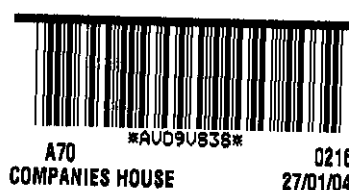


Reports and Financial Statements

For the year ended 30 June 2003

Diabetes Foundation



Diabetes Foundation

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Diabetes Foundation

Charity information

Trustees	A-M. Felton Prof. S. Howell Prof. H. Keen, CBE J.M. Rich, OBE C.N. Sommerville
Secretary	J.M. Rich OBE
Charity Registration Number	292317
Company Registration Number	1917779
Registered office	1 Constable's Gate Winchester Hampshire SO23 8GE
Auditors	Mazars Times House Throwley Way Sutton Surrey SM1 4JQ
Bankers	National Westminster Marylebone and Harley Street Marylebone High Street London W1A 1FH
Solicitors	Nabarro Nathanson Lacon House Theobald's Road London WC1X 8RW

Diabetes Foundation

Trustees' report

The Trustees, who are also directors of the Diabetes Foundation, are pleased to submit their annual report and audited financial statements for the year ended 30 June 2003. The Trustees have adopted the provisions of the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2000) in preparing the annual report and financial statements of the Foundation.

Governance

The Foundation is both a registered charity and a company limited by guarantee, and is governed by its Memorandum and Articles of Association.

During the year the Trustees have reviewed and confirmed the membership of the Foundation. The members elect or re-elect the Trustees. The Trustees have appointed three Trustees with relevant professional experience to a Grants Committee which recommends suitable recipients for grants.

Trustees

The Trustees who have served during the period from 1 July 2002 to the date of this report have been:-

A-M. Felton	(member of Grants Committee)
M.T. Higgins	(resigned July 2002)
Professor S. Howell	(member of Grants Committee)
Professor H. Keen, CBE	(member of Grants Committee)
J.M. Rich, OBE	
C.N. Sommerville	(appointed February 2003)

With the appointment of Mr. Sommerville, a solicitor, the Trustees believe that their range of relevant professional skills has been expanded.

Trustees' responsibilities

Company and charity 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 charity and of the surplus or deficit of the charity for that period. In preparing those financial statements, the trustees have: -

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity 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 charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Diabetes Foundation

Trustees' report (continued)

Objects of the Foundation

The objects for which the Foundation was established are to support and advance research in the field of Diabetes and particularly juvenile (insulin dependent) Diabetes in the United Kingdom and throughout the world and to provide material of an educational and informational nature to persons who are interested in and affected by Diabetes.

Organisation structure

The members of the Foundation vote upon resolutions for the appointment or reappointment of directors at members meeting. The directors who act as Trustees of the charity are responsible for the management of the activities of the Foundation.

Principal activities

The main charitable activities of the Foundation during the period have been the funding of research by the provision of grants to institutions.

Financial results and state of affairs

Net incoming resources of £2,074 have been achieved for the year (2002:£28,787). The receipt of a number of significant legacies, £132,529 in total for the year (2002: £154,657), has allowed the Foundation to approve additional grants in the year, with a total value of £133,213 (2002: £125,537).

Reserves policy

The Trustees are required to use the Restricted Funds in accordance with the wishes of the donors. The considerable number of these funds, many with small balances, makes their effective administration difficult but with the support of the Charity Commission, the Trustees are identifying projects in the named areas to utilise these funds and most have been used during the year.

The Trustees have considered the level of unrestricted reserves it is appropriate for the charity to hold. The income from legacies is unpredictable and the Trustees wish to award major grants on a basis which is not dependent on the level of income in a particular year. In view of this they have developed a policy on the appropriate level of reserves which has two components.

- 1 A sum to ensure future non grant expenditure can be covered. This is set at 150% of the average expenditure excluding grants in the last two years.
- 2 A sum available for grants. This is calculated by assuming that legacies will be used to meet grants by equal instalments over the three years following their inclusion in the financial statements.

	£
The sum calculated for one above is approximately	19,000
The sum calculated for two above (a proportion of the legacies received in the years ended 30 June 2003, 2002 and 2001) is approximately	261,000
	<hr/>
	280,000
	<hr/>

Unrestricted reserves at 30 June 2003 exceed this amount by £54,288.

This policy will be kept under review and modified as appropriate in the light of changing circumstances.

Diabetes Foundation

Trustees' report (continued)

Grant-making policy

The main activity of the Foundation is the distribution of donated income to bona fide research. The Foundation invites institutional and individual applications for grant funding and will award grants to these applicants according to the level of merit of each application.

The Grants Committee have been disappointed at the poor quality of many applications received and is encouraging an improvement in these.

Details of grants awarded are given in note 2 to the financial statements.

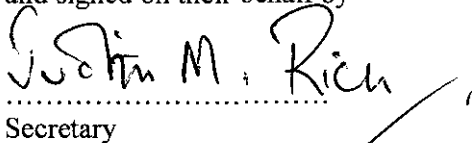
Financial review

The results for the year are set out on page 6 of the financial statements.

Auditors

A resolution proposing that Mazars be re-appointed as auditors of the company will be put to the Annual General Meeting.

Approved by the Board on 06.10.2003
and signed on their behalf by


.....
Secretary

Independent auditors' report to the members of

Diabetes Foundation

We have audited the financial statements for the year ended 31 March 2003 which comprise the Statement of Financial Activities, the Balance Sheet and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the 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 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 charitable company and the charitable company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustees and auditors

As described on page 2 the company's directors, who also act as trustees for the charitable activities of the company, are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards. Our responsibilities as independent auditors are established by statute, the Auditing Practices Board, and by our profession's ethical guidance.

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 trustees' report is not consistent with the financial statements, if 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 the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. 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.

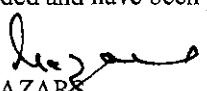
Basis of opinion

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 judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable 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 an 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 charitable company's state of affairs as at 30 June 2003 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


MAZARS
CHARTERED ACCOUNTANTS
and Registered Auditors

Times House
Throwley Way
Sutton, Surrey SM1 4JQ

17 November, 2003

Diabetes Foundation

Statement of financial activities For the year ended 30 June 2003

	Notes	Unrestricted funds £	Restricted funds £	Total 2003 £	Total 2002 £
Incoming resources					
Legacies		132,529	-	132,529	154,657
Donations and similar income		3,501	-	3,501	8,367
Interest received		7,329	-	7,329	9,139
Sundry income		-	-	-	250
Total incoming resources		<u>143,359</u>	<u>-</u>	<u>143,359</u>	<u>172,413</u>
Costs of generating funds					
Fundraising and publicity	3	375	-	375	358
Charitable expenditure					
Grants payable	2	113,870	19,343	133,213	125,537
Support costs	3	-	-	-	2,000
Management and administration	3	7,697	-	7,697	15,731
		<u>121,942</u>	<u>19,343</u>	<u>141,285</u>	<u>143,626</u>
Net incoming resources		21,417	(19,343)	2,074	28,787
Total funds at 1 July 2002	6	<u>312,871</u>	<u>20,218</u>	<u>333,089</u>	<u>304,302</u>
Total funds at 30 June 2003	6	<u><u>334,288</u></u>	<u><u>875</u></u>	<u><u>335,163</u></u>	<u><u>333,089</u></u>

All transactions are derived from continuing activities.

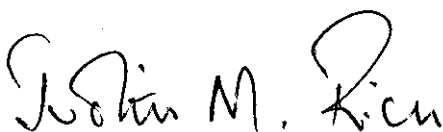
All recognised gains and losses are to be included in the statement of financial activities.

Diabetes Foundation

Balance sheet at 30 June 2003

	Notes	2003 £	2002 £
Current assets			
Debtors	4	1,883	810
Cash at bank and in hand		426,638	334,479
		<u>428,521</u>	<u>335,289</u>
Creditors: Amounts falling due within one year	5	(93,358)	(2,200)
Net current assets		<u>335,163</u>	<u>333,089</u>
Income funds			
Unrestricted funds	6	334,288	312,871
Restricted funds	6 & 7	875	20,218
Total funds		<u>335,163</u>	<u>333,089</u>

Approved by the Board on the 06-10-2003
and signed on their behalf by


Chairman

Diabetes Foundation

Notes to the financial statements For the year ended 30 June 2003

1 Accounting policies

1.1 Basis of preparation

The financial statements have been prepared under the historical cost convention. The financial statements, have been prepared in accordance with the Statement of Recommended Practice, "Accounting and Reporting by Charities", (SORP 2000) applicable accounting standards and the Companies Act 1985.

1.2 Company status

The Foundation is both a registered charity and a company limited by guarantee. The liability in respect of the guarantee, as set out in the memorandum, is limited to £1 per member of the company.

1.3 Incoming resources

Incoming resources are accounted for on a receivable basis, when the Charity becomes legally entitled to the income, and the amount can be quantified with reasonable accuracy.

For legacies, entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received.

1.4 Fund accounting

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the Foundation.

Restricted funds are funds subject to specific restrictive conditions imposed by funders or by the purpose of the appeal. The purpose and use of the restricted funds is set out in the notes to the financial statements.

All income and expenditure is shown in the Statement of Financial Activities.

1.5 Resources expended

Fundraising and publicity costs are those incurred in encouraging donations to the charity.

Management and administration costs are those incurred in connection with the management of the Foundation's assets, organisational administration and compliance with constitutional and statutory requirements.

Grants payable are recognised as liabilities once the trustees have approved the recommendation of the Grants Committee to pay grants.

Diabetes Foundation

Notes to the financial statements For the year ended 30 June 2003

2 Grants

	2003 £	2002 £
Grants consist of the following:		
Peninsular Medical School Plymouth	40,000	-
Diabetic Children's Register	-	32,000
Kings College London	50,000	31,100
University of Leicester	-	19,887
Kings College London	-	42,550
Diabetes UK	3,458	-
Calderdale Fund	14,755	-
International Insulin Foundation	25,000	-
	<u>133,213</u>	<u>125,537</u>

3 Expenditure

	2003 £	2002 £
Fundraising and Publicity		
Advertisements	375	358
Support Costs		
Office costs	-	2,000
Management and Administration of the charity		
Office and administration costs	1,828	2,741
Audit fees	3,264	2,233
Trustee Indemnity Insurance	1,691	1,470
	<u>6,783</u>	<u>6,444</u>
Legal fees	914	9,287
	<u>7,697</u>	<u>15,731</u>

Travel expenses of £534 (2002: £203) were claimed by two trustees during the year. No remuneration was paid or is payable to trustees for the year.

The payment of Trustee Indemnity Insurance has been approved by the Charity Commission.

Diabetes Foundation

Notes to the financial statements For the year ended 30 June 2003

4 Debtors

	2003 £	2002 £
Taxation receivable	810	810
Legacies receivable	600	-
Prepayments	473	-
	<u>1,883</u>	<u>810</u>

5 Creditors

	2003 £	2002 £
Accruals	3,358	2,200
Grants payable	90,000	-
	<u>93,358</u>	<u>2,200</u>

6 Statement of funds

	Balance brought forward 2002 £	Income £	Expenditure £	Balance carried forward 2003 £
Unrestricted General Fund	<u>312,871</u>	<u>143,359</u>	<u>(121,942)</u>	<u>334,288</u>
Restricted funds:				
Dundee Children's Fund	1,700	-	(1,700)	-
Portsmouth Children's Fund	500	-	(500)	-
North Devon and West Cornwall	817	-	(817)	-
Twickenham Children's Fund	447	-	(447)	-
Aylesbury Children's Fund	4,000	-	(4,000)	-
Research Fund	1,170	-	(1,170)	-
North East Fund	3,766	-	(3,766)	-
Guildford Children's Fund	500	-	(500)	-
Rhondda Children's Fund	445	-	(445)	-
Birmingham Children's Fund	280	-	(280)	-
Dundee Senior Citizens	4,200	-	(3,400)	800
Newcastle upon Tyne Children	2,000	-	(2,000)	-
Welsh Churches	18	-	(18)	-
Oxford Children's Fund	225	-	(150)	75
Glasgow Fund	100	-	(100)	-
Liverpool Children's Fund	50	-	(50)	-
	<u>20,218</u>	<u>-</u>	<u>(19,343)</u>	<u>875</u>
Total restricted funds				
	<u>333,089</u>	<u>143,359</u>	<u>(141,285)</u>	<u>335,163</u>

Diabetes Foundation

Notes to the financial statements For the year ended 30 June 2003

7 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Total funds £
Fund balances at 30 June 2003 are represented by:			
Current assets	427,646	875	428,521
Current liabilities	(93,358)	-	(93,358)
	<u>334,288</u>	<u>875</u>	<u>335,163</u>

8 Contingent asset

Funds amounting to approximately £63,000 in which the the Foundation had declared an interest were being held in the UK by the Court of Protection. However, when the Court paid this amount out in August 2002, the Foundation was not a recipient.

The trustees understand that these funds are being held in bank accounts which have been frozen by the Charity Commission. The trustees are reviewing the courses of action open to them to recover these funds.

These funds have not been included in the financial statements.