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Diabetes
UK



Report and financial statements 2004

British Diabetic Association known as Diabetes UK



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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.

More than 1.8 million people in the UK have diabetes, and the numbers are increasing fast. There are also an estimated one million people who have diabetes but don't know it.

Diabetes UK is the leading charity for people with diabetes. 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

Sir Michael Hirst

This report marks an interesting year for Diabetes UK. This is the first year of our new strategic plan whose strategies reflect the impact of devolution, the support of the implementation of the national service frameworks and our care priorities.

In 2004 we had the first complete year of our new governance structure, with the UK Advisory Council playing a full part in the governance of the charity.

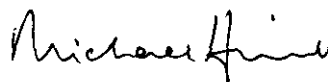
Organisationally this has been a time of considerable change. In September we appointed our new Chief Executive, Douglas Smallwood. He comes to us from the commercial world and I am confident he will bring his extensive experience to improve our effectiveness as an organisation. Benet Middleton had taken up the position of Acting Chief Executive after the departure of our previous Chief Executive and I would like to thank him for his stewardship and acknowledge the hard work and dedication of Diabetes UK staff and volunteers during this period of transition.

One of the main tasks facing Douglas and his team is to focus on operational excellence, to ensure that we are giving the best value for money and are meeting the challenges facing us.

Diabetes is a growing issue. In the UK, research has shown that 1.8 million people have been diagnosed with diabetes and another million are estimated to have the

condition but to be unaware of it. Type 2 diabetes is one of the most rapidly growing diseases and yet the general public is largely ignorant of the disease and its implications.

This year's report provides an overview of our response to the growing incidence of diabetes and our commitment to action.



Sir Michael Hirst
Chair
29 June 2005



A review of our main activities, achievements and developments

Priority in 2004: 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

Funding research

Total expenditure on research of £5,146,000 included research grants expenditure of £4,387,000 in 2004. At the end of 2004 we have a total of 158 grants and fellowships active, covering an extremely wide range of topics, for example awarded in the year:

£29,289 to Southmead Hospital, Bristol to assist with a Gamma counter to support high throughput insulin autoantibody testing for UK and international studies of Type 1 diabetes.

£34,688 to Glasgow Royal Infirmary for Predictors and pattern of transition to Type 2 diabetes: novel insights from the west of Scotland coronary prevention study.

£117,793 to Belfast City Hospital for Genetic analysis of non-synonymous single nucleotide polymorphisms in the development of diabetic nephropathy in Type 1 diabetes.

£228,461 to University of Bristol for a randomised controlled trial of the benefits of exercise early in the management of Type 2 diabetes.

£37,808 to the Oxford Centre for Diabetes, Endocrinology and Metabolism for Estimating the risk of microvascular complications in people with Type 2 diabetes.

£140,009 to the Royal London Hospital for a Bangladeshi Initiative for the prevention of diabetes study.

£89,614 to the University of Dundee for the Development and evaluation of consumer informatics tools for diabetes: Integrating quality-assessed patient resources in to the Scottish national diabetes system.

£75,904 to the University Hospital of Wales for the Evaluation of the financial cost, humanistic impact and epidemiology of diabetes: a 10 year review.

Education projects

In addition to clinical research, Diabetes UK funded a range of projects focused on structured education and patient empowerment. They included:

- DESMOND – (Diabetes Education and Self-Management for Ongoing and Newly Diagnosed) a structured education programme for people with Type 2 diabetes.

- DAFNE – (Dose Adjustments For Normal Eating) following the successful trial of the DAFNE Structured Education Programme, this has been rolled out to more centres during 2004. Diabetes UK has funded further work to allow accredited centres, currently running DAFNE, to work with neighbouring Trusts to ensure more people can access the course.

- DAFNE 2 – a variation on the original DAFNE education programme, which is aimed at children and young people with diabetes.

DESMOND and DAFNE have been endorsed by the National Institute of Clinical Excellence – and they are the only accredited diabetes education courses available in the UK.

For further information about our research programme including the results of research visit our website www.diabetes.org.uk and in the booklet *Diabetes Research funded by Diabetes UK* available from our offices.

A review of our main activities, achievements and developments

Priority in 2004: To improve the care and lives of people with diabetes

Supporting people

The adult support weekend programme in 2004, which had been piloted in 2003, was widened. These events bring adults with diabetes together for an educational weekend, a chance to share experiences and to learn from their peers. These events have been immensely successful with attendees rating them as life changing. The weekends are often the first opportunity people with diabetes have to meet others with the condition and to learn about it in a structured way. The success of these events and other family weekends depended on the valuable contribution of the hundreds of volunteers who were involved across the UK.

Diabetes UK Careline offers an important confidential telephone, mail and email service to people with diabetes, their families and healthcare professionals. Over the year, the Careline team responded to over 40,000 enquiries.

The Diabetes UK website has continued to be integral to the organisation, providing people with diabetes with the latest information on the condition and the support available from Diabetes UK. In 2004 the site grew to include over 4,500 pages of information with sections redesigned to improve navigability. The website received an average of 125,000 visitors a month, double the number in 2002. The care-led sections

'What is diabetes?' and 'Managing diabetes' continue to be the most popular sections.

A weight management pack was developed and circulated to every GP practice in the UK (sponsored by the Cambridge Health and Weight Plan). It addressed the needs of healthcare professionals in encouraging their patients to lose weight, setting out practical steps they could take to run weight management clinics. Poor weight management is widely acknowledged to be a major cause of diabetes and a major problem for people with Type 2 diabetes. The pack was very well received by users and was reprinted in its first year.

In conjunction with the National Diabetes Support Team (NDST) an event was run to define the care planning process. This brought together healthcare professionals and people with diabetes to discuss care planning, highlighting patient choice and collaborative working and responsibilities between healthcare professionals and people with diabetes. The event was very successful and has led to the formation of a group jointly chaired by Diabetes UK and the National Clinical Director for Diabetes (DoH), to define the process in detail.

To improve the ways of working with healthcare professionals when seeking their input into

consultation, a number of SMART electronic discussion forums have been established, which have proved very successful. These have been set up around a specific initiative, such as the General Medical Services (GMS) contract, or to allow different disciplines to discuss topics of interest to them. We now also have groups for paediatrics, pharmacy, podiatry and diverse communities, and a group for consultants is planned.

Respecting diversity

Our aim is to reach as many people with diabetes as possible in order to improve their daily lives. As people from Asian and African-Caribbean communities are up to six times more likely to develop diabetes, we have continued to target these groups.

As well as providing culturally specific information in various languages, we work with relevant community organisations and religious institutions at a local level to help deliver our messages.

We are consistently improving the cultural competence within the organisation through training and getting more involved in community based activities across diverse communities. Projects have included developing a tool to help community and religious leaders to raise awareness of diabetes in their respective communities.

A review of our main activities, achievements and developments

Priority in 2004: To improve the care and lives of people with diabetes

Campaigning

The Diabetes Campaigners Network (DCN) held their first Introduction to Campaigning training day specifically for black and minority ethnic communities in London with the aim to encourage more people to get involved. Delegates discussed their issues and together explored various campaigning techniques to influence change.

Local support

Our local presence in all four nations of the UK enabled us to continue our political lobbying for improved diabetes care and to work with the key agencies involved to ensure delivery of national framework goals, helping policy to become practice. Full coverage of English

regions has now been achieved. This leads to equality of coverage of England, the ability to influence primary care trusts (PCT), strategic health authorities and local decision makers. It has also led to an increased number of networking and training events for volunteers throughout England.

The DCN wrote to supporters with the results of the Dr Foster survey carried out by their local PCTs regarding how diabetes services were being delivered locally. The DCN also provided support and guidance to members to contact their local PCTs in order to raise issues highlighted by the survey and keep diabetes at the top of the primary care trusts' agenda.

Removing barriers

Diabetes UK lobbied extensively to have blanket bans on recruitment of people using insulin to the emergency services lifted. The extension of the Disability Discrimination Act now means that all people with diabetes must be individually assessed by the emergency services as to their ability to do the job.

After many years of the figure of 1.4 million people diagnosed with diabetes being quoted, Diabetes UK reassessed all the available evidence and announced a significant increase to 1.8 million. This figure was widely quoted in the media and is now widely recognised as the definitive estimate.

ENGLAND – A Diabetes UK booklet *Improving Diabetes Healthcare in England* was produced and distributed throughout England. This was a guide to influencing services locally to ensure the NSF is implemented effectively. It has proved extremely successful and has received excellent feedback from our supporters.

NORTHERN IRELAND – Diabetes UK Northern Ireland secured the establishment of a Regional Diabetes Steering Group to oversee the implementation of the joint CREST – Diabetes UK Taskforce Report's recommendations for improving diabetes care. This will ensure there are tangible improvements to care for people with diabetes across Northern Ireland.

SCOTLAND – In Scotland a joint conference with the Scottish Executive was held. There were 600 attendees and there was significant coverage and acknowledgement.

WALES – Lobbying by Diabetes UK Cymru led to the Welsh Assembly Members voting unanimously in February 2004 in favour of 'active case finding throughout Wales of Type 2 diabetes, involving regular targeted screening'. If fully implemented this vote could lead to the diagnosis and treatment of many of the estimated 40,000 people in Wales with undiagnosed Type 2 diabetes.

For further information about voluntary groups in your area: www.diabetes.org.uk or call 020 7424 1000. To find out how you can become a Diabetes Campaigners Network volunteer fighting discrimination and lobbying for improved care visit our website www.diabetes.org.uk or call 020 7424 1000.

A review of our main activities, achievements and developments

Priority in 2004: To generate and use our resources effectively

Legacies

As in previous years, legacies have remained an important source of funds for the organisation in 2004 at £6.3 million (29 per cent of income).

Regular giving

Just under £1 million was raised from our regular giving schemes in 2004. The regular income from these schemes helped us to plan longer term activities including research funding.

Community fundraising

Income from community fundraising events increased significantly in 2004, generating a total of £1.4 million up from £1.2 million in 2003. This was raised from a variety of events from Walks in the Park to overseas treks. This growth provides a strong foundation for the future.

Trusts and major donors

A wide range of trusts and major donors gave their generous support to Diabetes

UK throughout 2004, enabling us to fund key research projects and care support initiatives. In addition to financial donations, we also benefited from the time, expertise and personal commitment of many of our major donors.

Corporate partners

Morrisons Charity of the Year partnership was our first major partnership of this kind and was important in that it demonstrated our ability to work with a major retailer in this way. Diabetes UK was chosen following a staff vote, which demonstrated the relevance of diabetes to Morrisons staff at all levels. We exceeded their previous Charity of the Year fundraising record, with over £700,000 raised for Diabetes UK. This was due to the hard work of the many volunteers, Morrisons staff and voluntary group members who were involved. This partnership also led to the opportunity to trial our first on-pack promotion,

with a Diabetes UK fundraising and membership message on kitchen towels and flowers, which helped raise awareness of diabetes and Diabetes UK.

Close working with Tesco in 2004 to provide information on the Glycaemic Index (GI) of foods, resulted in the launch of GI labelling and GI information leaflets. Eating a healthy diet is an important part of diabetes management and the new Tesco GI labelling helps people with diabetes make informed food choices.

Collaboration with Pfizer on their 'ChoLESsterol' campaign generated income for the charity, enabled us to recruit approximately 700 new members and also took our name and logo to the airwaves, raising awareness of Diabetes UK and the issue of cholesterol for people with diabetes.

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

To all of them we are profoundly grateful.

Here are some of the ways you can help:

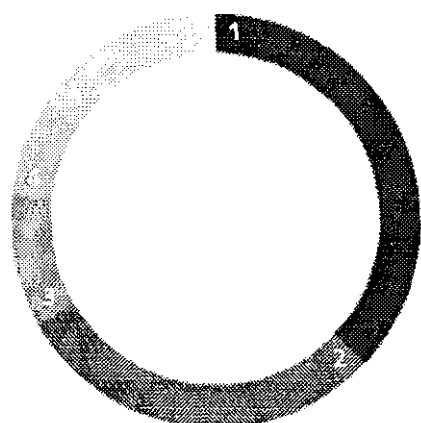
- become a member (if you aren't already)
- make a donation

- become a regular donor
- sign up for payroll giving
- encourage your company to make us their charity of the year
- enter Diabetes UK's lotteries
- run a marathon or do a parachute jump
- apply for our credit card
- join your local Diabetes UK voluntary group
- remember us in your Will.

For further information about how you can help raise vital funds, visit our website www.diabetes.org.uk or call 020 7424 1000.

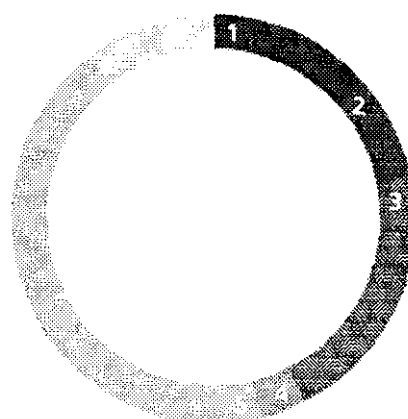
Financial summary 2004

Where the money came from



- 1 £7,790,000 Donations
- 2 £6,268,000 Legacies
- 3 £2,205,000 Subscriptions
- 4 £1,620,000 Income from publications & conferences for care & information
- 5 £2,874,000 Income from trading
- 6 £401,000 Investment income

Where the money went



- 1 £2,729,000 Fundraising costs
- 2 £1,754,000 Trading costs
- 3 £4,387,000 Research: grants
- 4 £759,000 Research: non-grants
- 5 £9,051,000 Care & information
- 6 £1,290,000 Support costs
- 7 £954,000 Management & administration

Legal and administrative information

Statutory details

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

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

West Midlands
1 Eldon Court
Eldon Street
Walsall WS1 2JP
Tel 01922 614500
Fax 01922 646789

Diabetes UK Careline
Tel 0845 120 2960

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

As we roll out our regional
office network, the regional
managers for the following
areas can be contacted through
our Central Office:

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

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

c/o 10 Parkway
London NW1 7AA
Tel 020 7424 1000
Fax 020 7424 1001

Regional and National Offices

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

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

East Midlands
South West
Eastern
London
South East

Board of Trustees

Sir Michael Hirst (Chair)^{2, 3}
Professor Simon Howell (Vice-Chair)¹
Mrs Gill Laver (Treasurer)^{1, 3}
Mr Ramakant Anaokar²
Dr Stephen Beer (appointed 24 November 2004)
Dr Felix Burden (retired 18 September 2004)
Ms Alison Finney²
Mr Peter Gibson
Mr John Grumitt³ (appointed 4 October 2003)
Mrs Helen Husband
Mr Ian Powell (appointed 19 September 2004)
Dr Niti Pall³
Professor Mark Walker (appointed 31 January 2004)
Mr Brian Wootten (retired 18 September 2004)

¹ Finance Sub-Committee member

² Trustee Sub-Committee member

³ Performance Review Sub-Committee member

Advisors

Auditors
Baker Tilly
Chartered Accountants
Registered Auditors
2 Bloomsbury Street
London WC1B 3ST

Investment Managers
Barclays Private Bank Limited
43 Brook Street
London W1Y 2PB

Solicitors
Nabarro Nathanson
Lacon House
Theobald's Road
London WC1X 8RW

Report of the Board of Trustees

We present our report and financial statements for the year ended 31 December 2004.

Administrative information relating to the charity and trustees is set out on page 7.

Principal aims and activities
The work of Diabetes UK is governed by the Memorandum and Articles of Association amended by Special Resolution passed on 20 July 2002.

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.
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.

Review of the year

For a review of Diabetes UK's main activities, achievements and developments during the year please see pages 2 to 5.

Organisation

The governance of Diabetes UK is the responsibility of the Board of Trustees, which consists of elected and co-opted members. Trustees serve three-year terms. Trustee elections are held annually and voted on by the 120 members of the Advisory Council, which is comprised of representatives of members, voluntary groups and healthcare professionals. The detailed rules are described in the Articles of Association, a copy of which is available from Diabetes UK on request.

The Board has appointed three sub-committees, which have been given specific responsibilities and make relevant recommendations. These are the Finance Sub-Committee, the Trustee Sub-Committee and the Performance Review Sub-Committee.

Whilst the approval of policy is a matter for the Board, that body works closely with the Chief Executive and his colleagues on the Senior Management Team, who are charged with the implementation of policy.

Diabetes UK's central office is in London. The charity also has offices in Scotland, Wales and Northern Ireland and in the English regions. Diabetes UK has around 170,000 lay and medical professional members and a network of around 430 local voluntary groups.

Report of the Board of Trustees (continued)

Diabetes UK is the leading UK charity in the field of diabetes. As such, Diabetes UK acts independently of other charities and similar organisations.

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 and identifying means of mitigating the risks.

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 mitigate our exposure to the major risks.

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 deficit funding) for four months.

Our unrestricted reserves in the balance sheet reflect the impact of fully adopting FRS17 in the accounts. This is an accounting convention that recognises long-term liabilities in the balance sheet but where action has been taken over future years to rectify the

pension deficit. There is no effective dilution of our reserves or our operating capacity by recognition of this pension deficit and we have excluded the dilution in the reserves created by this issue.

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), but excluding designated funds held by voluntary groups. At 31 December 2004 the charity's reserves represented 5.4 months of forward expenditure.

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, which will maintain the real purchasing power of the portfolio over time whilst providing a reasonable and growing income, ie conservative growth. Direct investment in tobacco stocks is avoided, however equity investments are made via collective vehicles.

Barclays Private Bank Limited is retained as investment

manager to Diabetes UK. At 31 December 2004, the relative weightings in the portfolio were cash and fixed interest securities 54 per cent, equity and equity related investments 46 per cent. In December 2004, following a review of Diabetes UK's investments, all equities were disposed of, with the proceeds being fully reinvested into a single equity fund – the M&G Charifund investment fund.

Grant making policy

Diabetes UK invites applications for funding of projects through advertising in specialist medical and scientific media and on the website. 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. High-level research objectives are set by the Board of Trustees and the funding of specific projects is delegated to the Research Committee. Projects are monitored routinely 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.

Diabetes UK offers fellowships and studentships to carry out diabetes research. Applicants for fellowships are invited for interview by an expert panel

Report of the Board of Trustees (continued)

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 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 active subsidiary companies.

Diabetes UK Services Limited trades in Christmas goods and insurance services, sells advertising, 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 £1,143,000 was generated in 2004 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 2004, the company had no research funding commitments, but retains an interest in 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 2004. 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.

In 2004 voluntary groups raised £1,567,000 and spent £1,495,000, including remittances to Central Office. At 31 December 2004 cash held by voluntary groups totalled £1,983,000.

Employment strategy
Diabetes UK encourages 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 shortlisted 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

Report of the Board of Trustees (continued)

necessary. If a member of staff becomes disabled whilst employed by Diabetes UK, retraining will be provided where appropriate.

Statement of the trustees' financial responsibilities
We are responsible for the preparation of financial statements for each year which give a true and fair view of the state of affairs of Diabetes UK and the group as at the end of the financial year and of the surplus or deficit of Diabetes UK and the group for that year. In preparing the financial statements, we are required to:

- select suitable accounting policies and apply these consistently
- make judgements 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 a going concern basis unless it is inappropriate to assume that Diabetes UK or the group will continue their activities.

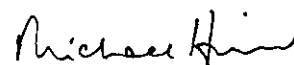
We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Diabetes UK and the group and enable

us to ascertain the financial position of Diabetes UK and the group and which enable us to ensure that the financial statements comply with the Companies Act 1985. We are also responsible for safeguarding the assets of Diabetes UK and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We intend to make these financial statements available on our website. The maintenance and integrity of the financial statements on the website is also our responsibility and the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the information contained in the financial statements available from the web site since their initial presentation on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

On behalf of the Board of Trustees:



Sir Michael Hirst
Chair
29 June 2005

Auditors' report

Independent auditors' report to the members of the British Diabetic Association

We have audited the financial statements of the British Diabetic Association for the year ended 31 December 2004 which comprise the Consolidated Statement of Financial Activities, the Consolidated and Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the historical cost convention, as modified by the revaluation of fixed asset investments and the accounting policies set out therein.

This report is made solely to the 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 company's members those matters we are required to state to them in an auditor's 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Trustees' Financial Responsibilities the charity Trustees, who are also the directors of the charitable company, are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion,

the Report of the Board of Trustees' is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the 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, the review of the main activities, achievements and developments during the year, the financial summary and report of the board of trustees. 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.

Auditors' report (continued)

Independent auditors' report to the members of the British Diabetic Association

Basis of audit opinion

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

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

of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the charitable company and its subsidiaries as at 31 December 2004 and of their incoming resources and application of resources, including their income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly
Baker Tilly
Chartered Accountants
Registered Auditors
London
2005

8th September, 2005

Consolidated statement

Financial activities for the year ended 31 December 2004

| | Notes | Unrestricted funds £'000 | Restricted funds £'000 | Total 2004 £'000 | Total 2003 £'000 |
|--|-------|--------------------------------|------------------------------|------------------------|------------------------|
| Incoming resources | | | | | |
| Donations | | 4,863 | 2,927 | 7,790 | 6,460 |
| Legacies | | 5,810 | 458 | 6,268 | 5,333 |
| Activities in furtherance of the charity's objects: | | | | | |
| Subscriptions | | 2,205 | - | 2,205 | 2,374 |
| Income from publications and conferences for care and information | | 1,620 | - | 1,620 | 1,683 |
| Activities for generating funds: | | | | | |
| Income from trading | 4 | 2,874 | - | 2,874 | 3,056 |
| Investment income | 5 | 380 | 21 | 401 | 393 |
| Total incoming resources | | 17,752 | 3,406 | 21,158 | 19,299 |
| Less: Cost of generating funds | | | | | |
| Fundraising costs | | 2,729 | - | 2,729 | 1,994 |
| Trading costs | 4 | 1,754 | - | 1,754 | 1,736 |
| | | 4,483 | - | 4,483 | 3,730 |
| Net incoming resources available for charitable application | | 13,269 | 3,406 | 16,675 | 15,569 |
| Charitable expenditure | | | | | |
| Costs of activities in furtherance of the charity's objects: | | | | | |
| Research: contracts | | 1,361 | 3,026 | 4,387 | 4,626 |
| Research: other expenditure | | 759 | - | 759 | 1,040 |
| Care & information | | 8,555 | 496 | 9,051 | 8,390 |
| Support costs | | 1,290 | - | 1,290 | 1,800 |
| Management & administration | | 954 | - | 954 | 768 |
| Total charitable expenditure | | 12,919 | 3,522 | 16,441 | 16,624 |
| Total resources used | 2 | 17,402 | 3,522 | 20,924 | 20,354 |
| Net incoming/(outgoing) resources | 3 | 350 | (116) | 234 | (1,055) |
| Gains on investments | 8 | 343 | 21 | 364 | 458 |
| Actuarial losses on defined benefit pension scheme | 17 | (326) | - | (326) | (191) |
| Net movement in funds | | 367 | (95) | 272 | (788) |
| Fund balances at 1 January – as restated | | 9,008 | 1,556 | 10,564 | 11,352 |
| Fund balances at 31 December | 12,13 | 9,375 | 1,461 | 10,836 | 10,564 |

All activities are classed as continuing. The net incoming resources for the year under the historical cost accounting convention is £1,080,000 (2003 – net outgoing resources - £1,298,000) [Note 18].

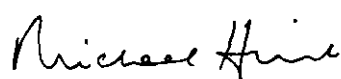
The notes on pages 17 to 30 form part of these accounts.

Balance sheet

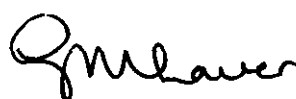
At 31 December 2004

| | Notes | Group | Diabetes UK |
|---|-------|--------------------|--------------------|
| | | 2003 | 2003 |
| | | 2004 (As restated) | 2004 (As restated) |
| | | £'000 | £'000 |
| Fixed assets | | | |
| Tangible assets | 7 | 1,222 | 1,222 |
| Other investments | 8 | 4,469 | 4,469 |
| Investments in subsidiaries | 8 | - | 40 |
| | | 5,691 | 5,731 |
| Current assets | | | |
| Stocks | | 24 | - |
| Debtors | 9 | 1,970 | 2,497 |
| Investments | 10 | 5,292 | 5,292 |
| Cash at bank and in hand | | 2,842 | 2,686 |
| | | 10,128 | 10,475 |
| Creditors: amounts falling due within one year | 11 | (2,777) | (3,164) |
| Net current assets | | 7,351 | 7,311 |
| Net assets excluding pension scheme liability | | 13,042 | 13,042 |
| Defined benefit pension scheme liability | 17 | (2,206) | (2,206) |
| Net assets including pension scheme liability | | 10,836 | 10,836 |
| Fund balances | | | |
| Unrestricted funds | | 9,375 | 9,375 |
| Restricted funds | 12 | 1,461 | 1,461 |
| Total funds | 13 | 10,836 | 10,836 |

Approved by the Board of Trustees on 29 June 2005 and signed on their behalf by:



Sir Michael Hirst
Chair



Gill Laver
Treasurer

The notes on pages 17 to 30 form part of these accounts.

Consolidated cash flow statement for the year ended 31 December 2004

| | 2004 £'000 | 2003 £'000 |
|---|---------------|---------------|
| Net cash inflow/(outflow) from operating activities (see note below) | 27 | (1,004) |
| <i>Returns on investments</i> | | |
| Investment income | 401 | 393 |
| <i>Capital expenditure and financial investment</i> | | |
| Purchase of tangible fixed assets | (113) | (301) |
| Purchase of fixed asset investments | (4,298) | (1,053) |
| Proceeds from sale of fixed asset investments | 4,187 | 213 |
| Net cash (outflow) from investing activities | (224) | (1,141) |
| Net cash inflow/(outflow) before management of liquid resources | 204 | (1,752) |
| <i>Management of liquid resources</i> | | |
| Short term investments | (181) | 707 |
| Increase/(decrease) in cash | 23 | (1,045) |
| Cash at 1 January | 2,819 | 3,864 |
| Cash at 31 December | 2,842 | 2,819 |

Notes to the consolidated cash flow statement

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

| | 2004 £'000 | 2003 (as restated) £'000 |
|---|---------------|--------------------------------|
| Net incoming/(outgoing) resources | 234 | (1,055) |
| Depreciation | 418 | 370 |
| Investment income | (401) | (393) |
| Decrease in debtors | 153 | 45 |
| (Decrease) in creditors | (98) | (124) |
| Difference between payments to defined benefit pension scheme and amount charged to expenditure | (279) | 153 |
| Net cash inflow/(outflow) from operating activities | 27 | (1,004) |

Reconciliation of movements in cash with movements in net funds

| | Increase/(decrease) in net cash | | Net cash | |
|--------------------------|---------------------------------|---------------|---------------|---------------|
| | 2004 £'000 | 2003 £'000 | 2004 £'000 | 2003 £'000 |
| Cash at bank and in hand | 23 | (1,045) | 2,842 | 2,819 |
| Liquid resources | 181 | (707) | 5,292 | 5,111 |
| | 204 | (1,752) | 8,134 | 7,930 |

The notes on pages 17 to 30 form part of these accounts.

Notes to the financial statements for the year ended 31 December 2004

1 Accounting policies

Basis of accounting

The financial statements are prepared in accordance with applicable accounting standards using the historical cost convention adjusted for third party 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 October 2000 and the Companies Act 1985. Diabetes UK complied with best practice at the time of preparing these financial statements. No separate income and expenditure account has been included for Diabetes UK because it has no endowment funds.

During the period under review, Diabetes UK has adopted the accounting requirements of Financial Reporting Standard 17 'Retirement benefits' in full. This results in a reduction in net assets at the balance sheet date of £835,000 (2003 – £2,450,000), an increase in net incoming resources of £2,241,000 (2003 – reduction – £136,000) and an increase in the net movement in funds of £1,915,000 (2003 – reduction: £327,000). The trustees are obliged to adopt FRS 17 in full for future accounting periods and considered that it was appropriate to adopt it early (as is permissible under the standard) as the historic

balances arising from transactions with the pension scheme included within the accounts were to be reviewed following the closure of the final salary scheme.

In the 2003 financial statements, the subscription income that would normally have been collected in the year ended 31 December 2003 but which went uncollected due to operational difficulties was accrued as at 31 December 2003. No such accrual was necessary as at 31 December 2004.

Overheads are allocated to departments reflecting the number of staff involved in supporting each activity.

In other respects the financial statements have been prepared on a consistent basis.

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 16. 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.

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.

Subscriptions

In general, subscriptions are credited to income on receipt, as these are considered to be in the nature of donations. However, as detailed above, for the prior year, an estimate of the subscription debtors outstanding at the year end, based on past experience, was made and included in debtors at 31 December 2003.

Notes to the financial statements for the year ended 31 December 2004

1 Accounting policies (continued)

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 either within donations or "Income from publications and conferences" if these relate to publications or conferences.

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 contracts

Diabetes UK contracts with a range of institutions to fund specific research projects. Payment is conditional on the performance of key tasks and where such tasks remain incomplete, payment is withheld. Research contract expenditure is charged against income in the year in which the underlying research is undertaken, such that the

charge to the income and expenditure account matches the research work undertaken. No constructive obligations are created as the nature of the relationship between Diabetes UK and the institutions undertaking the research is one such that executory contracts, rather than constructive obligations, are created.

Management and

administration, attributable overheads and staff costs
Management and administration costs include salaries and related costs of central administration plus their portion of attributable overheads. 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 reflecting the number of staff involved in supporting 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 – 7 to 10 years
- general computer equipment and software – 4 to 5 years
- Database equipment and software – 8 years.

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

Investments

Third party investments are shown at market value and any unrealised gain or loss is transferred to reserves.

Liquid resources

Liquid resources are defined as being cash balances held on deposit that are readily accessible (they usually require less than 24 hours notice in order to be accessed).

Stocks

Stocks, which consist mainly of Christmas trading items, 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.

Notes to the financial statements for the year ended 31 December 2004

1 Accounting policies (continued)

Retirement benefits

For the defined benefit scheme the amount charged to the income and expenditure account 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 Statement of Financial Activities under the heading of actuarial gains and losses on defined benefit pension scheme.

Defined benefit schemes are 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 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 profit and loss account 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 2004

2 Analysis of total resources used

| 2004 | Staff £'000 | Other £'000 | Total £'000 |
|-------------------------------------|----------------|----------------|----------------|
| <i>Cost of generating funds</i> | | | |
| Fundraising costs | 1,015 | 1,714 | 2,729 |
| Trading costs | 252 | 1,502 | 1,754 |
| | 1,267 | 3,216 | 4,483 |
| <i>Charitable expenditure</i> | | | |
| Research: contracts | - | 4,387 | 4,387 |
| Research: other expenditure | 406 | 353 | 759 |
| Care & information cost sub groups: | | | |
| Conferences | 157 | 863 | 1,020 |
| Publications | 256 | 1,051 | 1,307 |
| Healthcare & policy | 214 | 447 | 661 |
| Other care and campaign | 2,448 | 3,615 | 6,063 |
| | 3,075 | 5,976 | 9,051 |
| Support costs | 524 | 766 | 1,290 |
| Management & administration | 165 | 789 | 954 |
| | 4,170 | 12,271 | 16,441 |
| Total resources used | 5,437 | 15,487 | 20,924 |
| 2003 – as restated | | | |
| <i>Cost of generating funds</i> | | | |
| Fundraising costs | 803 | 1,191 | 1,994 |
| Trading costs | 235 | 1,501 | 1,736 |
| | 1,038 | 2,692 | 3,730 |
| <i>Charitable expenditure</i> | | | |
| Research: contracts | - | 4,626 | 4,626 |
| Research: other expenditure | 472 | 568 | 1,040 |
| Care & information cost sub groups: | | | |
| Conferences | 116 | 796 | 912 |
| Publications | 298 | 1,036 | 1,334 |
| Healthcare & policy | 198 | 421 | 619 |
| Other care and campaign | 2,347 | 3,178 | 5,525 |
| | 2,959 | 5,431 | 8,390 |
| Support costs | 720 | 1,080 | 1,800 |
| Management & administration | 193 | 575 | 768 |
| | 4,344 | 12,280 | 16,624 |
| Total resources used | 5,382 | 14,972 | 20,354 |

The charge to the income and expenditure account for the year relates to 158 (2003 – 165) research projects. All contracts are with institutions. A full list of payments is available on request.

Notes to the financial statements

for the year ended 31 December 2004

2 Analysis of total resources used (continued)

The top 50 research contractual payments were paid to the following institutions:

| | £ |
|--|---------------|
| Thameside & Glossop Acute Services NHS Trust | 86,358 |
| Kings College, London | 78,527 |
| University of Dundee | 78,445 |
| University of Exeter | 69,321 |
| Glasgow Royal Infirmary | 61,578 |
| University of Bristol | 50,812 |
| North Bristol NHS Trust | 46,368 |
| Sheffield Childrens Hospital | 44,987 |
| University College London | 43,965 |
| Peninsular Medical School | 40,140 |
| Peninsular Medical School | 34,155 |
| University of Edinburgh | 33,551 |
| University of Cambridge | 33,002 |
| University College London | 32,122 |
| Kings College London | 30,507 |
| Imperial College of Medicine | 30,457 |
| University of Birmingham | 29,343 |
| University of Cambridge | 29,005 |
| University of Birmingham | 28,784 |
| University Hospitals Leicester NHS Trust | 17,292 |
| University of Dundee | 14,451 |
| | <hr/> 913,170 |

In addition, £250,000 was incurred in respect of a project undertaken with the Medical Research Council.

3 Net (outgoing)/incoming resources

| | 2004 £'000 | 2003 £'000 |
|--|---------------|---------------|
| Net (outgoing)/incoming resources are stated after charging: | | |
| Depreciation (see note 7) | 418 | 370 |
| Auditors' remuneration – audit | 24 | 24 |
| – non audit | 22 | 19 |
| Non-recoverable VAT | 283 | 319 |
| Operating leases – property | 639 | 677 |
| – other | 189 | 186 |

Notes to the financial statements

for the year ended 31 December 2004

| 4 Income from and costs of trading | 2004 £'000 | 2003 £'000 |
|---|---------------|---------------|
| Turnover of subsidiary undertakings (see note 16) | 1,677 | 1,770 |
| Other income of subsidiary undertakings (see note 16) | 1,148 | 1,229 |
| Primary purpose charitable trading income | 49 | 57 |
| Income from trading | 2,874 | 3,056 |
| Costs of subsidiary undertakings (see note 16) | 1,687 | 1,663 |
| Primary purpose charitable trading costs | 67 | 73 |
| Trading costs | 1,754 | 1,736 |

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.

5 Investment income

| | | |
|---------------------------------------|------------|------------|
| Listed securities | 108 | 95 |
| Interest on current asset investments | 237 | 218 |
| Interest on cash at bank | 56 | 80 |
| | 401 | 393 |

6 Staff costs

(as restated)

| | | |
|-----------------------|--------------|--------------|
| Salaries | 4,627 | 4,409 |
| Social security costs | 457 | 423 |
| Other pension costs | 353 | 550 |
| | 5,437 | 5,382 |

| Staff numbers | No | No |
|-------------------------------|------------|------------|
| Funding and trading | 40 | 71 |
| Care and information | 108 | 99 |
| Research | 5 | 7 |
| Support | 42 | 34 |
| Management and administration | 4 | 3 |
| | 199 | 187 |

Average full-time equivalent number of employees during the year: 183 (2003 – 174).

Notes to the financial statements

for the year ended 31 December 2004

6 Staff costs (continued)

Pension costs

Pension costs comprise £181,000 (2003: £124,000) in respect of defined contribution pension schemes and £172,000 (2003: £426,000) in respect of the defined benefit pension scheme. The components of the defined contribution pension scheme costs are as follows:

| Analysis of the amount charged to charitable activities | 2004 | 2003 |
|---|-------|-------|
| | £'000 | £'000 |
| Current service cost | 203 | 366 |
| Past service cost | 0 | 0 |
| Curtailments and settlements | (198) | 0 |
| Total operating charge | 5 | 366 |

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

| | | |
|--|-------|-------|
| Expected return on pension scheme assets | 144 | 224 |
| Interest on pension scheme liabilities | (311) | (284) |
| Net return | (167) | (60) |

The curtailment gain, which is included within support costs, arises on the closure of the scheme during the year.

| Number of employees whose remuneration fell within the following ranges: | 2004 Number | 2003 Number |
|--|----------------|----------------|
| £50,001 – £60,000 | 3 | 4 |
| £60,001 – £70,000 | 1 | 1 |
| £70,001 – £80,000 | - | - |
| £80,001 – £90,000 | 1 | - |

Payments to the defined contribution pension schemes in respect of the above staff amounted to £7,882 in the year. As at the year end, the defined benefit pension scheme was closed and no benefits were accruing to employees under the scheme at the year end.

Trustees have not been remunerated during the year. A total of 10 trustees (2003 – 9) have been reimbursed for expenses in relation to trustee meetings at a cost of £9,459 (2003 – £8,563). Total expenses reimbursed to trustees were £23,512 (2003 – £22,439). All amounts were for the reimbursement of travel and subsistence costs.

During the year a premium of £4,358 (2003 – £3,570) was incurred by Diabetes UK in respect of trustees' liability insurance.

Notes to the financial statements

for the year ended 31 December 2004

| 7 Tangible fixed assets | Office equipment, fittings & furniture £'000 | Computer equipment & software £'000 | Total £'000 |
|--------------------------------|---|--|------------------------|
| Group and Diabetes UK | | | |
| Cost | | | |
| 1 January | 895 | 2,361 | 3,256 |
| Additions | 50 | 63 | 113 |
| 31 December | 945 | 2,424 | 3,369 |
| Depreciation | | | |
| 1 January | 261 | 1,468 | 1,729 |
| Charge for the year | 126 | 292 | 418 |
| 31 December | 387 | 1,760 | 2,147 |
| Net book value | | | |
| 31 December 2004 | 558 | 664 | 1,222 |
| 31 December 2003 | 634 | 893 | 1,527 |

All tangible fixed assets are used for or to support charitable purposes. There were no contracted capital commitments at 31 December 2004 (2003 – None).

8 Investments

| | 2004 £'000 | 2003 £'000 |
|--|-----------------------|-----------------------|
| Third party investments – Group and Diabetes UK | | |
| Market value at 1 January | 3,994 | 2,696 |
| Additions | 4,298 | 1,053 |
| Disposals | (3,886) | (238) |
| Net gain/(loss) on revaluation | 63 | 483 |
| Market value at 31 December | 4,469 | 3,994 |
| Historical cost at 31 December | 4,396 | 3,154 |

Representing:

| | | |
|-------------------|-------|-------|
| Listed securities | 4,469 | 3,994 |
|-------------------|-------|-------|

Investment in subsidiary undertakings – Diabetes UK (Note 16)

| | | |
|---------------------------------|----|----|
| As at 31 December 2004 and 2003 | 40 | 40 |
|---------------------------------|----|----|

Investments which comprised more than 5% of the total market value of investments at 31 December 2004 were:

| | £'000 |
|--|--------------|
| M & G Securities Ltd, Charifund Inc – UK Unit Trust. | 4,160 |
| Gartmore Fund Managers Global Bond (Income Units) Unit Trust | 216 |

| | 2004 £'000 | 2003 £'000 |
|---|-----------------------|-----------------------|
| Gains/(losses) on investments comprise: | | |
| Realised gains/(losses) | 301 | (25) |
| Unrealised gains | 63 | 483 |
| | 364 | 458 |

Notes to the financial statements

for the year ended 31 December 2004

9 Debtors: amounts falling due within one year

| | Group | | Diabetes UK | |
|---|---------------|-------|---------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| | (as restated) | | (as restated) | |
| | £'000 | £'000 | £'000 | £'000 |
| Trade debtors | 219 | 284 | - | - |
| Prepayments and accrued income | 1,146 | 1,342 | 749 | 992 |
| Amounts due from subsidiary undertaking | - | - | - | 6 |
| Donation due from subsidiary undertakings | - | - | 1,143 | 1,254 |
| VAT recoverable | 98 | - | 98 | - |
| Other debtors | 507 | 497 | 507 | 497 |
| | 1,970 | 2,123 | 2,497 | 2,749 |

10 Current asset investments

| | 2004 | 2003 |
|--|-------|-------|
| | £'000 | £'000 |
| Group and Diabetes UK | | |
| Bank deposits with investment managers | 5,292 | 5,111 |

11 Creditors: amounts falling due within one year

| | Group | | Diabetes UK | |
|--|-------|-------|-------------|-------|
| | 2004 | 2003 | 2004 | 2003 |
| | £'000 | £'000 | £'000 | £'000 |
| Amounts due to subsidiary undertakings | - | - | 572 | 174 |
| Other taxation and social security | - | 131 | - | 140 |
| Accruals and deferred income | 1,133 | 1,278 | 947 | 1,072 |
| Other creditors | 1,644 | 1,466 | 1,645 | 1,464 |
| | 2,777 | 2,875 | 3,164 | 2,850 |

12 Restricted funds

The movement in restricted funds in the year is as follows:

| | Balance at 1 January 2004 £'000 | Incoming funds £'000 | Funds used £'000 | Investment gains £'000 | Balance at 31 December 2004 £'000 |
|--------------------------|--|----------------------------|------------------------|------------------------------|--|
| Research funds | 705 | 2,868 | (3,026) | - | 547 |
| Children funds | - | 246 | (246) | - | - |
| Care & information funds | 111 | 271 | (243) | - | 139 |
| Warren Memorial Fund | 740 | 21 | (7) | 21 | 775 |
| | 1,556 | 3,406 | (3,522) | 21 | 1,461 |

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 the additional costs of holidays, parent/child weekends and other youth activities. The Care & information funds are restricted to meeting the costs of maintaining the care & 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 2004

13 Total funds – Group and Diabetes UK

Total funds are invested as follows:

| | Unrestricted funds £'000 | Restricted funds £'000 | Total funds £'000 |
|--|--------------------------------|------------------------------|-------------------------|
| Tangible fixed assets | 1,222 | - | 1,222 |
| Fixed asset investments | 3,694 | 775 | 4,469 |
| Current assets | 9,442 | 686 | 10,128 |
| Current liabilities | (2,777) | - | (2,777) |
| Defined benefit pension scheme liability | (2,206) | - | (2,206) |
| Total net assets | 9,375 | 1,461 | 10,836 |
| Unrealised gains on investments included above | 64 | 7 | 71 |

Total funds – prior year adjustment

| | 2004 £'000 | 2003 £'000 |
|--|---------------|---------------|
| Total funds at 1 January 2004 | | |
| As originally stated | 13,015 | 13,475 |
| Prior year adjustment: | | |
| Recognition of defined benefit pension scheme liability | (2,159) | (1,815) |
| Elimination of pension prepayment arising under previous accounting policy | (292) | (308) |
| | 10,564 | 11,352 |
| Net movement in funds for the year | 272 | (788) |
| Total funds as at 31 December 2004 | 10,836 | 10,564 |

The prior year adjustment arises from the adoption of FRS 17, as detailed in Note 1.

14 Operating lease commitments

| | Property | | Other | |
|--|---------------|---------------|---------------|---------------|
| | 2004 £'000 | 2003 £'000 | 2004 £'000 | 2003 £'000 |
| Annual lease commitments on leases expiring: | | | | |
| Within one year | - | - | 146 | - |
| Between two and five years | 24 | 24 | 28 | 179 |
| After five years | 615 | 600 | - | - |
| | 639 | 624 | 174 | 179 |

Notes to the financial statements

for the year ended 31 December 2004

15 Commitments to spend – research contracts

At 31 December 2004 Diabetes UK had entered into contracts in respect of expenditure on research amounting to £6,901,000 (2003 – £6,511,000). The future expenditure, which will be funded from future income streams, falls due as follows:

| | £'000 |
|------|-------------|
| 2005 | 3,978 |
| 2006 | 2,035 |
| 2007 | 846 |
| 2008 | 42 |
| | <hr/> 6,901 |

16 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 which are audited and filed at Companies House. Their financial position is summarised as follows:

| Profit and loss accounts for the year ended 31 December | BDA Research Limited | | Diabetes UK Services Limited | |
|--|----------------------|---------------|------------------------------|---------------|
| | 2004 £'000 | 2003 £'000 | 2004 £'000 | 2003 £'000 |
| Turnover | - | 92 | 1,677 | 1,678 |
| Cost of sales | - | (92) | (381) | (499) |
| Gross profit | - | - | 1,296 | 1,179 |
| Distribution costs | - | - | (356) | (313) |
| Administration expenses | - | 1 | (443) | (499) |
| Other operating income | - | - | 1,148 | 1,229 |
| Investment income | - | - | 5 | 10 |
| Other operating costs | - | - | (507) | (352) |
| Profit on ordinary activities before and after taxation | - | 1 | 1,143 | 1,254 |
| Profit donated to Diabetes UK | - | (1) | (1,143) | (1,254) |
| Net income | - | - | - | - |

The profit donated to Diabetes UK includes £461,000 (2003 – £666,000) in respect of the profit from lotteries.

Notes to the financial statements

for the year ended 31 December 2004

16 Subsidiary undertakings (continued)

| Summarised balance sheets as at 31 December | BDA Research Limited | | Diabetes UK Services Limited | |
|--|----------------------|---------------|------------------------------|---------------|
| | 2004 £'000 | 2003 £'000 | 2004 £'000 | 2003 £'000 |
| Current assets | - | 7 | 1,369 | 1,500 |
| Creditors: amounts falling due within one year | - | (7) | (1,329) | (1,460) |
| 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 2004 (2003 – £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 2004 (2003 – £40,003).

17 Pensions

Defined benefit pension scheme

Diabetes UK operated a defined benefit scheme in the UK, which is now paid up. The liability related entirely to past service, and no future benefits would become payable. The continued reporting is to satisfy legal requirements.

Accrual of benefits ceased from 31 August 2004 when the scheme was closed. A full actuarial valuation was carried out at 1 January 2003 and updated to 31 December 2004 by a qualified actuary, independent of Diabetes UK.

To derive the FRS17 information, the results of the full actuarial valuation exercise carried out as at 1 January 2003 have been adjusted for a broad measure of actual experience – such as the average rate of salary increases since the valuation and key membership changes. Further adjustments have then been made for the different assumptions required under FRS17.

Pensioners who have had their benefits secured through the purchase of annuities have been excluded from the calculations of both asset and liability 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, and 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 term to the scheme liabilities", with "high quality" being 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.

Notes to the financial statements

for the year ended 31 December 2004

17 Pensions (continued)

Defined benefit pension scheme (continued)

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.

The major assumptions used by the actuary were:

| | At 31/12/2004 | At 31/12/2003 | At 31/12/2002 |
|---|------------------|------------------|------------------|
| Rate of increase in salaries | n/a | 4.9% | 4.4% |
| Rate of increase in pensions in payment where LPI applies | 2.9% | 2.9% | 2.4% |
| Rate of revaluation where based on RPI max 5% p.a. | 2.9% | 2.9% | 2.4% |
| Discount rate | 5.3% | 5.4% | 5.4% |
| Inflation assumption | 2.9% | 2.9% | 2.4% |

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

| | 2004 £'000 | 2003 £'000 |
|-------------------------------------|---------------|---------------|
| Scheme assets – with profits fund | 4,184 | 3,626 |
| Present value of scheme liabilities | (6,390) | (5,785) |
| Deficit in the scheme | (2,206) | (2,159) |

The expected return on the scheme asset as at 31 December 2004 was 3.8% (2003 – 3.8%; 2002 – 6.8%).

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

| | | |
|---|-------|-------|
| Actual return less expected return on pension scheme assets | 13 | (139) |
| Experience gains and losses arising on the scheme liabilities | (182) | 268 |
| Changes in assumptions underlying the present value of the scheme liabilities | (157) | (320) |
| Actuarial loss | (326) | (191) |

Movement in deficit during the year

| | | |
|--|---------|---------|
| (Deficit) in scheme at beginning of the year | (2,159) | (1,815) |
| Movement in year: | | |
| Current service cost | (203) | (366) |
| Contributions | 451 | 273 |
| Past service costs | 0 | 0 |
| Curtailements and Settlements | 198 | 0 |
| Other finance income | (167) | (60) |
| Actuarial gain | (326) | (191) |
| (Deficit) in scheme at end of the year | (2,206) | (2,159) |

Notes to the financial statements

for the year ended 31 December 2004

17 Pensions (continued)

During the year, a single contribution based on a rate of 30% of pensionable salaries was paid. This contribution was inclusive of members' contributions, due at the rate of 2.5% of pensionable salaries until 30 June 2004, rising to 3.75% from 1 July 2004, before ceasing following the closure of the scheme. An additional contribution of £150,000 was also paid, with the cost of death in service benefits also being paid separately.

| History of experience gains and losses | 2004 | 2003 | 2002 |
|---|-------|-------|-------|
| Difference between the expected and actual return on scheme assets: | | | |
| amount (£'000) | 13 | (139) | (28) |
| percentage of scheme assets | 0% | (4%) | (1%) |
| Experience gains and losses on scheme liabilities: | | | |
| amount (£'000) | (182) | 268 | (606) |
| percentage of the present value of the scheme liabilities | (3%) | 5% | (12%) |
| Total amount recognised in statement of total recognised gains and losses: | | | |
| amount (£'000) | (326) | (191) | (899) |
| percentage of the present value of the scheme liabilities | (5%) | (3%) | (18%) |

Defined contribution pension scheme

The charity also operates a defined contribution pension scheme; the contributions are detailed in note 6.

18 Result for the year under the historical cost accounting convention

| | 2004 £'000 | 2003 £'000 |
|---|---------------|---------------|
| Net incoming/(outgoing) resources | 234 | (1,055) |
| Gain/(loss) on sale of investments calculated under the historical cost accounting convention | 1,172 | (52) |
| Actuarial (losses) arising on defined benefit pension scheme | (326) | (191) |
| Surplus under the historical cost accounting convention | 1,080 | 1,298 |

19 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 £3 million.

Legacies

for the year ended 31 December 2004

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

| | | |
|------------------------|--------------------|--------------------------|
| Adams, Edna | Brown, Nellie | Crichton, A S B |
| Akroyd, Phyllis | Brown, Ronald | Cross, W |
| Anderson-Dungar, H M M | Brumpton, E | Crozier, H C |
| Andrew, Maureen | Brundle, Violet | Cruse, B R |
| Andrews, John | Bugg, Anthony | Crutchley, L |
| Arnold, Albert | Bugg, S | Cullum, G W |
| Arthur, M H | Bulmer, T R | Custerson, A V |
| Arthurson, Alan | Burrell, Catherine | Dann, Hilda |
| Ashall, J | Burrows, R | Darbyshire, A C |
| Atkinson, June | Burton, Dorothy | Darbyshire, Barbara |
| Axe, Sydney | Burt, Christopher | Davies, Gracie |
| Banks, W | Burwood, George | Davies, Gwenllian |
| Barrand, B C | Butler, Dorothy | Davies, Sheila |
| Barrett, D C | Bye, Janet | Davis, F W |
| Barrick, E | Calder, R | Davis, Joan |
| Bate, Richard | Carlin, S | Davis, M |
| Beames, S M | Carpenter, M E | De Herez-Smyth, Marjorie |
| Beaton, Margaret | Cartledge, Gary | Demain, Leila |
| Bedford, William | Catchpole, Ethel | Dolan, S A F |
| Bednall, John | Christie, Eliza | Dore, Gerald |
| Beese, A L | Churchill, Eileen | Dove, Abigail |
| Belcher, Kathleen | Clark, Marjorie | Dubock, P A |
| Bell, M | Clark, Sydney | Durrance, Catherine |
| Bellerby, J W | Cloke, A J | Dyson, Norman |
| Bentley, Joan | Coe, Roy | Eames, Jean |
| Berry, O M | Coffin, E E | Eaton, E |
| Bevan, H D J | Cogger, Irene | Edwards, W G |
| Blackmore, D A | Colley, H | Elliott, Alan |
| Blackwell, Daphne | Conti, Godfrey | Elliott, E F |
| Blamey, J S | Cook, Olive | Escott, E M |
| Booth, Iris | Copsey, Ethel | Evans, D M |
| Boswell, M | Cotter, John | Evans, Daisy |
| Bowler, P P | Cotterell, H C | Evans, G E |
| Bracegirdle, Cissie | Coulson, Arthur | Finney, Gladys |
| Bracewell, A E | Coville, M | Fisher, Hubert |
| Branston, J | Cowdery, June | Fishlock, Z |
| Bray, Bessie | Cowen, John | Fitzpatrick, James |
| Bright, Margaret | Cowley, J A | Flaxman, Cecily |
| Bristow, G P | Cox, Joyce | Fletcher, James |
| Brodie, P | Cox, William | Ford, G B |
| Brown, Charles | Craven, Valerie | Frieland, J E |
| Brown, Freda | Crewe, Ellen | Garland, Marjorie |

Legacies

for the year ended 31 December 2004

| | | |
|----------------------|--------------------|-------------------|
| Gay, D C | Houldsworth, J | Lynd, C |
| Gibson, M B T | Hughes, Edwin | Lynde, Ruby |
| Glenaway, W C | Hyde, R E | MacDonald, John |
| Goldstone, J | Ibbotson, Freda | MacKie, Jessie |
| Gommer, Beryl | Ingleby, Clara | MacRae, M P |
| Gordon, Mary | Jackaman, Winifred | Manser, Annie |
| Gore, Margaret | Jackson, G V | Martins, V B |
| Goulding, V M | James, H A | Marvin, R C R |
| Grant, E K | Jenkins, M | Mason, Elizabeth |
| Gray, E B | Jinks, L | Massam, Rita |
| Green, Evelyn | Johnson, M | Maude, W T |
| Gregory, R K | Johnson, N | Mawson, John |
| Grice, I H | Johnston, Robert | Mawson, M |
| Gulliver, Hilda | Jones, D K | McAleer, R |
| Guy, J B | Jones, Margaret | McCluskey, J R |
| Habacz, S | Jones, O E | McCourt, D L |
| Hague, M | Jones, Walter | McCrae, Mary |
| Hale, Ralph | Juleff, A | McKenzie, S |
| Halfacre, Elsie | Keene, Thomas | McLarin, Betty |
| Hallam, C M | Kelley, Stanley | McRoberts, B |
| Hallam, Keith | Kelly, Andrew | Mellonie, Jean |
| Hallett, Frank | Kenny, Eric | Mendoza, S |
| Hamilton, C M | Kerr, J F | Mennie, W D |
| Hancock, G H | King, Barbara | Metcalfe, P G B |
| Hannay, Dorothea | Kirk, J E | Milburn, B |
| Harding, Barbara | Kulich, P J | Mills, Violet |
| Harding, Ruby | Langdon, A B | Milne, Francis |
| Harshaw, C L | Large, J | Mitchell, James |
| Hart, Ernest | Larkin, Clarice | Moore, E L |
| Haw, Olive | Latham, Freda | Morris, J |
| Haynes, Elizabeth | Latimer, E | Morton, Clelia |
| Hayward, M | Lawrence, Nicholas | Mould, E |
| Hazell, D M | Lee, J V | Mundin, M |
| Heathershaw, A | Lee, Janet | Munnery, Alice |
| Hecks, Miriam | Lees, Barbara | Negus, M E |
| Henderson, Archibald | Lenihan, John | Newman, Elizabeth |
| Hickman, I F A | Lewis, M J | Newton, Jeffrey |
| Hignett, Marjorie | Leworthy, J M | Nicol, Mabel |
| Hill, Frederick | Lloyd, Eric | Nineham, Francis |
| Hoddinott, C N | Locke, F J | Nixon, Ernest |
| Holloway, Margaret | Longford, Donald | Noble, J F |
| Hooper, Eileen | Love, Doris | Norman, Olive |
| Horler, Dorothy | Love, Eric | Norton, R G |
| Horsfall, C | Lovett, E R | Nussey, Henrietta |

Legacies

for the year ended 31 December 2004

| | | |
|----------------------|---------------------|--------------------|
| Ody, J M | Rouse, Arthur | Storr, Ethel |
| Ottewell, E | Rouse, J B | Storr, J W |
| Owen, A | Rudd, Joanna | Taplin, Ethel |
| Owen, G | Rudd, Raymond | Taylor, B D |
| Packman, A J | Rudman, Marion | Taylor, Brian |
| Packwood, J | Russell, Dilys | Taylor, W |
| Parker, F C | Russell, M | Thatcher, Doris |
| Parker, Margaret | Ryder, P S | Theaker, Alan |
| Parker, V | Salt, Ida | Thomas, Ann |
| Pearce, P E | Schiffman, Beatrice | Towers, D |
| Pearson, V | Schofield, E | Townsend, Kathleen |
| Peat, J | Scott, Betty | Tuck, I A |
| Penman, Annie | Secker, Charlotte | Twist, Mildred |
| Penny, Richard | Sharma, Kailash | Udell, Margaret |
| Pepper, Richard | Sharpe, Margaret | Vaughan, Albert |
| Phillips, Alice | Shaw, Eleanor | Walker, Davida |
| Phillips, Mary | Sheldon, Joan | Walker, Denis |
| Phillips, Olwen | Shipton, Dennis | Ward, Alan |
| Philpott, Vera | Shrimpton, M | Ward, E P |
| Powell, Joan | Silverman, Anne | Ward, J E |
| Pratt, Dorothy | Silvester, R | Ward, L |
| Pyne, Eric | Sirs, P F L | Warr, S A |
| Raikes, Dinah | Slater, N | Warren, Joan |
| Rallison, Frederick | Sloan, Jessie | Webb, Ashley |
| Rawlings, Joyce | Smith, Andrew | Weddell, Winifred |
| Reed, M G | Smith, Arthur | Welch, Ronald |
| Reichter, M D | Smith, Ernest | Wesley, J V R |
| Revell, V M | Smith, F H | Westwood |
| Reynolds, A E | Smith, Hilda | Wilkinson, H |
| Reynolds, Dorothea | Smith, I J | Williams, M A |
| Rhodes, D W | Smith, K E | Williams, W G W |
| Rice, M A R | Smith, Mary | Willis, Eleanor |
| Richards, E B | Smith, O | Willis, Thomas |
| Richardson, Isabella | Smith, Patricia | Wilson, Derrick |
| Richie, Paul | Southon, D F | Wilson, G A |
| Ricketts, Eric | Staff, Ivy | Winters, M E |
| Rigby, E | Stearn, Q J | Witney, Madeleine |
| Ringham, Monica | Steele, Carole | Witton, David |
| Robinson, Martha | Steele, John | Wood, C |
| Robinson, Mary | Steptoe, Pamela | Worthington, E C |
| Rose, L | Stewart, D | Wrathall, Joseph |
| Rose, M | Stewart, Vera | Wyres, R J |
| Rosenberg, Joseph | Stone, A L | Young, William |
| Rosser, Ada | Stone, F | Zealley, Michael |



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9225/0705/a