	17	-	-	40	40
		11,337	10,947	11,377	10,987
<b>Current assets</b>					
Stocks		38	18	-	-
Debtors	18	3,360	2,410	4,464	2,458
Cash at bank and in hand		5,457	4,196	4,270	3,782
		8,855	6,624	8,734	6,240
<b>Creditors' amounts falling due within one year</b>	19	(8,228)	(5,543)	(8,147)	(5,199)
<b>Net current assets</b>		627	1081	587	1,041
<b>Net assets before provision</b>		11,964	12,028	11,964	12,028
Provision Defined benefit pension scheme liability	25	(1,997)	(2,731)	(1,997)	(2,731)
<b>Net assets after provision</b>		9,967	9,297	9,967	9,297
<b>Funds</b>					
Unrestricted funds excluding pension liability (revaluation reserve £1,460,000 (2005 £626,000))		10,414	10,982	10,414	10,982
Pension reserve	25	(1,997)	(2,731)	(1,997)	(2,731)
Unrestricted funds including pension liability		8,417	8,251	8,417	8,251
Restricted funds	20	1,550	1,046	1,550	1,046
<b>Total funds</b>	21	9,967	9,297	9,967	9,297

Approved by the Board of Trustees on 30 August 2007 and signed on their behalf by



**Simon Howell**  
Chair



**Graham Spooner**  
Treasurer

The notes on pages 30 to 47 form part of these accounts

## Consolidated cash flow statement for the year ended 31 December 2006

	2006 £'000	2005 £'000
<b>Net cash inflow from operating activities</b> (see note below)	909	681
<i>Returns on investments</i>		
Investment income	316	283
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(464)	(610)
Proceeds from sale of fixed asset investments	500	1,000
<b>Net cash inflow from investing activities</b>	36	390
<b>Increase in net cash</b>	1,261	1,354
<b>Reconciliation of movements in cash with movements in net funds</b>		
Increase in cash	1,261	1,354
Cash at 1 January	4,196	2,842
<b>Cash at 31 December</b>	5,457	4,196

### Notes to the consolidated cash flow statement

*Reconciliation of changes in resources to net cash  
inflow/(outflow) from operating activities*

	2006 £'000	2005 £'000
Net (expenditure)/income for the year	(764)	648
Depreciation	474	354
Investment income	(402)	(459)
Investment management fee	21	19
Increase/decrease in stocks	(20)	6
Increase in debtors	(950)	(440)
Increase in creditors	2,685	628
Difference between payments to defined benefit pension scheme and amount charged to expenditure	(135)	(75)
<b>Net cash inflow from operating activities</b>	<b>909</b>	<b>681</b>

The notes on pages 30 to 47 form part of these accounts

## Notes to the financial statements for the year ended 31 December 2006

### 1 Accounting policies

#### Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards using the historical cost convention except for investments, which are stated at market value

The financial statements reflect the requirements of the Statement of Recommended Practice 'Reporting and Accounting by Charities' (SORP) issued in March 2005 and the Companies Act 1985. No separate income and expenditure account has been included for Diabetes UK because it has no endowment funds

As per section 397 of SORP 2005 the Charity has not prepared a separate Statement of Financial Activities (SOFA) for the charity

#### Company status

The charity is a company limited by guarantee. The members of the company are the UK Advisory Council (for further information see 'Report of the Board of Trustees', p19-24)

#### Basis of consolidation

The consolidated financial statements comprise Diabetes UK and its voluntary groups ('Diabetes UK') together with its subsidiaries, BDA Research Limited and Diabetes UK Services Limited ('the Group'). A summarised profit and loss

account and balance sheet for each trading subsidiary is given in note 24. The results of subsidiaries have been consolidated on a line by line basis

Diabetes UK includes the income and expenditure of voluntary groups where returns have been made prior to the preparation of the consolidated financial statements. Estimates have been included for voluntary groups where no return or a late return has been received. Such estimates, which are based on the prior year's returns, do not have a material impact on the financial statements. The number of voluntary group returns outstanding when the financial statements were prepared was 25

#### Incoming resources

##### Donations

In general, donations are credited to income on receipt. Where donations have been collected by a third party, these are recognised when the third party notifies Diabetes UK of the amount of the donations

##### Gifts in kind

Where possible, gifts in kind are valued at their market value on date of receipt. If no market value is available, gifts in kind are valued at their estimated value to the charity

##### Donated services and facilities

These are included at the value

to the charity where this can be quantified. No amounts are included in the financial statements for services donated by volunteers

#### Subscriptions

In general, subscriptions are credited to income on receipt, as these are considered to be in the nature of donations. This includes life membership subscriptions

#### Legacies

Legacies are credited to income when receivable. A legacy is considered to be receivable on the earlier of the date of receipt of finalised estate accounts or the date of payment. Full provision is made for any clawback of legacy payments when notification of such clawbacks is received

#### Grants receivable

Grants receivable are credited to income as these become receivable. Grants receivable are included within donations. Details of statutory grants are shown in note 6

#### Resources expended

##### Costs of generating funds

Costs of generating funds comprise the costs incurred in commercial trading activities and fundraising. Fundraising costs include salaries, direct costs and an appropriate allocation of central overhead costs

##### Research grants

Diabetes UK contracts with a range of institutions to fund

# Notes to the financial statements

## for the year ended 31 December 2006 (continued)

### 1 Accounting policies

specific research projects. Payment is conditional on the performance of key tasks and where such tasks remain incomplete, payment is withheld. Diabetes UK operates an annual review process whereby grants are reviewed to ensure progress is being made and the research programme complies with expectations before continuing payment is confirmed. As a result of this, the first year of each research grant is recognised up front. At the year end Diabetes UK had creditors of £4,261,000 for research grants payable in 2007 but which have been expensed in 2006. Further detail on the grant making policy is contained in the 'Report of the Board of Trustees', p19-24.

#### Governance costs

Governance costs are made up of the staff costs for the Governance team, Board of Trustee costs, UK Advisory Council costs and audit fees plus their portion of attributable overheads.

#### Support costs reallocation

Attributable overheads consist of central office costs including rent, rates, insurance, non-recoverable VAT, depreciation and staff costs relating to the information technology, personnel, finance and office management functions. Overheads are allocated to

departments based on the number of staff involved in each activity.

#### Tangible fixed assets

All expenditure on fixed assets in excess of £500 is capitalised.

The charge for depreciation is calculated to write off fixed assets by equal instalments over their expected useful lives. These are estimated to be:

Office equipment, fittings and furniture – seven to 10 years

General computer equipment and software – four to five years

Database equipment and software – eight years

Where any assets are impaired in value, provisions are made to reduce the book value of such assets to recoverable amount.

#### Investments

Investments are shown at market value and any unrealised gain or loss is included in the SOFA.

#### Stocks

Stocks are valued at the lower of cost and net realisable value. The cost of publications held for charitable purposes is expensed as incurred.

#### Operating leases

Rental payments under operating leases are charged against income on a straight line basis over the term of the lease. Where events make such

a contract onerous, a liability is recognised for all payments over the lease term.

#### Retirement benefits

For the defined benefit scheme the amount charged to the SOFA in respect of pension costs and other post retirement benefits is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. Current service costs, interest costs and expected return on assets are included within charitable expenditure, allocated on the same basis as the staff costs of the scheme members. Past service costs and the costs of curtailments and settlements are included within support costs.

Actuarial gains and losses arising from new valuations and from updating valuations to the balance sheet date are recognised in the SOFA under the heading of actuarial gains and losses on defined benefit pension scheme.

The defined benefit scheme is funded, with the assets held separately from the group in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 1 Accounting policies

measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the charity has a legal or constructive obligation to settle the liability.

For defined contribution schemes the amount charged to the SOFA in respect of

pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Provision is made in full for the estimated cost of unfunded pensions payable to a small number of retired former employees. The provision is re-estimated each year, based on the pensions in payment, estimated future increments and changes in the pensioners' circumstances.

#### **Funds**

The funds of Diabetes UK consist of unrestricted and

restricted amounts. Diabetes UK may use unrestricted amounts at its discretion. Restricted funds represent income contributions which are restricted to a particular purpose in accordance with the wishes of the donor.

The trustees have not designated any funds.



# Notes to the financial statements

## for the year ended 31 December 2006 (continued)

### 2 Voluntary income

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 £'000
Legacies	7,393	803	8,196	7,768
Donations	5,370	3,062	8,432	7,994
Membership	2,590	-	2,590	2,379
Donated services and facilities	93	-	93	138
<b>Total</b>	<b>15,446</b>	<b>3,865</b>	<b>19,311</b>	<b>18,279</b>

Cost of generating voluntary income	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 £'000
Legacies	52	-	52	82
Donations	4,603	-	4,603	3,233
Membership	2,053	-	2,053	2,547
Donated services and facilities	93	-	93	138
<b>Total</b>	<b>6,801</b>	<b>-</b>	<b>6,801</b>	<b>6,000</b>

### 3 Income from activities for generating funds: trading

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 £'000
Lotteries	1,689	-	1,689	1,311
Corporate	1,310	-	1,310	506
Advertising	520	-	520	499
Affinity products	566	-	566	161
Cards & publications	171	-	171	670
<b>Total</b>	<b>4,256</b>	<b>-</b>	<b>4,256</b>	<b>3,147</b>

#### Cost of activities for generating funds: trading

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 £'000
Lotteries	1,018	-	1,018	759
Corporate	337	-	337	315
Advertising	150	-	150	114
Affinity products	252	-	252	81
Cards & publications	597	-	597	977
<b>Total</b>	<b>2,354</b>	<b>-</b>	<b>2,354</b>	<b>2,246</b>

# Notes to the financial statements

## for the year ended 31 December 2006 (continued)

### 4 Publications, care & information

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 £'000
<b>Incoming resources</b>				
Diabetic Medicine	456	-	456	386
Care support	104	-	104	133
Publications income in Regions/Nations	53	-	53	76
<b>Total</b>	<b>613</b>	<b>-</b>	<b>613</b>	<b>595</b>
<b>Resources expended</b>				
Publications & information	1,903	-	1,903	1,575
Healthcare and policy	1,311	-	1,311	1,231
Volunteer support	676	-	676	708
Careline	715	-	715	624
Care Support Holidays	755	-	755	760
Other care and campaign	3,511	133	3,644	3,587
<b>Total</b>	<b>8,871</b>	<b>133</b>	<b>9,004</b>	<b>8,485</b>

### 5 Conferences

	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	Total 2005 £'000
<b>Incoming resources</b>				
Conference office	1,087	-	1,087	937
Other regional conference income	82	-	82	112
<b>Total</b>	<b>1,169</b>	<b>-</b>	<b>1,169</b>	<b>1,049</b>
<b>Resources expended</b>				
Conferences	1,435	-	1,435	1,099
Regional conferences	129	-	129	118
Voluntary groups	-	-	-	23
<b>Total</b>	<b>1,564</b>	<b>-</b>	<b>1,564</b>	<b>1,240</b>

## Notes to the financial statements

for the year ended 31 December 2006 (continued)

### 6 Grants receivable arise from the following sources:

	<b>Total 2006 £'000</b>	<b>Total 2005 £'000</b>
Department of Health - The 3D Project - Diabetes Diagnosis Discussion	8	22
Department of Health - Supporting User Involvement Project	17	50
North Bradford Primary Health Care Trust - User Involvement Project	51	-
Department for Education and Skills - Safeguarding Co-ordinator	52	-
Gardee Rafik - Ethnic Minority and Patient Carer Project	13	-
Scottish Executive - Scottish Ethnic Care Project	-	41
Department for Education and Skills - Improving the Volunteer Support Network for Children's Support Holidays	-	30
Lloyds TSB Foundation	6	-
The Hugh Fraser Columba 1400 Project	2	-
National Assembly of Wales - National Service Framework Project	9	-
Strule/Erne LHSCG - Education Support People with Diabetes	12	-
Others less than £1,000	4	-
<b>Total</b>	<b>174</b>	<b>143</b>

### 7 Income from and costs of trading

	<b>2006 £'000</b>	<b>2005 £'000</b>
Turnover of subsidiary undertakings (see note 24)	2,414	1,674
Other income of subsidiary undertakings (see note 24)	1,816	1,442
Primary purpose charitable trading income	26	31
<b>Total income from trading</b>	<b>4,256</b>	<b>3,147</b>
Costs of subsidiary undertakings (see note 24)	2,340	2,196
Primary purpose charitable trading costs	14	50
<b>Total trading costs</b>	<b>2,354</b>	<b>2,246</b>

Primary purpose charitable trading income relates to income from the sale of publications through the voluntary group network, which are sold below cost in order to increase awareness of diabetes

### 8 Investment income

	<b>2006 £'000</b>	<b>2005 £'000</b>
Listed securities	221	181
Interest on cash asset investments	86	180
Interest on cash at bank	95	98
<b>Total</b>	<b>402</b>	<b>459</b>

# Notes to the financial statements

## for the year ended 31 December 2006 (continued)

### 9 Analysis of total resources used

	Staff costs £'000	Other costs £'000	Total 2006 £'000	Total 2005 £'000
<b>Cost of generating funds</b>				
Cost of generating voluntary income	2,585	4,216	6,801	6,000
Trading costs	413	1,941	2,354	2,246
Investment management cost	-	24	24	33
<b>Cost of charitable activities</b>				
Research	289	6,354	6,643	4,741
<b>Publications, care &amp; information cost sub groups:</b>				
Publications	309	1,268	1,577	1,252
Healthcare & policy	647	454	1,101	1,012
Other care and campaign	2,859	3,467	6,326	6,221
	3,815	5,189	9,004	8,485
Conferences	180	1,384	1,564	1,240
Governance	84	270	354	279
<b>Total</b>	<b>7,366</b>	<b>19,378</b>	<b>26,744</b>	<b>23,024</b>

	Activities undertaken directly £'000	Grant funding of activities £'000	Support costs £'000	Total 2006 £'000	Total 2005 £'000
<b>Cost of generating funds</b>					
Cost of generating voluntary income	5,116	-	1,685	6,801	6,000
Trading costs	2,354	-	-	2,354	2,246
Investment management cost	24	-	-	24	33
<b>Cost of charitable activities</b>					
Research	-	6,463	180	6,643	4,741
<b>Publications, care &amp; information cost sub groups:</b>					
Publications	1,372	-	205	1,577	1,252
Healthcare & policy	715	-	386	1,101	1,012
Other care and campaign	4,266	-	2,060	6,326	6,221
	6,353	-	2,651	9,004	8,485
Conferences	1,435	-	129	1,564	1,240
Governance	276	-	78	354	279
<b>Total</b>	<b>15,558</b>	<b>6,463</b>	<b>4,723</b>	<b>26,744</b>	<b>23,024</b>

# Notes to the financial statements

## for the year ended 31 December 2006 (continued)

### 10 Research grants

The top 20 grant receiving institutions were

	£
1 King's College London	591,859
2 University of Oxford	472,834
3 University of Newcastle	454,085
4 University of Cambridge	420,207
5 University of Dundee	358,469
6 University of Manchester	269,891
7 University Hospital of Wales	268,819
8 Medical Research Council	250,000
9 University of Bristol	220,772
10 Ipswich Hospital	207,042
11 University of Ulster	205,156
12 Queen Mary & Westfield College	175,693
13 University of Wales	166,994
14 University of Glasgow	152,214
15 Peninsula Medical School	147,464
16 University Hospitals of Leicester	143,143
17 Imperial College of Medicine	142,760
18 University of Southampton	141,535
19 University College London	110,894
20 Norfolk and Norwich University Hospital NHS Trust	95,777
<b>Sub total</b>	<b>4,995,608</b>
Other grants	1,157,667
Administration/support costs	490,000
<b>Total</b>	<b>6,643,275</b>

### Analysis of grants to institutions:

	2006 £'000	2005 £'000
Care and treatment	2,199	992
Cause and prevention	3,740	3,252
Cure	214	111
Administration/support costs	490	386
<b>Total</b>	<b>6,643</b>	<b>4,741</b>

### Grants reconciliation

	2006 £'000	2005 £'000
Creditor at 1 January	2,156	2,585
Grants awarded in the year	3,339	1,304
Liabilities arising on existing grants	2,814	3,051
Payments in year	(4,048)	(4,784)
<b>Creditor at 31 December</b>	<b>4,261</b>	<b>2,156</b>

# Notes to the financial statements

for the year ended 31 December 2006 (continued)

## 11 Support costs allocations

	Corporate Services Director £'000	Finance £'000	Human Resources £'000	IT £'000	CEO £'000	Total 2006 £'000	Total 2005 £'000
Cost of generating voluntary income	819	189	293	233	151	1,685	1,277
Research	88	20	31	25	16	180	150
Publications, care & information	1,289	297	460	367	238	2,651	2,554
Conferences	63	14	22	18	12	129	101
Governance	38	9	13	11	7	78	44
<b>Total</b>	<b>2,297</b>	<b>529</b>	<b>819</b>	<b>654</b>	<b>424</b>	<b>4,723</b>	<b>4,126</b>

The support costs include £270,000 in relation to the ex-employee fraud identified in the year - see 'Review of the year'

## 12 Governance Costs

	2006 £'000	2005 £'000
Trustee costs	31	44
External audit	37	41
Support costs	78	44
Advisory Council expenses	64	79
Company Secretariat	144	71
<b>Total</b>	<b>354</b>	<b>279</b>

## 13 Net (expenditure)/income for the year is stated after charging:

### Notes to the consolidated cash flow statement

	2006 £'000	2005 £'000
Net (expenditure)/income for the year is stated after charging		
Depreciation (see note 16)	474	354
Auditors' remuneration		
– statutory audit	37	38
– further assistance services	5	4
– other non audit	8	9
Non-recoverable VAT	367	359
Operating leases		
– property	730	629
– other	22	38

## Notes to the financial statements

### for the year ended 31 December 2006 (continued)

<b>14 Staff costs</b>	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Salaries	6,088	5,350
Social security costs	628	498
Other pension costs	650	495
<b>Total</b>	<b>7,366</b>	<b>6,343</b>

#### Staff numbers

	<b>2006</b>	<b>2005</b>
	<b>Number</b>	<b>Number</b>
Voluntary income	84	48
Publications, care & information	106	108
Conferences	6	4
Research	7	6
Support	29	46
Governance	5	4
<b>Total</b>	<b>237</b>	<b>216</b>

Average full-time equivalent number of employees during the year 216 (2005 200)

#### Pension costs

Pension costs comprise £338k (2005 £320k) in respect of defined contribution pension schemes and £312k (2005 £175k) in respect of the defined benefit pension scheme. The components of the defined benefit pension scheme costs are as follows

#### Analysis of the amount charged to charitable activities

	<b>2006</b>	<b>2005</b>
	<b>£'000</b>	<b>£'000</b>
Current service cost	-	-
Past service cost	-	-
Curtailments and settlements	-	-
<b>Total operating charge</b>	<b>-</b>	<b>-</b>

Number of employees whose remuneration fell within the following ranges	<b>2006</b>	<b>2005</b>
	<b>Number</b>	<b>Number</b>
£50,001 – £60,000	1	2
£60,001 – £70,000	3	4
£70,001 – £80,000	-	-
£80,001 – £90,000	-	1
£90,001 – £100,000	1	-

Payments to defined contribution pension schemes in respect of the above staff amounted to £18,750 in the year. As at the year end, the defined benefit pension scheme was closed and no benefits were accruing to the above staff.

## Notes to the financial statements

### for the year ended 31 December 2006 (continued)

#### 15 Trustees emoluments and reimbursed expenses

Trustees have not been remunerated in the year (2005 Nil) A total of 8 trustees (2005 9) have been reimbursed for expenses in relation to trustee meetings at a cost of £9,733 (2005 - £3,816) Total expenses reimbursed to trustees were £22,292 (2005 - £21,528) All amounts were for reimbursement of travel and subsistence costs

During the year ended 31 December 2006 the charity awarded grants of £0 (2005 £76,608) for projects to which members of the Board of Trustees were connected These members of the Board of Trustees did not participate in the decisions to award the respective grants

Members of the Research Committee which is independent of, but reports to, the Board of Trustees may receive grant funding However they may not participate in any decisions that relate either to funding of research projects where they have an interest or to funding of their institutions

#### 16 Tangible fixed assets

Group and Diabetes UK	Office equipment fittings & furniture £'000	Computer equipment & software £'000	Total £'000
<b>Cost</b>			
1 January	1,097	2,882	3,979
Additions	61	403	464
Disposals	(125)	(1,729)	(1,854)
31 December	1,033	1,556	2,589
<b>Depreciation</b>			
1 January	524	1,977	2,501
Charge for the year	176	298	474
Disposals	(125)	(1,729)	(1,854)
31 December	575	546	1,121
<b>Net book value</b>			
31 December 2006	458	1,010	1,468
31 December 2005	573	905	1,478

All tangible fixed assets are used for or to support charitable purposes There were no contracted capital commitments at 31 December 2006 (2005 - None)



# Notes to the financial statements

## for the year ended 31 December 2006 (continued)

### 17 Investments

Group and Diabetes UK	Listed Securities £'000	Cash £'000	Total 2006 £'000	Total 2005 £'000
Market value at 1 January	7,170	2,299	9,469	9,761
Disposals	-	(500)	(500)	(1,000)
Realised gain/(loss) in year	-	-	-	(7)
Interest	-	86	86	176
Fees	-	(21)	(21)	(19)
Net gain on revaluation	835	-	835	558
Market value at 31 December	8,005	1,864	9,869	9,469
Historical cost at 31 December	6,545	1,864	8,409	8,843
<b>Investment in subsidiary undertakings – Diabetes UK (Note 24)</b>			40	40

Investments which comprised more than 5% of the total market value of investments at 31 December 2006 were

	2006 £'000	2005 £'000
M & G Securities Ltd, Charity Inc – UK Unit Trust	5,600	4,815
BGI Sterling Liquidity Plus Fund	2,404	2,299
Barclays Money Market Deposit	1,865	2,299
	9,869	9,413

Gains on investments comprise

	2006 £'000	2005 £'000
Realised gains/(losses)	-	(7)
Unrealised loss	(54)	(41)
Unrealised gain	889	599
	835	551

### 18 Debtors: amount falling due within one year

	Group		Diabetes UK	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Trade debtors	1,056	715	711	145
Prepayments and accrued income	1,512	1,068	1,054	767
Donation due from subsidiary undertakings	-	-	1,907	927
Taxation and social security	-	-	-	137
Other debtors	792	627	792	482
	3,360	2,410	4,464	2,458

## Notes to the financial statements for the year ended 31 December 2006 (continued)

### 19 Creditors: amount falling due within one year

	Group		Diabetes UK	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Amounts due to subsidiary undertakings	-	-	674	286
Taxation and social security	306	322	306	317
Accruals	1,597	2,149	1,369	2,055
Deferred income	1,317	628	792	97
Research grants creditor	4,261	2,156	4,261	2,156
Other creditors	747	288	745	288
	8,228	5,543	8,147	5,199

#### Deferred income

	Group		Diabetes UK	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Exhibition fees	701	11	701	11
Sponsorship	525	531	-	-
Delegate fees	53	22	53	22
Others	38	64	38	64
	1,317	628	792	97

Deferred income represents income relating to future periods and does not include amounts classified as deferred income in the prior year

### 20 Restricted income funds

The movement in restricted funds in the year is as follows

	Research funds	Children funds	Care & information funds	Warren memorial fund	Total
	£'000	£'000	£'000	£'000	£'000
At 1 January	244	-	73	729	1,046
Incoming funds	3,621	153	265	27	4,066
Funds used	(3,163)	(153)	(223)	(88)	(3,627)
Investment gains	-	-	-	65	65
At 1 December 2006	702	-	115	733	1,550

The Research funds represent funds received and used to meet the direct costs of maintaining the research programme. The Children funds are restricted funds to be used to meet additional cost of holidays, parent/child weekends and other youth activities. The Care and information funds are restricted to meeting the costs of maintaining the care and information activities of Diabetes UK. The Warren Memorial fund is restricted to expenditure on projects which commemorate the names of Alec and Beryl Warren.

## Notes to the financial statements

### for the year ended 31 December 2006 (continued)

#### 21 Total funds – Group and Diabetes UK

Total funds are invested as follows:

	Unrestricted funds £'000	Restricted funds £'000	Total funds £'000
Tangible fixed assets	1,468	-	1,468
Fixed asset investments	9,136	733	9,869
Current assets	8,038	817	8,855
Current liabilities	(8,228)	-	(8,228)
Defined benefit pension scheme liability	(1,997)	-	(1,997)
Total net assets	8,417	1,550	9,967

#### 22 Operating lease commitments

	Property		Other	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Annual lease commitments on lease expiring				
Within one year	11	-	-	12
Between two and five years	72	35	22	13
After five years	636	663	-	-
	719	698	22	25

#### 23 Commitments to spend – research grants

At 31 December 2006 Diabetes UK had entered into contracts in respect of expenditure on research amounting to £4,674,000 (2005 £3,669,000). These contracts are subject to an annual review process at which future funding is determined. Diabetes UK recognises grant expenditure on an annual basis as explained in the accounting policies note.

	2006 £'000's	2005 £'000's
2006	-	1,408
2007	1,351	1,718
2008	2,090	543
2009	856	-
2010	238	-
2011	139	-
	4,674	3,669

# Notes to the financial statements

for the year ended 31 December 2006 (continued)

## 24 Subsidiary undertakings

Diabetes UK has two wholly owned trading subsidiaries, BDA Research Limited and Diabetes UK Services Limited which are incorporated in the UK and registered in England. The financial statements of Diabetes UK Services are audited and filed at Companies House. BDA Research Limited did not carry out any business activity in the year. Their financial position is summarised below.

Profit and loss accounts for the year ended 31 December 2006	BDA Research Limited		Diabetes UK Services Limited	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Turnover	-	-	2,414	1,674
Cost of sales	-	-	(308)	(381)
Gross profit	-	-	2,106	1,293
Distribution costs	-	-	(406)	(358)
Administration expenses	-	-	(691)	(697)
Other operating income	-	-	1,816	1,442
Investment income	-	-	17	7
Other operating costs	-	-	(935)	(760)
Profit on ordinary activities before and after taxation	-	-	1,907	927
Profit donated to Diabetes UK	-	-	(1,907)	(927)
Net income	-	-	-	-

Summarised balance sheets as at 31 December 2006	BDA Research Limited		Diabetes UK Services Limited	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Current assets	-	-	2,703	1,752
Creditors: amounts falling due within one year	-	-	(2,663)	(1,712)
Net assets	-	-	40	40
Shareholders' funds	-	-	40	40

Diabetes UK's investment in BDA Research Limited is £2, being the whole of the issued share capital of that company. BDA Research Limited has net assets and called up share capital of £2 as at 31 December 2006 (2005: £2).

Diabetes UK's investment in Diabetes UK Services Limited is 40,003 ordinary shares of £1 each, being the whole of the issued share capital of that company. Diabetes UK Services Limited has net assets and called up share capital of £40,003 as at 31 December 2006 (2005: £40,003).

## 25 Pensions

### Defined benefit pension scheme

Diabetes UK operates a defined benefit scheme in the UK. Accrual of benefits ceased from 31 August 2004 when the scheme was closed. A full actuarial valuation was last carried out at 1 January 2005 by an independent and qualified actuary and a triennial valuation of the scheme is due at 1 January 2008.

## Notes to the financial statements

### for the year ended 31 December 2006 (continued)

#### 25 Pensions (continued)

The results of the full actuarial valuation exercise carried out as at 1 January 2005 have been adjusted for a broad measure of actual experience. Further adjustments have been made for the different assumptions required under applicable Financial Reporting Standards (FRS)

Pensioners who have had their benefits secured through the purchase of annuities have been excluded from the calculations of both assets and liabilities values. An allowance has been included for expenses within the current service cost figure.

The scheme assets that have been taken into account are those in the with profits policy with Friends Provident, the UK Equity (Passive) fund policy with Prudential M & G and monies held in the Trustees' bank account. An estimated value has been used for the with-profits policy.

The discount rate is 'the current rate of return on a high quality corporate bond of equivalent currency and terms to the scheme liabilities' with high quality been defined as AA status or equivalent. The actuary has used the yield on an appropriate index to arrive at an average yield for long term bonds.

Since the scheme is closed it is anticipated that the current service costs will rise significantly as the members approach retirement.

#### Analysis of the amount credited to other finance income (included within charitable activities)

	2006 £'000	2005 £'000
Expected return on pension scheme assets	171	163
Interest on pension scheme liabilities	(348)	(338)
Net return	(177)	(175)

The assumption for inflation has been derived from the difference between index-linked and fixed interest bonds. In addition, the rate of increase on Limited Price Index (LPI) pensions and also the revaluation rate were based on inflation maximum 5% per annum, have been taken as equal to the inflation rate, as the cap of 5% on LPI pensions is, at present, significantly above the rate of inflation.

#### Assumptions

The assets of the scheme have been taken at market value and the liabilities have been calculated using the following principal actuarial assumptions:

	At 31/12/2006	At 31/12/2005	At 31/12/2004
Rate of increase in salaries	n/a	n/a	n/a
Rate of increase in pensions in payment	3.1%	2.9%	2.9%
Revaluation rate for deferred pensions	3.1%	2.9%	2.9%
Discount rate	5.2%	4.8%	4.8%
Inflation assumption	3.1%	2.9%	2.9%

# Notes to the financial statements

## for the year ended 31 December 2006 (continued)

### 25 Pensions (continued)

The assets in the scheme, the present value of the scheme liabilities and the resultant deficits were as follows

	2006 £'000	2005 £'000
Scheme assets – with profits fund	4,402	4,278
Equities	682	297
Present value of scheme liabilities	(7,081)	(7,306)
Surplus/(deficit) in the scheme	(1,997)	(2,731)

The expected long-term rate of return on the scheme assets

	At 31/12/2006	At 31/12/2005	At 31/12/2004
Equities	6.5%	6.05%	n/a
With profits fund	5.3%	3.5%	3.8%

### Actuarial gain/(losses) arising on defined benefit pension scheme.

	2006 £'000	2005 £'000
Actual return less expected return on pension scheme assets	149	22
Expected gains and losses arising on the scheme liabilities	17	321
Changes in assumptions underlying the present value of the scheme liabilities	433	(943)
Actuarial gain/(loss)	599	(600)

### Movement in deficit during the year

	2006 £'000	2005 £'000
Deficit in the scheme at the beginning of the year	(2,731)	(2,206)
Movement in year		
Current service cost	-	-
Contributions	312	250
Past service costs	-	-
Curtailments and settlements	-	-
Other finance income	(177)	(175)
Actuarial gain/(loss)	599	(600)
(Deficit)/surplus in the scheme at the end of the year	(1,997)	(2,731)

## Notes to the financial statements

### for the year ended 31 December 2006 (continued)

#### 25 Pensions (continued)

History of experience gains and losses	2006	2005	2004	2003
<i>Difference between the expected and actual return on scheme assets</i>				
Amount (£'000)	149	22	13	(139)
Percentage of scheme assets	3%	0%	0%	(4%)
<i>Experience gains and losses on scheme liabilities</i>				
Amount (£'000)	17	321	(182)	268
Percentage of the present value of the scheme liabilities	0%	4%	(3%)	5%
<i>Total amount recognised in statement of financial activities</i>				
Amount (£'000)	599	(600)	(326)	(191)
Percentage of the present value of the scheme liabilities	8%	(8%)	(5%)	(3%)

#### Defined contribution pension scheme

The charity also operates a defined contributions pension scheme, the contributions are detailed in note 14

#### 26 Result for the year under the historical cost accounting convention

	2006 £'000	2005 £'000
Net (expenditure)/income	(764)	648
(Loss)/gain on sale of investments calculated under the historical cost accounting convention	-	(3)
Actual (losses)/gains arising on defined benefit pension scheme	599	(600)
Surplus under the historical cost accounting convention	(165)	45

#### 27 Members

The legal members of the company are the members of the UKAC as explained in the 'Report of the Board of Trustees'. The liability of members is limited to the sum of £1 per member

#### 28 Legacies

The value of legacies notified to the charity but which do not meet the recognition criteria (and so are not accounted for within the financial statements) is approximately £4.6 million (2005 approximately £3 million)

#### 29 Prior year comparatives

Certain prior year comparatives have been reanalysed to aid the users understanding

# Legacies for the year ended 31 December 2006

**This page does not form part of the financial statements**

**We were sad to hear of the death of the following people during the year but we are very grateful to have been remembered in their wills.**

A Abbott	I E Brint	A Cornes	E E Elsworth	M E	M Horsfall
R G Abbott	R Brooks	J Cornyn	G M Evison	Groombridge	J D Houlston
N J Addinall	P A Brown	A L Cowell	M Evison	B D Guy	G V Howard
C J Ahlstrom	J E Brown	W G Cox	E P Ewen	J M Halden	A M Howlett
M J Atkins	A G Bruten	K M Cox	G Farrer	L W Hale	M W Howson
J D Allan	J T Budd	B Cracknell	A T Fisher	J Hales	B M G Huggett
H Anderson	M J Budge	W C Craig	S Fletcher	D H Hamblin	P G Hughes
D M Andrew	S R Bulliman	E Crawley	G S Forgham	W M Hamilton	P V S Hughes
D A Arnold	M M Burggy	E R Creasey	N Foster	A W	D M Huish
M C Ashill	E D Burgum	P F Critchley	A B K Foster	Hammersley	R Humphrey
M I Atherfold	M A Busfield	M P Crocker	I Foster	S Harding	J S Hunt
K Attenborough	N E Button	J M Crouch	S M Francis	G Hargrave	J Hyde
M A Backshall	M F Campbell	R W F Curnow	E Freeman	P P M Harness	C M Jackson
J Ballance	A J Carroll	R Curtis	C Fulcher	G O Harris	J Jackson
J E Balls	E J Carttling	P Dale	B H Fulthorpe	E Harris	C E Jackson
F F C Bambridge	E Carver	R S E D'Alquen	E A Fyfe	B D Harris	K G S Jackson
E R Banfield	A D L Cater	R Daniels	E J Gallier	E M Hartman	I M Jackson
S E Barker	P S Cattermole	N E Davey	B E Garside	G E Hawthorn	B J Jackson
J R Barrett	J M Challis	B J Davies	M H Gazder	A A Hayot	E Jackson
J D Barrett	M P Chanan	E E Davies	T R Geeson	B W Heald	R P Jackson
N H Barter	R Charik	A E Davies	S E Gibbs	J L Heap	J S Jamieson
M B Bartlett	P E Charles	W J Davis	M M Glew	R E Hepburn	B Jefferson
W W Baxter	L Charlton	E G F Daycock	F Godber	A E Herridge	C E Johnson
M B Beck	M M Chase	E R Deacon	D E Godfrey	L Hewerdine	P M Johnson
I Beckford	M Chidley	D Deegan	D J Goldsmith	M Hewett	R Johnson
J D Belsey	M E Chrimes	N F Dennis	F I Gooch	N M Hewins	B M Joinson
E J Bendall	B Christian	L W C Dickins	E A Goodman	S M Hewitt	B Jones
P A Bergne-	M B Clark	D C C Doe	B Goodwin	G S Heydon	M J Jones
Coupland	P M Clark	K Doney	M L Gough	R B Higgins	E V A Jones
G M Betts	F F Clark	D Doughty	W M Granger	F Higgins	A D C Jones
E Biggin	B D Clark	M T Downing	L E Grant	I E Hill	E Jones
D A Blight	A J Clarke	P C Duddridge	D M E Green	E Hill	J E Keen
M H Blundell	J S Clarke	D Dugdale	J Green	M L Hindsley	E L Kelly
C R Bolton	F Clarkson	R Dunford	M W Green	D Q Hoare	D King
E Bonson	J M Clayton	R A Dunn	E M Green	J D Hobson	A J Lane
S C Bowerman	J Coates	H Dyson	R M Green	I G Hodge	E M Langman
D Bowie	B M Coleman	B L Dyke	R H Green	S M Hodgkins	R B Le Page
A V Bowles	J M Coleman	E M Eade	E M E Gregg	A Hodgkinson	A J Leakey
E M Bowman	P N Childs	D M Earle	D M Gregson	D E Holl	A Lee
J Bownes	C Collingwood	M V Eastwood	J F Gretton	M A Holman	J R H Lewis
R A Bramley	C B Collins	A G Edwards	D E Griffin	P K M Holt	B F Lewis
M Bray	M Commons	M C Ellis	B Griffiths	B Hood	B Linaker
M Brewer	A Conn	H Elsmore	A E Grimshaw	T L Horner	D M Lloyd



## Legacies for the year ended 31 December 2006

This page does not form part of the financial statements

M D G Loader	C P Mitchell	H Petrook	E A Scragg	D S Thorpe	M C White
D J Lock	W Moffatt	J W C Pett	P L Scroggie	H Thraves	M J White
J D L Lockhart	D G Moore	J W Plumb	A Seear	M J Tidd	K Whitfield
P Lofthouse	R C Moore	K A C Pollock	R M Shaw	P W Tolley	A Whyler
A D Logue	I D Moore	H I Powell	A J F Shiner	R Tonks	H D Wickens
D A Lowle	R A Moreton	D G Powell	W G Shipley	E R Town	F M Williams
R J Lucas	P Morgan	C F Price	E L Simco	E Tranter	S C Wilkinson
K Lucas	B T Morgan	J A Radish	G H Simms	J N E Trigg	H H Williams
I J MacBean	M Morgan	J H Rainford	A E Simms	A M Trinnaman	F M Williams
A MacEwan	I Morrison	W Rawlings	G M Skeels	A D Troman	N M Williams
D MacKenzie	M E Munro	V M Ray	D C Skippen	M J Trotman	J M Williams
O D MacKenzie	J Myers	N Read	B Smethurst	A C Tucker	E Williams
W J D	L G Nason	A M Read	J W Smith	D E Tunks	B B Williams
MacLennan	M Y Neal	M J Reade	F E Smith	D J Turner	M M Williams
F I Maggs	W Neil	M Redgate	V R Smith	D H Turner	E R Wills
M I T Major	M A Newman	L J Rees	W J Smith	I Turrell	R G C Wilson
D M J P Manley	W G Newman	L O Resting	S H Smith	R W Tyers	E C Winder
F K Mannering	K J Nicholson	G Rheda	H M Snelgrove	J M Van-Santen	E W Window
J D Marsden	E B Noble	J D Richard	F H Spokes	W M Vincent	P Winter
S E Marsh	E B Nottingham	T C L Richards	R F Spurling	M Vokes	D L Wise
A Marshall	C A Nutting	D Richardson	G J Stevens	C J Wade	M Wood
J O Martin	E O'Connor	J E Roberts	E Stewart	K M Walker	J R Wood
K Martindale	A O'Donnell	J H Robinson	H M Stockton	M Walker	U M Woodliffe
S H Maunders	P M O'Hare	M P Robinson	L Stoger	A Walker	M I Woolf
R J K May	E B Oliver	B E Rogoff	J C Stott	H M Walker	L Wortley
C H B McAllan	A E R Onions	P A Ronaldson	M M Sutton	A R D Wall	P N Wright
D H McCartney	R J Orchard	B Rosser	E H Sutton	F Walls	N E Wright
P L McIlmoyle	P M Orchard	R K Rowcliffe	E E Swann	J Walshaw	C I Wyres
M S McNidder	E C Orchard	P M Rowe	V Sykes	E M Ward	E Young
B C Mead	C Y Ormiston	L Rushton	I Taylor	W S Warner	R M Young
J P Meade	D J Owen	R C Russell	E M Taylor	G Warner	W Zatorsky
Fetherstonhaugh	B A Pare	A Russell	G E Taylor	I C Watkins	
L A Meek	D E Park	P C Rye	J Taylor	A G Watson	
J J Mellonie	M A Parrick	D Rye	R C Teale	F J Watson	
B J Merry	P M Parsons	J Saunders	J Teale	G Weatherley	
L J Meyer	C Partridge	D M Saunders	F A Teece	F P Weavers	
D B Millar	F M Patch	A R Sawyer	L Teschner	P J Webb	
A E Millband	M M Peacock	S Schiller	A C Thatcher	M J Wells	
F Miller	S Peaker	L A Scollick	R Thomas	S E Welsh	
G M Mills	M A Peck	E M Scott	C M Thomas	J Westgarth	
N M Minney	C J Peer	J A Scott	I D Thompson	E C Weston	
D C Mintey	W A Pegg	J L Scott	N Thornley	J M Wetton	
E M Mitchell	H Percival	G F Scott	A M Thornton	D White	

## **Notes**



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