

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
DIABETES UK**

COMPANY NUMBER: 339181

CHARITY COMMISSION REGISTERED NUMBER: 215199

REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2005



**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
DIABETES UK**

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**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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- Diabetes is a medical condition in which the amount of glucose (sugar) in the blood is too high because the body cannot use it properly. If left untreated or if badly controlled, it can lead to heart disease, stroke, kidney disease, blindness and lower limb amputation.
- Diabetes affects five per cent of the world's population and its prevalence is doubling every generation. Globally there are up to 20 million people with Type 1 diabetes.
- More than 2 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.
- Three million people in the UK will be diagnosed with diabetes by 2010.
- 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.

Our Mission:

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

Our Vision:

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

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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Chair's Introduction

Professor Simon Howell.

This last year has been an exciting year and a year of change. The first change is that this report comes this year from myself following the retirement as Chair in February of this year of Sir Michael Hirst.

Sir Michael has been an outstanding and inspirational leader for the Charity over the years. A Trustee of the Charity since 1989, Sir Michael's commitment to improving the lives of people with diabetes and to working towards a future without the condition is undisputed. He is a source of inspiration to many of our members and volunteers and, personally, I continue to appreciate his support and wise counsel. Sir Michael remains a Trustee of the Charity until the AGM, and in the meantime is continuing his efforts for people with diabetes in working towards a UN resolution.

As you will see from the following report 2005 has been a very encouraging year both in terms of income growth but also more importantly in what we have been able to achieve with that money. I would like to personally thank all the thousands of volunteers who have tirelessly devoted their time to raising money, enabling us to do more and also for the support and information that they provide locally to people with diabetes.

As always we would like to achieve more and sometimes progress is not as fast as we would like, as the building blocks have first to be put in place. Last year in this report Douglas Smallwood was welcomed to the organisation. In the last year Douglas has rationalised his senior management team and employed a new Director of Research and a new Director of Corporate Services to help us move forward. Considerable work is being done to ensure that we operate as efficiently as possible so that the maximum impact is made with the funds available.

Research is an important area of activity for the Charity. During this year a key focus has been to develop a research strategy going forward that will help us in ensuring that the research we fund will have an impact on the lives of people with diabetes. This strategy has been developed using a working group comprised of lay and professional members. Once drafted the strategy was put out for wider consultation and all comments received considered. Having this strategy in place and alongside it improving our processes and procedures will enable us to invest more money in research going forward confident that this is money well spent.

Diabetes continues to be a growing issue. Every minute of every working day another person is diagnosed with diabetes and there is still estimated to be a million who have diabetes and do not know it. Awareness of diabetes has grown over the last year but there is still a considerable way to go.

The up coming changes in the NHS mean that our voice is more important than ever in ensuring that people with diabetes receive a consistent standard of good care across that UK.

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

Prof Simon Howell



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Review of the Year

The Year in Context.

Diabetes in the UK

Between 1996 and 2005 the number of people diagnosed with diabetes in the UK increased from 1.4 million to 2.1 million.

Diabetes is a growing problem and one where real action is needed to support those with the condition right now.

Type 2 Diabetes

Another person is diagnosed with Type 2 diabetes every five minutes in the UK. There are currently over 1.8 million people diagnosed with the condition. This number has increased by around 50 per cent in less than ten years.

Type 1 Diabetes

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

The Impact

People with diabetes spend 1.1 million days in hospital every year. Two thirds of this is due to heart problems and strokes. Around 90,000 people with diabetes in the UK are blind or visually impaired as a result of diabetic retinopathy. 1,000 people go onto kidney dialysis each year as a result of their diabetes.

The treatment of diabetes and its complications currently costs the NHS around 5 per cent of its budget. That's £3.5 billion a year or £9.6 million a day.

However, with early diagnosis and good care people can effectively manage their diabetes. This can significantly reduce the risk of the long term problems such as blindness, heart disease, strokes, kidney disease and lower limb amputations.

The Future

It is estimated that the number of people diagnosed with diabetes in the UK will break 3 million by the end of this decade.

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

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Review of the Year

Our Aims

Our Targets for 2005

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

Strategic Priority

To improve the care and lives of people with diabetes

2005 objectives

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

Strategic Priority

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

2005 objective

- The results in terms of “the difference made” of research completed 2000-2003 to be compiled, evaluated and published.

Strategic priority

To generate and use our resources effectively

2005 objective

- Income to grow year on year by 15% in 2005, compared to the forecast 10% in 2004
- Operational excellence – survey to show the quality of our service is very good by the end of 2005.

Targets

These targets were set after talking to many of the groups we work with and on behalf of. We believed (and still do) that these were some of the most important things we should aim for in 2005 and into 2006. Obviously they don't cover all of our work but they gave us a clear focus and specific goals to aim for.

So how did we do? The next few pages outline how we actually did against these key targets for 2005...

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Review of the Year

Access to Services

Our goal is that every person with diabetes should receive excellent quality of care, regardless of where they live in the UK. As this quality of care varies from area to area, our priorities varied for each of the four nations.

What we did in 2005

Our 'Action today, health tomorrow' campaign, launched in 2005, was designed to highlight these care priorities to care providers and decision makers around the UK. We also lobbied national governments and local primary care organisations/health boards in all four nations to hammer home the importance of these care priorities.

Lobbying and campaigning for improved services at a local level would have been impossible without the support of local influencers working to improve their diabetes services - whether as user representatives sitting on local planning groups or as members of the Diabetes Campaigners Network. Resource packs, newsletters and training provided by Diabetes UK through 2005 have provided ongoing support to this vital group.

We have also been working closely with various external groups around the UK, such as the Diabetic Retinopathy Project Advisory Board, the Scottish Diabetes Group and England's National Diabetes Support Team to drive this work forward. As well as actively promoting the urgent need for the NHS to provide these essential services, we've developed and publicised tools to help healthcare professionals deliver them – via conferences (such as Northern Ireland's Vision and diabetes conference), guidelines (our new primary care guidelines and revised recommendations for the management of children and young people with diabetes), and information published in our magazines, leaflets and on our website.

Results

- In 2005 the government committed to ensuring that education about managing diabetes is made available to all people with diabetes in England and Wales. There is, however, still a long way to go to deliver on this.
- Programmes are in place in all four nations to deliver effective eye screening for all people with diabetes. It is difficult to assess success at this point but Diabetes UK will be watching to see if targets are being met.
- Local campaigning has been incredibly successful in securing additional paediatric diabetes specialist nurses and we've seen paediatric care move up the NHS's agenda. However, nurses still have an average caseload of over 100 children, 30 more than the recommended level.
- Following pressure from Diabetes UK Cymru, Wales is expecting new screening guidelines in Spring 2006 to ensure those with diabetes do not go undiagnosed.
- Our focus on psychological and emotional support in Northern Ireland has resulted in all Health Boards formally recognising the needs to deliver these services.
- We published the *State of the Nations* report, a comprehensive review of diabetes services in the UK. You can also check your local diabetes services by visiting *Your local care 2005* on the Diabetes UK website.

Impact

- Diabetes care remains patchy across the UK. Nevertheless, there were positive developments on all of these targets and these key diabetes issues are now higher on the agenda in all four nations.

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Awareness

Our target is a significant increase in awareness and understanding of diabetes amongst our target audiences, including those at risk of diabetes. We want to increase levels of awareness by 50% over two years because people with diabetes and their families will only come to us for support if they have heard of us.

What we did in 2005

We developed new recommendations for the management of diabetes in primary care which were sent to all GP practices. We made sure that the views of people with diabetes were made known to Government. We went "on the road" and participated in local events to raise awareness of diabetes and Diabetes UK. We were involved in a range of media activities, the highspot of which was the entire front page of the *Independent* devoted to diabetes.

We realised that getting this increased awareness was not going to happen with us working alone, so we are working with a number of partners from the corporate world who already have a high public profile and the resources to reach many millions more than we could on our own. This type of collaboration is increasingly important to the Charity if it is to reach and support the growing number of people with diabetes in all areas of the UK.

Results

- Press coverage about diabetes reached an average of just over 19 million people each month
- Our membership advertising campaign meant that there were 147 million opportunities to read about diabetes and the support available from Diabetes UK
- Diabetes UK appeared as part of a major TV campaign funded by Pfizer, reaching millions of people
- A total of 800,000 people have been screened for diabetes as a result of our partnership with Lloyds pharmacy - 79 per cent of those referred to their GP were diagnosed with diabetes, enabling them to take control of their condition

Impact

- Only 25 per cent of GPs surveyed said they had made contact with Diabetes UK in the last 6 months of 2005, a decline on a previous survey in 2003
- Awareness levels amongst the general public remained relatively unchanged: only 11 per cent mentioned Diabetes UK spontaneously
- However awareness levels amongst people with diabetes increased from 11 per cent at the beginning of 2005 to 17 per cent at the beginning of 2006
- We must do more in this area as only one in ten members of the general public and one in five people with diabetes are aware of Diabetes UK.

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Review of the Year

Membership

We're aiming to substantially increase our membership, particularly among young people, black and minority ethnic groups and professionals working in primary care. Why? Because members of Diabetes UK get the very latest news and information to help them manage their diabetes, without the media hype that so often makes the headlines.

What we did in 2005

First of all we made sure that membership was offering people with diabetes what they wanted and needed. Research in early 2005 told us that it was but that they just hadn't heard of us (back to our need to raise awareness of Diabetes UK) or our membership scheme. So we set about changing this using press advertising, direct mail and inserts in all our own publications. We have also benefited from the support of our Voluntary Groups who helped to promote membership in local communities across the UK.

Healthcare professional mailings and advertising primarily focused on practice nurses and GPs in order to boost primary care membership. An awareness toolkit aimed at black and minority ethnic groups was also developed, and has been widely taken up by healthcare professionals wanting to raise awareness of diabetes and Diabetes UK in their area.

As you would expect, some things worked better than others. The overall results are encouraging and take us some way towards our goal, although there is much more to do in 2006.

Results

- 26,579 people with diabetes, their families and carers became members of Diabetes UK in 2005
 - This is a 24 per cent increase on 2004.
 - Nearly 10 per cent of these people were under 18 years of age
 - Just under 7 per cent of those who joined were from black and minority ethnic groups.
- We recruited over 1,300 new professional members in 2005 – a 42 per cent increase on 2004.
- A higher proportion of our professional members work in primary care – 31 per cent versus 28 per cent at the end of 2004.

Impact

- We ended 2005 with 176,226 members in total, including 5,736 professional members
- This was our first year of significant growth in membership in recent years.
- Over 88 per cent of our members from previous years stayed with us in 2005, demonstrating the real value of membership to them
- There were 147 million opportunities to see our membership adverts meaning that more people than ever are aware of Diabetes UK and its membership scheme
- Diabetes UK membership is seen as highly relevant by professionals working in primary care – this is crucial as this is where an increasing amount of diabetes care is now being delivered

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Research

Research into the care and treatment of diabetes and the search for a cure remain the number one priority for most of our members and supporters. It was therefore crucial to show the impact of the difference made by research that the Charity had funded between 2000 and 2003, whilst continuing to invest in new research projects.

What we did in 2005

We collated and published details of the research work done with funding provided by the charity, and the difference it made. The result was the first issue of what will be a regular publication called *Research Matters*, published in the autumn of 2005. This issue reported on research we had commissioned; it identified the projects and research teams and included a detailed account of what had been achieved. A measure of interest was that in the first four days the web edition attracted 30,000 downloads.

As well as taking this historical look at the work we have done, Diabetes UK continued to invest in critical research projects. A total of £4.7m was spent on research in 2005 alone: 22 research project grants were awarded during the year; three PhD Studentship Grants and three Fellowship Grants were also awarded; and nine small Grants were approved to support a number of promising areas of research.

The accounting treatment for research grants has changed in this year. On the old basis the expenditure in the year would have been £4.9million an increase over the 2004 figure of £4.4million.

In order to ensure that going forward we fund the research projects that will give the most impact to the lives of people with diabetes, considerable work has been carried out this year to produce a research strategy which will be used to shape the way forward. This strategy was issued for consultation in the latter part of the year and was launched in March 2006.

Results

- The first issue of *Research Matters* was published in the autumn of 2005
- Over 30,000 downloads of this document took place within four days of its publication on the web
- More than 3,000 copies of this first issue have already been distributed
- There has been an overwhelmingly positive reaction from our members, Voluntary Groups, supporters and the research community.

Impact

- There is much greater knowledge amongst all the people we support and work with about the research funded by Diabetes UK and the impact this research has had (and may have in the future) on the lives of people with diabetes.
- To find out more about the significant advances made as a result of research funded by Diabetes UK visit <http://www.diabetes.org.uk/research/>

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Review of the Year

Income

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

What we did in 2005

Huge numbers of individual fundraisers continued to run marathons, walk in parks, trek up mountains and jump from planes to raise money for Diabetes UK. Their support remains incredibly important to us and generates vital funds to support our work.

Our focus in 2005 was also to recruit new supporters and members to the charity. With this in mind we developed and launched two new fundraising products in 2005, with the new Weekly Lottery generating over £400,000 in just nine months

A detailed breakdown is available on page 10 but here are a few highlights

Results

- Thanks to the generosity of those who remembered us in their wills Diabetes UK received £7.8 million from legacies in 2005
- Membership income increased by eight per cent to £2.4 million
- Lottery income was over £1.3 million (including the new Weekly Lottery)
- Our dedicated national and regional fundraisers raised over £1.4 million with a huge range of local fundraising activities
- Our 350 Voluntary Groups continued to organise events and exhibitions and raised a staggering £1.5m
- Over £1 million was donated by people who have set up a direct debit or standing order on behalf of Diabetes UK

Impact

- We ended 2005 £1 million ahead of budget and with a growth of 12 per cent compared to the previous year.
- This additional income has enabled us to do more than ever to support people with diabetes and those who care for them
- It means that we now have offices in every region of England as well as Northern Ireland, Scotland and Wales, with local staff working to make sure that everyone with diabetes has access to high quality care and support

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Operational Excellence

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

What we did in 2005

We spent some time in 2005 looking at what was important to our customers and areas where we needed to change or make improvements. We asked people to tell us how we'd done when attending events, conferences or calling our Careline.

We also introduced a formal process for dealing with complaints across the whole organisation and did more than ever to encourage you to tell us what we're doing well and what's not going so well: from articles in *Balance* to a section on our website. We know that we're far from perfect but we now have a real picture of how we're doing and what else we need to do.

We plan to build on this in 2006 by launching a set of customer service standards so that you know what level of service to expect from all parts of the organisation.

Results

- In a web-based customer satisfaction survey at the end of 2005, 86 per cent of respondents rated the service they received from Diabetes UK as either excellent or good
- 79 per cent found it easy or very easy to get the information they needed from us
- 80 per cent were likely or very likely to use our services again or recommend us to a friend
- More than 95 per cent of people who attended one of our care support events were satisfied with the event
- Of those who called our Careline in 2005, 87 per cent scored us between 8 and 10 out of 10 for the information provided and 83 per cent scored us between 8 and 10 out of 10 for the support provided

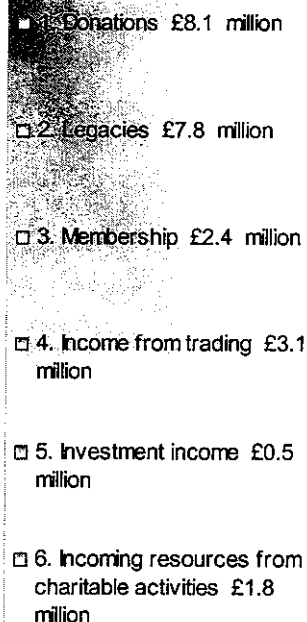
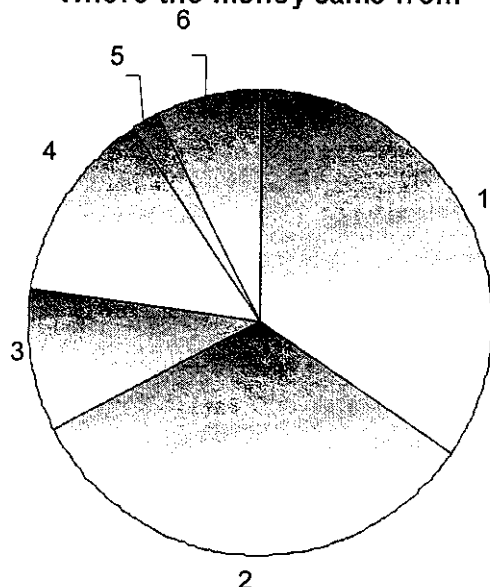
Impact

- Although there is clearly more that needs to be done to improve our service, these results show that we are meeting the needs of the majority of people with diabetes, their families and healthcare professionals in terms of the information and support we provide
- In 2006 we will complete an evaluation of how well our care support events impact positively on people with diabetes and their quality of life

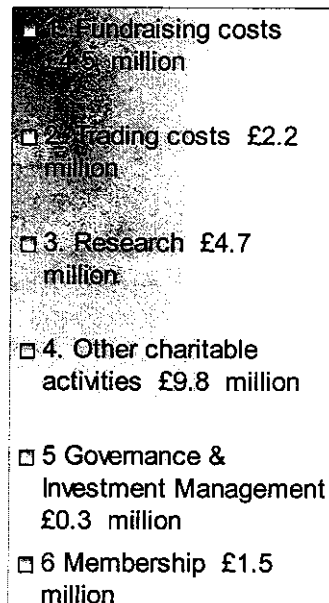
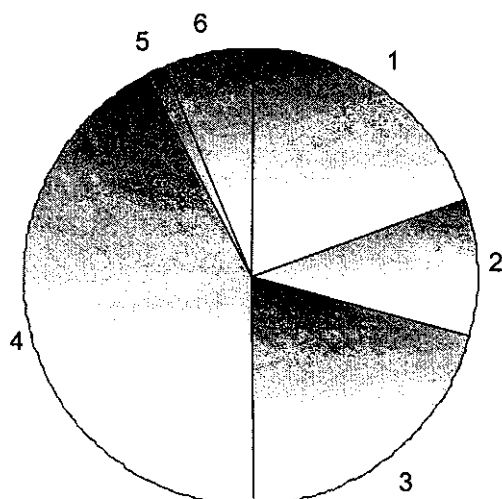
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Financial summary 2005

Where the money came from



Where the money went



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Review of the Year

Financial Review

The income in the year increased by £2.5m (12%) over the income in 2004.

The main area of growth was in voluntary income which increased by £2.3m alone. The cost of generating the voluntary income rose by £1.9m which gave a net surplus of £400k for use on the charitable activities. The main contributor to this increase was legacies where the income increased by £1.5m with little increase in costs. The income from donations and membership subscriptions also increased although the costs for membership were the main factor in the increased costs (£1.2m) as the Board took the decision to invest in a significant membership acquisition project. Such an investment has a pay back period of approximately 3 years (based upon predicted retention rates).

The trading income increased by £273k (9.5%) however this was offset by an increased cost of £492k (28%). As in previous years the income generated from cards and publications was less than the cost. This is because the publications fulfil the joint purpose of generating income and also providing information to people with diabetes.

The expenditure on our charitable activities has reduced by £675k from 2004, however this has meant that the reserves of the charity have increased by £599k overall.

The main reason for the reduction is a decrease in expenditure on research of approximately £1m. The accounting treatment of grants has changed this year in line with SORP 2005. The actual cash payments for grants increased in 2005 however the value of grants awarded in the year was lower. This is because the charity is very focused on ensuring that only grants that will have an impact on the lives of people with diabetes are awarded. Therefore in 2005 the production of a research strategy and improving the processes for awarding grants were key activities. Publications, care and information was another major area of expenditure which supports our objectives of access to services and awareness.

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Next Year

Where We Are Heading

Hopefully you've got a good idea of how we've done in 2005. We plan to build on this in 2006, so many of our objectives cover the same areas of our work but with even more stretching targets.

Key objectives for 2006

1. Income to grow year on year by 20 per cent in 2006
2. 190,000 members by the end of 2006 including exponential growth amongst young people, black and ethnic minority groups, and professionals working in primary care. Medium term objective remains 250,000 members
3. Research – Rollout of the agreed new Research Strategy and research management process including consultation.
High quality information to all our stakeholders about what we are funding and the difference it will make to the lives of people with diabetes including timeframes.
4. Exponential increase in awareness and understanding of diabetes amongst our target audiences including those at risk of diabetes (50 per cent over 2 years).
Successfully championing the rights of people with diabetes under the Disability Discrimination Act to ensure equality.
5. A demonstrable increase in patient access to services including the support they receive from Diabetes UK on a nation-by-nation basis:
 - A quantifiable increase in access to structured diabetes patient education and to retinal screening by digital camera on a nation-by-nation basis (all nations)
 - A quantifiable increase in access to quality paediatric services (England, Scotland)
 - A quantifiable increase in access to psychological and emotional support (Northern Ireland, Wales)
6. Operational excellence – each team to identify who its customers are (external and internal) and to implement a plan to improve their service to them
Survey at the end of 2006 to show the quality of our service is excellent

For more information on all of our work visit www.diabetes.org.uk

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You Can Help

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

Some of the ways you can help:

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

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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Legal and Administrative Information

Statutory Details

Central Office and Registered Office

Macleod House
10 Parkway
London
NW1 7AA

Tel: 0207 424 1000
Fax: 0207 424 1001

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

Diabetes UK Careline

Tel: 0845 120 2960

Regional and National Offices

Northern Ireland

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West Midlands

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Diabetes UK South West

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Fax: 01376 505250

Diabetes UK South East

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Epsom
Surrey
KT19 9AP

Telephone: 01372 720 148

Fax: 01372 731 39

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Diabetes UK East Midlands

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Fax: 0115 950 7386

Legal and Administrative Information

Board Of Trustees

Sir Michael Hirst (Chair) ^{2, 3, 4} (retired 17th February)
Professor Simon Howell (Vice-Chair) ^{1, 3} (appointed Chair 17th February)
Mrs Gill Laver (Treasurer) (retired 24 September 2005) ^{1, 2, 3*}
Mr Graham Spooner (Treasurer) (appointed 24 September 2005) ^{1, 2, 3}
Mr Ramakant Anaokar (retired 24 September 2005) ⁴
Dr Stephen Beer
Ms Renata Drinkwater (appointed 30 October 2005)
Ms Alison Finney ⁴
Mr Peter Gibson
Mr John Grumitt ² (appointed vice chair 17th February)
Mrs Helen Husband
Dr Niti Pall ²
Mr Ian Powell
Professor Mark Walker

¹ Finance Subcommittee member

² Performance Review Subcommittee member

³ Remuneration Sub-group member

⁴ Trustee Subcommittee member

* Although Mrs Gill Laver retired from the Board of Trustees on 24 September 2005, she continues to serve as a member of the Finance Subcommittee.

Senior Management Team

CEO: Mr Douglas Smallwood

Directors: Mr Benet Middleton (resigned 20 January 2006)
Mrs Dawn Jackson
Mr Simon O'Neill
Dr Angela Wilson (appointed 14 February 2005)
Mrs Rosemary Thomas (appointed 29 March 2005)
Miss Penny Mordaunt (appointed 3 April 2006)

Advisors

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London NW1 2EP

Investment Managers

Barclays Private Bank Limited
43 Brook Street
London W1Y 2PB

Solicitors

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

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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Bankers

National Westminster Bank plc
Marylebone & Harley St Branch
PO Box 2021
10 Marylebone High Street
London W1A 1FH

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REPORT OF THE BOARD OF TRUSTEES

Principal Aims and Activities

The work of Diabetes UK is governed by the Memorandum and Articles of Association amended by Special Resolution passed on 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 and those who care for them.
3. The advancement of the understanding of diabetes by the education of those who live with the condition, the health professionals and others who care for them and the general public.
4. The promotion and funding of research related to the causes, prevention and cure of diabetes and improvements in the management of the condition and its complications and the publication of the useful results of such research.

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

Specifically Our Vision Is:

To set people free from the restrictions of diabetes.

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

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

These priorities relate to our core work and are:

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

A copy of the Diabetes UK Plan 2004 – 2007 can be found on our website www.diabetes.org.uk.

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
DIABETES UK**

REPORT OF THE BOARD OF TRUSTEES

Review of the Year

For a review of Diabetes UK's main activities, achievements and developments during the year please see pages 1-11.

Structure, Governance and Management

Diabetes UK (the operating name of The British Diabetic Association, a company limited by guarantee) was incorporated in 1938 and is governed by Memorandum and Articles of Association and Standing Orders. The Charity operates out of offices in all four nations of the United Kingdom, and is registered at: Macleod House, 10 Parkway, London NW1 7AA.

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

The Board meets seven times per year, including at an Away Weekend to review strategy and performance (including that of the Board), together with the Chief Executive and his Senior Management Team (SMT). Ad hoc presentations before Board meetings keep the Trustees informed about the operations of the Charity and the latest developments in the charity and health sectors.

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

- The **Finance Subcommittee** reviews the Charity's financial strategy and its policies on reserves, investments and pensions. It also scrutinises the budget and assists the Board in its discussions to approve it, as well as monitoring the Charity's financial performance throughout the year and reviewing the financial reporting requirements. This Subcommittee also has a responsibility for the annual audit, forming part of the 'audit committee', including discussing with the auditor any matters arising from the audit and reviewing the annual audited financial statements.
- The **Performance Review Subcommittee** monitors the performance and impact of the Charity (including that of the Chief Executive and of the Board) against the Strategic Plan, internal objectives and external benchmarks. It also reviews the effectiveness of the Charity's management systems and procedures and the performance of areas of the organisation. This Subcommittee also monitors compliance with external requirements and internal policies, forms part of the 'audit committee' and acts as a sounding board for the Chief Executive.
- The **Remuneration Sub-group** agrees the annual pay award for staff and makes recommendations to the Board about the pay package for the Chief Executive.
- The **Trustee Subcommittee's** role is to establish and to evaluate appropriate search, nomination, induction, continuing development and training processes and procedures for members of the Board and UKAC; to evaluate and to monitor the implementation of the Trustee Code of Conduct; to direct the search for members of the Board and the UKAC and to short-list the most suitable candidates using the selection criteria approved by the Board; and to recommend processes for the election of the Officers of the Board.

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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- The **Research Committee** is independent of, but reports to, the Board. It has authority delegated to it under Standing Orders to assess and to approve applications for funding for basic, clinical and health services research.

REPORT OF THE BOARD OF TRUSTEES

The membership of Subcommittees (with the exception of the Research Committee) is generally restricted to Trustees. However, reflecting its role in the recruitment and training of Trustees, the Trustee Subcommittee has three Trustee members and three non-Trustee members elected from, and by, the UKAC. As part of the Charity's research management review, the membership and Terms of Reference of the Research Committee are being reviewed.

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

The **UK Advisory Council (UKAC)** comprises about 120 representatives of the Charity's stakeholder communities – lay, voluntary groups and healthcare professionals. These people constitute the legal members. There are also sub-units (comprising the same members) for England, Northern Ireland, Scotland and Wales. Elections for the UKAC are held annually, with approximately one-third of the total seats being contested each year, and voted on by the Charity's membership. On appointment, UKAC members receive an induction pack and are invited to attend an induction programme covering their role and responsibilities and the governance and structure of the Charity. UKAC members can serve for a maximum of six years.

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

The Charity's 350 **voluntary groups** in England, Wales, Scotland and Northern Ireland provide valuable local information and practical and emotional support to people with diabetes, their families, carers and healthcare professionals. They also tirelessly raise funds for the Charity through local fundraising events. Although each voluntary group has its own committee, the Charter for Diabetes UK Voluntary Groups provides that they are all part of Diabetes UK and are therefore bound by the above governance arrangements.

The recommendations of the last comprehensive review of the Charity's governance policies and procedures were implemented in 2002. There will be a further review in 2007. If you would like any further information on the Charity's structure, governance or management, please contact the Governance Team at governance@diabetes.org.uk

Risk Management.

During the year the trustees have considered and identified the major risks to which the charity is exposed. This involved identifying the types of risks the charity faces, prioritising them in terms of potential impact and likelihood of occurrence, identifying the controls, systems and procedures that are in place and any further actions required to address the risks.

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

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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During the year the Charity has further developed its formal risk management process and the risk register is reviewed twice a year by the Performance Review Sub committee. In addition to this there has been a full review of the management controls carried out and the Finance Sub Committee regularly reviews progress against the actions recommended. Through this process, management have assured the Trustees that the appropriate systems are in place.

REPORT OF THE BOARD OF TRUSTEES

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 three 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 will be 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) and excluding restricted or designated funds. At 31 December 2005 the charity's reserves of £9.5 M represented 4.79 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 and which will as a minimum maintain the purchasing power of the portfolio over time. There should be no direct investment in tobacco. Property and equity investments should be via collective vehicles only. For bonds and cash, investments should only be in products that have an AA or above rating.

Barclays Private Bank Limited is retained as investment manager to Diabetes UK. At 31 December 2005, the relative weightings in the portfolio were cash and fixed interest securities 49%, equity and equity related investments 51%. Performance in 2005 achieved the objective outlined.

Grant Making Policy

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

Projects are monitored routinely via a required annual report to ensure continued funding is appropriate and, subject to satisfactory performance and compliance with the contractual terms, the funding of most projects continues for two or three years. The terms and conditions of all our grants have been amended to give the Charity the right to suspend payment of the grant if the report is not received. A system has been put in place to ensure that all annual reports are received, if a report is not received payment is suspended and once the report is received it is reviewed to ensure that it is following the objectives of the grant.

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REPORT OF THE BOARD OF TRUSTEES

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

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

Because of the nature of the condition and its effects, Diabetes UK believes that the ethical and humane use of animals is essential in medical and scientific research to further the treatment, prevention and cure of diabetes. Diabetes UK funded projects must strictly observe Home Office regulations and comply with the organisation's conditions for researchers on the care and handling of animals as outlined in our Ethical considerations policy. Each grant application is carefully reviewed by the Diabetes UK Research Committee and animals are only used if no alternative method is available.

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

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

Subsidiary Companies

Diabetes UK has two subsidiary companies.

Diabetes UK Services Limited trades in 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 £927,000 was generated in 2005 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 2005, the company had no research funding commitments, but retains an interest in the intellectual property of certain research projects which may provide future benefits. Any profits made by the company are donated to Diabetes UK under gift aid.

Charitable and Political Donations

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

People

The work of Diabetes UK is only possible through the dedicated service it receives from both staff and volunteers. We would like to place on record our appreciation of the hard work and commitment of all staff to the objectives of Diabetes UK during 2005. We also acknowledge with gratitude the work of the many volunteers who willingly and unstintingly give their time to the considerable benefit of Diabetes UK and the people it helps. Our volunteers raise funds in a wide variety of ways from collecting with tins, through to sponsored events.

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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In 2005 voluntary groups raised £1,455,000 and spent £1,627,000, including remittances to Central Office. At 31 December 2005 cash held by voluntary groups totalled £1,811,000.

REPORT OF THE BOARD OF TRUSTEES

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 short listed applicants are thought to be equally suitable for a position and one of them has diabetes, the person with diabetes will be offered the position.

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

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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Statement of trustees' responsibilities

The trustees (who are also directors of the British Diabetic Association for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the trustees are required to:

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

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

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

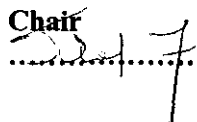
Grant Thornton UK LLP were appointed as auditors on 23 November 2005 in accordance with section 385A of the Companies Act 1985. A resolution to reappoint Grant Thornton UK LLP as auditors will be proposed at the Annual General Meeting.

On behalf of the Board of Trustees:



Professor Simon Howell

Chair

.....2006

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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**REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS
OF THE BRITISH DIABETIC ASSOCIATION**

We have audited the group and parent charitable company financial statements (the "financial statements") of The British Diabetic Association for the year ended 31 December 2005 which comprise the principal accounting policies, the consolidated statement of financial activities, the consolidated and charitable company balance sheets, the consolidated cash flow statement and notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 Trustees and Auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you 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 other transactions 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 year, the legal and administrative information and the Trustees' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

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

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
DIABETES UK**

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent charitable company's affairs as at 31 December 2005 and of the group's 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.

Grant Thornton UK LLP

Grant Thornton UK LLP
Registered Auditors
Chartered Accountants
London

11 July 2006

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
DIABETES UK**

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

for the year ended 31 December 2005

	Notes	Unrestricted Income & Funds £'000	Restricted Income & Funds £'000	Total 2005 £'000	Total 2004 (as restated) £'000
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	15,387	2,892	18,279	16,016
Activities for generating funds: trading	3, 10	3,147	-	3,147	2,874
Investment income	11	430	29	459	401
Incoming resources from charitable activities:					
Publications, care and information		595	-	595	634
Conferences		1,049	-	1,049	986
Grants	4	-	143	143	247
Total incoming resources		20,608	3,064	23,672	21,158
RESOURCES EXPENDED					
Costs of generating funds					
Cost of generating voluntary income	2	6,000	-	6,000	4,144
Fundraising trading: Cost of goods sold & other costs	3, 10	2,246	-	2,246	1,754
Investment management costs		33	-	33	33
Charitable activities					
Research	6	1,564	3,177	4,741	5,710
Publications, care & information		8,141	344	8,485	8,288
Conferences		1,240	-	1,240	1,143
Governance Costs	8	279	-	279	399
Total resources expended	5	19,503	3,521	23,024	21,471
Net incoming/(outgoing) resources	9	1,105	(457)	648	(313)
Other recognised gains and losses					
Gains on investments	15	509	42	551	364
Actuarial losses on defined benefit pension scheme	24	(600)	-	(600)	(326)
Net movement in funds		1,014	(415)	599	(275)
Fund balances at 1 January – as previously stated		-	-	-	10,564
Prior year adjustment	20	-	-	-	(1,591)
Restated		7,237	1,461	8,698	8,973
Fund balances at 31 December	19,20	8,251	1,046	9,297	8,698

All activities are classed as continuing. The net incoming resources for the year under the historical cost accounting convention is £45,000 (2004 - £533,000) (Note 25).

The notes on pages 29 to 47 form part of these accounts.

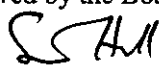
**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
DIABETES UK**

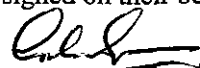
BALANCE SHEETS

at 31 December 2005

	Notes	Group		Diabetes UK	
		2005 £'000	Restated 2004 £'000	2005 £'000	Restated 2004 £'000
Fixed assets					
Tangible assets	14	1,478	1,222	1,478	1,222
Other investments	15	9,469	9,761	9,469	9,761
Investments in subsidiaries	15	-	-	40	40
		<u>10,947</u>	<u>10,983</u>	<u>10,987</u>	<u>11,023</u>
Current assets					
Stocks		18	24	-	-
Debtors	16	2,410	1,970	2,458	2,497
Cash at bank and in hand		<u>4,196</u>	<u>2,842</u>	<u>3,782</u>	<u>2,686</u>
		6,624	4,836	6,240	5,183
Creditors: amounts falling due within one year	17	<u>(5,543)</u>	<u>(4,915)</u>	<u>(5,199)</u>	<u>(5,302)</u>
Net current assets		<u>1,081</u>	<u>(79)</u>	<u>1,041</u>	<u>(119)</u>
Net assets excluding pension scheme liability		12,028	10,904	12,028	10,904
Defined benefit pension scheme liability	24	<u>(2,731)</u>	<u>(2,206)</u>	<u>(2,731)</u>	<u>(2,206)</u>
Net assets including pension scheme liability		<u>9,297</u>	<u>8,698</u>	<u>9,297</u>	<u>8,698</u>
Fund balances					
Unrestricted funds excluding pension liability (revaluation reserve: £626,000 (2004: £73,000))		10,982	9,443	10,982	9,443
Pension reserve	24	<u>(2,731)</u>	<u>(2,206)</u>	<u>(2,731)</u>	<u>(2,206)</u>
Unrestricted funds including pension liability		<u>8,251</u>	<u>7,237</u>	<u>8,251</u>	<u>7,237</u>
Restricted funds	18	<u>1,046</u>	<u>1,461</u>	<u>1,046</u>	<u>1,461</u>
Total funds	19	<u>9,297</u>	<u>8,698</u>	<u>9,297</u>	<u>8,698</u>

Approved by the Board of Trustees on 22.1.2006 and signed on their behalf by:


Prof Simon Howell
Chair


Graham Spooner
Treasurer

The notes on pages 29 to 47 form part of these accounts.

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
DIABETES UK**

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2005

	2005 £'000	Restated 2004 £'000
Net cash inflow/(outflow) from operating activities (see note below)	681	(39)
<i>Returns on investments</i>		
Investment income	283	175
<i>Capital expenditure and financial investment</i>		
Purchase of tangible fixed assets	(610)	(113)
Proceeds from sale of fixed asset investments	1,000	
Net cash inflow/(outflow) from investing activities	390	(113)
Net cash inflow before management of liquid resources	1,354	23
Increase in cash	1,354	23
Cash at 1 January	2,842	2,819
Cash at 31 December	4,196	2,842

Notes to the consolidated cash flow statement

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

	2005 £'000	2004 £'000
Net incoming resources	648	(313)
Depreciation	354	418
Gift of shares	-	(96)
Investment income	(459)	(401)
Investment management fee	19	30
Decrease in stocks	6	
Increase in debtors	(440)	153
Decrease in creditors	628	449
Difference between payments to defined benefit pension scheme and amount charged to expenditure	(75)	(279)
Net cash inflow/(outflow) from operating activities	681	(39)

Reconciliation of movements in cash with movements in net funds

	Increase/(decrease) in net cash		Net cash	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Cash at bank and in hand	1,354	23	4,196	2,842
	1,354	23	4,196	2,842

The notes on pages 29 to 47 form part of these accounts.

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
DIABETES UK**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

1. Accounting Policies

Basis of Accounting

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

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

During the period under review, Diabetes UK has adopted the accounting requirements of the Statement of Recommended Practice 'Reporting and Accounting by Charities' (SORP) issued in March 2005. The Trustees are obliged to adopt SORP 2005 in full for future accounting periods and considered that it was appropriate to adopt it early (as encouraged by the SORP). This has meant a change in the layout of the Statement Of Financial Activities (SOFA) so that income and expenditure are classified by type of activity split between charitable activities, fund generating activities and governance costs. In addition it has meant a change in the accounting policy for research grant payments. This has led to restatement of prior year figures. In other respects the financial statements have been prepared on a consistent basis.

As per section 397 of SORP 2005 the Charity has not prepared a separate SOFA for the Charity.

Company Status

The Charity is a company limited by guarantee. The members of the company are the UK Advisory Council (see Trustees' Report for further information).

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 23. The results of subsidiaries have been consolidated on a line by line basis.

Diabetes UK includes the income and expenditure of voluntary groups where returns have been made prior to the preparation of the consolidated financial statements. Estimates have been included for voluntary groups where no return or a late return has been received. Such estimates, which are based on the prior year's returns, do not have a material impact on the financial statements. The number of voluntary group returns outstanding when the financial statements were prepared was 41.

INCOMING RESOURCES

Donations

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

Gifts in kind

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

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
DIABETES UK**

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

Donated services and facilities

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

Subscriptions

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

Legacies

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

Grants Receivable

Grants receivable are credited to income as these become receivable. Grants receivable are included within donations. Details of statutory grants are shown in Note 4.

RESOURCES EXPENDED

Costs of Generating Funds

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

Research Grants

Diabetes UK contracts with a range of institutions to fund specific research projects. Payment is conditional on the performance of key tasks and where such tasks remain incomplete, payment is withheld. During the year Diabetes UK changed the accounting policy for grants in accordance with SORP 2005. Previously grants payable were treated as executory contracts and research contract expenditure was charged against income in the year in which the underlying research was undertaken. In the light of SORP 2005 the charity has amended this treatment so that grants are treated as constructive obligations. Diabetes UK operates an annual review process whereby grants are reviewed to ensure progress is being made and the research programme complies with expectations before continuing payment is confirmed. As a result of this the first year of each research grants is recognised up front. At the year end Diabetes UK had creditors of £2,156,000 for research grants payable in 2006 but which have been expensed in 2005. Further detail on the grant making policy is contained in the Trustees' report.

Governance Costs

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

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for the year ended 31 December 2005

1 Accounting Policies (continued)

Support Costs Reallocation

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

Tangible Fixed Assets

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

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

Office equipment, fittings and furniture	-	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 recoverable amount.

Investments

Investments are shown at market value and any unrealised gain or loss is transferred to reserves. During 2005 £4,498k of current asset investments were reclassified as fixed asset investments. Comparative figures have been restated to ease comparison between years.

Stocks

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

Operating Leases

Rental payments under operating leases are charged against income on a straight line basis over the term of the lease. Where events make such a contract onerous, a liability is recognised for all payments over the lease term.

Retirement Benefits

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

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

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

1 Accounting Policies (continued)

Retirement Benefits (continued)

The defined benefit scheme is funded, with the assets held separately from the group in separate trustee administered funds. Full actuarial valuations, by a professionally qualified actuary, are obtained at least every three years, and updated to reflect current conditions at each balance sheet date. The pension scheme assets are measured at fair value. The pension scheme liabilities are measured using the projected unit method and discounted at the current rate of return on a high quality corporate bond of equivalent term and currency. A pension scheme asset is recognised on the balance sheet only to the extent that the surplus may be recovered by reduced future contributions or to the extent that the trustees have agreed a refund from the scheme at the balance sheet date. A pension scheme liability is recognised to the extent that the Charity has a legal or constructive obligation to settle the liability.

For defined contribution schemes the amount charged to the SOFA in respect of pension costs and other post retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

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

Funds

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

The trustees have not designated any funds.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

(continued)

2. Voluntary income	Unrestricted Funds £'000	Restricted Funds £'000	Total 2005 £'000	Total 2004 £'000
Legacies	7,657	111	7,768	6,268
Donations	5,213	2,781	7,994	7,543
Membership	2,379	-	2,379	2,205
Donated services and facilities	138	-	138	-
Total	15,387	2,892	18,279	16,016
Cost of generating voluntary income	Unrestricted Funds £'000	Restricted Funds £'000	Total 2005 £'000	Total 2004 £'000
Legacies	82	-	82	53
Donations	3,233	-	3,233	2,743
Membership	2,547	-	2,547	1,348
Donated services and facilities	138	-	138	-
Total	6,000		6,000	4,144
3. Income from activities for generating funds: trading	Unrestricted Funds £'000	Restricted Funds £'000	Total 2005 £'000	Total 2004 £'000
Lotteries	1,311	-	1,311	952
Corporate	506	-	506	602
Advertising	499	-	499	480
Affinity Products	161	-	161	179
Cards & Publications	670	-	670	661
Total	3,147	-	3,147	2,874
Cost of activities for generating funds: trading	Unrestricted Funds £'000	Restricted Funds £'000	Total 2005 £'000	Total 2004 £'000
Lotteries	759	-	759	511
Corporate	315	-	315	193
Advertising	114	-	114	117
Affinity Products	81	-	81	16
Cards & Publications	977	-	977	917
Total	2,246	-	2,246	1,754

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

(continued)

4. Grants receivable arise from the following statutory sources:		Total 2005 £'000	Total 2004 £'000
Department of Health	The 3D Project: Diabetes Diagnosis Discussion	22	37
Department of Health	Supporting User Involvement Project	50	119
Scottish Executive	Scottish Ethnic Care Project	41	-
Department for Education and Skills	Improving the Volunteer Support Network for Children's Support Holidays	30	-
Department of Health	Ethnic Minorities Project	-	44
National Assembly of Wales	National Service framework project	-	47
		143	247

5. Analysis of total resources used	Staff £'000	Other £'000	Total £'000
2005			
<i>Cost of generating funds</i>			
Cost of generating voluntary income	1,859	4,141	6,000
Trading costs	375	1,871	2,246
Investment management cost	-	33	33
<i>Cost of Charitable activities</i>			
Research	-	4,355	4,355
Research: support costs	206	180	386
Publication, Care & Information cost sub groups:			
Publications	282	970	1,252
Healthcare & policy	628	384	1,012
Other care and campaign	2,734	3,487	6,221
	3,644	4,841	8,485
Conference	194	1,046	1,240
Governance	65	214	279
Total resources used	6,343	16,681	23,024
2004 – as restated			
<i>Cost of generating funds</i>			
Cost of generating voluntary income	1,539	2,605	4,144
Trading costs	252	1,502	1,754
Investment Management cost	-	33	33
<i>Cost of Charitable activities</i>			
Research	-	4,934	4,934
Research: support costs	406	370	776
Publication, Care & information cost sub groups:			
Publications	256	973	1,229
Healthcare & policy	214	491	705
Other care and campaign	2,548	3,745	6,354
	3,018	5,209	8,288
Conference	157	986	1,143
Governance	65	302	399
Total resources used	5,437	15,941	21,471

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

(continued)

6. Research grants

The top 20 grant receiving institutions were:

	£
King's College London	409,906
University of Dundee	379,129
Queen Mary University of London	346,624
University of Oxford	339,158
Peninsula Medical School	313,878
University of Bristol	282,074
University College London	281,965
University of Cambridge	258,175
University of Newcastle	237,181
University of Manchester	197,233
University of Edinburgh	145,675
University of Birmingham	101,422
University of Leeds	90,915
University of Wales College of Medicine	88,342
University of East Anglia	86,604
Imperial College London	86,542
University of Glasgow	86,023
University of Warwick	81,196
University of Sheffield	67,062
University of Ulster	49,996
 Sub-total	 <hr/> 3,929,100
 Other grants	 425,900
Support costs	386,000
 Total	 <hr/> 4,741,000 <hr/>
 Analysis of Grants to institutions:	 £'000
Care and treatment	1,080
Cause and prevention	3,540
Cure	121
 Total grants	 <hr/> 4,741 <hr/>

Details of grants are available in "Research Matters", a Diabetes UK publication that can be obtained from Central Office at the address listed at the front of this document or by emailing researchmatters@diabetes.org.uk. All contracts are with institutions.

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

Grants Reconciliation

	2005 £000's
Creditor at 1 January	2,585
Grants awarded in year	1,304
Liabilities arising on existing grants	3,051
Payments in year	(4,784)
Creditor at 31 December	<u>2,156</u>

7. Support Costs Allocation

	Corporate Services Director £'000	Finance £'000	Human Resources £'000	IT £'000	CEO £000's	Total 2005 £'000	Total 2004 £'000
Cost of generating Voluntary income	194	117	116	240	77	744	748
Research	13	8	8	16	5	50	131
Research: non grant expenditure	26	16	16	32	10	100	-
Membership Support	139	84	83	172	55	533	443
Publications, Care & Information	666	403	398	825	262	2,554	2,749
Conferences	26	16	16	33	10	101	105
Governance	12	7	7	14	4	44	78
Total Support Costs	1,076	651	644	1,332	423	4,126	4,254

Support Costs consist of central office costs including rent, rates, insurance, non-recoverable VAT, depreciation and staff costs relating to the information technology, personnel, finance and office management functions. Overheads are allocated to departments based on the number of staff in each department.

8. Governance Costs

Governance costs are made up of the following:

	2005 £'000	2004 £'000
Trustee costs	44	42
External Audit	41	46
Support Costs	44	78
Advisory Council Expenses	79	129
Company Secretariat	71	104
	<u>279</u>	<u>399</u>

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

(continued)

9. Net incoming/(outgoing) resources	2005 £'000	2004 £'000
Net incoming/(outgoing) resources are stated after charging:		
Depreciation (see note 14)	354	418
Auditors' remuneration - audit	38	24
- non audit	13	22
Non-recoverable VAT	359	283
Operating leases - property	629	639
- other	38	189
	<hr/>	<hr/>
10. Income from and costs of trading	2005 £'000	2004 £'000
Turnover of subsidiary undertakings (see note 23)	1,674	1,677
Other income of subsidiary undertakings (see note 23)	1,442	1,148
Primary purpose charitable trading income	31	49
Income from trading	<hr/> 3,147	<hr/> 2,874
Costs of subsidiary undertakings (see note 23)	2,196	1,687
Primary purpose charitable trading costs	50	67
Trading costs	<hr/> 2,246	<hr/> 1,754
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.		
11. Investment income	2005 £'000	2004 £'000
Listed securities	181	108
Interest on cash asset investments	180	237
Interest on cash at bank	98	56
	<hr/> 459	<hr/> 401

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005
(continued)

12. Staff costs	2005 £'000	2004 £'000
Salaries	5,350	4,627
Social security costs	498	457
Other pension costs	495	353
	<u>6,343</u>	<u>5,437</u>
 Staff numbers	 No	 No
Voluntary Income	48	40
Publications, care and information	108	104
Conferences	4	4
Research	6	5
Support	46	42
Management and administration	4	4
	<u>216</u>	<u>199</u>

Average full-time equivalent number of employees during the year: 200 (2004 - 183).

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005
(continued)

Staff costs (continued)

Pension costs

Pension costs comprise £320,000 (2004: £181,000) in respect of defined contribution pension schemes and £175,000 (2004: £172,000) in respect of the defined benefit pension scheme. The components of the defined pension scheme costs are as follows:

Analysis of the amount charged to charitable activities	2005 £'000	2004 £'000
Current service cost	-	203
Past service cost	-	-
Curtailments and settlements	-	(198)
Total operating charge	-	5

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

Expected return on pension scheme assets	163	144
Interest on pension scheme liabilities	(338)	(311)
Net return	(175)	(167)

Number of employees whose remuneration fell within the following ranges:	2005 Number	2004 Number
£50,001 - £60,000	2	3
£60,001 - £70,000	4	1
£80,001 - £90,000	1	1

Payments to the defined contribution pension schemes in respect of the above staff amounted to £6,829 in the year. As at the year end, the defined benefit pension scheme was closed and no benefits were accruing to the above staff.

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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

(continued)

13. Trustees Emoluments and reimbursed expenses

Trustees have not been remunerated during the year. A total of 9 trustees (2004 - 10) have been reimbursed for expenses in relation to trustee meetings at a cost of £3,816 (2004 - £9,459). Total expenses reimbursed to trustees were £21,528 (2004 - £23,512). All amounts were for the reimbursement of travel and subsistence costs.

During the year a premium of £10,710 (2004 - £4,358) was incurred by Diabetes UK in respect of trustees' liability insurance.

During the year ended 31 December 2005 the Charity awarded grants of £76,608 for projects to which members of the Board of Trustees were connected. These members of the Board of trustees did not participate in the decisions to award the respective grants.

Board of Trustee's member	Details of Research Grant	£
Professor Mark Walker (University of Newcastle)	Progression and genes in Type 2 diabetes: the Warren Progene Study	30,795
Professor Mark Walker (University of Newcastle)	Does impaired mitochondrial function contribute to the insulin resistance in Type 2 Diabetes?	45,813

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

14. Tangible fixed assets

Group and Diabetes UK	Office equipment, fittings & furniture £'000	Computer equipment & software £'000	Total £'000
Cost			
1 January	945	2,424	3,369
Additions	152	458	610
31 December	1,097	2,882	3,979
Depreciation			
1 January	387	1,760	2,147
Charge for the year	137	217	354
31 December	524	1,977	2,501
Net book value			
31 December 2005	573	905	1,478
31 December 2004	558	664	1,222

All tangible fixed assets are used for or to support charitable purposes. There were no contracted capital commitments at 31 December 2005 (2004 - None).

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

(continued)

15. Investments

	2005	2004
	£'000	£'000
Group and Diabetes UK		
Market value at 1 January	9,761	9,105
Additions	-	96
Disposals	(1,000)	-
Realised (loss)/gain in year	(7)	300
Interest	176	226
Fees	(19)	(30)
Net gain on revaluation	558	64
Market value at 31 December	<u>9,469</u>	<u>9,761</u>
Historical cost at 31 December	<u>8,843</u>	<u>9,688</u>
Representing:		
Listed securities	<u>7,170</u>	<u>4,469</u>
Cash	<u>2,299</u>	<u>5,292</u>
Investment in subsidiary undertakings – Diabetes UK (Note 23)		
As at 31 December 2005 and 2004	<u>40</u>	<u>40</u>
Investments which comprised more than 5% of the total market value of investments at 31 December 2005 were:		
	£'000	£'000
M & G Securities Ltd, Charifund Inc – UK Unit Trust.	4,815	4,160
BGI Sterling Liquidity Plus Fund	2,299	-
Barclays Money Market Deposit	2,299	5,307
Gartmore Fund Managers Global Bond (Income Units) Unit Trust	-	216
 Gains on investments comprise:		
	2005	2004
	£'000	£'000
Realised (losses)/gains	(7)	301
Unrealised loss	(41)	-
Unrealised gain	599	63
	<u>551</u>	<u>364</u>

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

(continued)

16. Debtors: amounts falling due within one year	Group		Diabetes UK	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Trade debtors	715	219	-	-
Prepayments and accrued income	1,068	1,146	767	749
Donation due from subsidiary undertakings	-	-	927	1,143
Taxation & social security	-	98	137	98
Other debtors	627	507	627	507
	2,410	1,970	2,458	2,497

17. Creditors: amounts falling due within one year	Group		Diabetes UK	
	2005 £'000	Restated 2004 £'000	2005 £'000	Restated 2004 £'000
Amounts due to subsidiary undertakings	-	-	286	572
Taxation and social security	322	-	317	-
Accruals and deferred income	2,777	1,133	2,152	947
Research Grants Creditor	2,156	2,585	2,156	2,585
Other creditors	288	1,197	288	1,197
	5,543	4,915	5,199	5,302

18. Restricted income funds

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

	Balance at 1 January 2005 £'000	Incoming funds £'000	Funds used £'000	Investment gains £'000	Balance at 31 December 2005 £'000
Research funds	547	2,758	(3,061)	-	244
Children funds	-	129	(129)	-	-
Care & information funds	139	148	(214)	-	73
Warren Memorial fund	775	29	(117)	42	729
	1,461	3,064	(3,521)	42	1,046

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.

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

(continued)

19. Total funds – Group and Diabetes UK	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000	
Total funds are invested as follows:				
Tangible fixed assets	1,478	-	1,478	
Fixed asset investments	8,740	729	9,469	
Current assets	6,307	317	6,624	
Current liabilities	(5,543)	-	(5,543)	
Defined benefit pension scheme liability	(2,731)	-	(2,731)	
Total net assets	8,251	1,046	9,297	
Unrealised gains on investments included above	577	49	626	
20. Total funds – prior year adjustment	Unrestricted Funds £'000	Restricted Funds £'000	Total 2005 £'000	Total 2004 £'000
Total funds at 1 January				
As originally stated	9,375	1,461	10,836	10,564
Prior year adjustment:				
Recognition of Research Grant commitments	(2,138)	-	(2,138)	(1,591)
Fund balance restated	7,237	1,461	8,698	8,973
Net movement in funds for the year	1,014	(415)	599	(275)
Total funds as at 31 December restated.	8,251	1,046	9,297	8,698

The prior year adjustment arises from the change in the accounting policy for research grant commitments as detailed in Note 1.

21. Operating lease commitments	Property		Other	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Annual lease commitments on leases expiring:				
Within one year	-	-	12	146
Between two and five years	35	24	13	28
After five years	663	615	-	-
	698	639	25	174

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005
(continued)

22. Commitments to spend - research grants

At 31 December 2005 Diabetes UK had entered into contracts in respect of expenditure on research amounting to £3,669,000 (2004 - £5,103,000). These contracts are subject to an annual review process at which future funding is determined. Diabetes UK recognises grant expenditure on an annual basis as explained in the accounting policies note.

	£'000
2006	1,408
2007	1,718
2008	543
	<u>3,669</u>

23. Subsidiary undertakings

Diabetes UK has two wholly owned trading subsidiaries, BDA Research Limited and Diabetes UK Services Limited which are incorporated in the UK and registered in England. The financial statements of Diabetes UK Services Ltd are audited and filed at Companies House. BDA Research has had no activity in the year. Their financial position is summarised as follows:

Profit and loss accounts for the year ended 31 December	BDA Research Limited		Diabetes UK Services Limited	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Turnover	-	-	1,674	1,677
Cost of sales	-	-	(381)	(381)
Gross profit	-	-	1,293	1,296
Distribution costs	-	-	(358)	(356)
Administration expenses	-	-	(697)	(443)
Other operating income	-	-	1,442	1,148
Investment income	-	-	7	5
Other operating costs	-	-	(760)	(507)
Profit on ordinary activities before and after taxation	-	-	927	1,143
Profit donated to Diabetes UK	-	-	(927)	(1,143)
Net income	-	-	-	-

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005

(continued)

Subsidiary undertakings (continued)

Summarised Balance Sheets as at 31 December	BDA Research Limited		Diabetes UK Services Limited	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Current assets	-	-	1,752	1,369
Creditors: amounts falling due within one year	-	-	(1,712)	(1,329)
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 2005 (2004 - £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 2005 (2004 - £40,003).

24. Pensions

Defined benefit pension scheme

Diabetes UK operates a defined benefit scheme in the UK. Accrual of benefits ceased from 31 August 2004 when the scheme was closed. A full actuarial valuation was carried out at 1 January 2005 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 2005 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, the UK Equity (Passive) fund policy with Prudential M&G and monies held in the Trustees' bank account. An estimated value has been used for the with-profits policy.

The discount rate is "the current rate of return on a high quality corporate bond of equivalent currency and 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.

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.

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for the year ended 31 December 2005

(continued)

Pensions (continued)

The major assumptions used by the actuary were:

	At 31/12/2005	At 31/12/2004	At 31/12/2003
Rate of increase in salaries	n/a	n/a	4.9%
Rate of increase in pensions in payment where LPI applies	2.9%	2.9%	2.9%
Rate of revaluation where based on RPI max 5% p.a.	n/a	2.9%	2.9%
Discount rate	4.8%	5.3%	5.4%
Inflation assumption	2.9%	2.9%	2.9%

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

	2005 £'000	2004 £'000
Scheme assets – with profits fund	4,278	4,184
Equities	297	-
Present value of scheme liabilities	(7,306)	(6,390)
Deficit in the scheme	(2,731)	(2,206)

The expected return on the scheme assets as at 31 December 2005 were:

With Profits	3.5% (2004 – 3.8%; 2003 – 3.8%)
Equities	6.1% (2004 n/a)

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

Actual return less expected return on pension scheme assets	22	13
Experience gains and losses arising on the scheme liabilities	321	(182)
Changes in assumptions underlying the present value of the scheme liabilities	(943)	(157)
Actuarial loss	(600)	(326)

Movement in deficit during the year

(Deficit) in scheme at beginning of the year	(2,206)	(2,159)
Movement in year:		
Current service cost	-	(203)
Contributions	250	451
Past service costs	-	-
Curtailements and Settlements	-	198
Other finance income	(175)	(167)
Actuarial loss	(600)	(326)
(Deficit) in scheme at end of the year	(2,731)	(2,206)

**THE BRITISH DIABETIC ASSOCIATION KNOWN AS
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NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2005
(continued)

Pensions (continued)

During the year, a single contribution was paid with the cost of death in service benefits being paid separately.

History of experience gains and losses	2005	2004	2003
Difference between the expected and actual return on scheme assets :			
amount (£'000)	22	13	(139)
per centage of scheme assets	0%	0%	(4%)
Experience gains and losses on scheme liabilities :			
amount (£'000)	321	(182)	268
per centage of the present value of the scheme liabilities	4%	(3%)	5%
Total amount recognised in statement of financial activities :			
amount (£'000)	(600)	(326)	(191)
per centage of the present value of the scheme liabilities	8%	(5%)	(3%)

Defined contribution pension scheme

The charity also operates a defined contribution pension scheme; the contributions are detailed in note 12.

25. Result for the year under the historical cost accounting convention

	2005	2004
	£'000	(as restated) £'000
Net incoming/(outgoing) resources	648	(313)
(Loss)/gain on sale of investments calculated under the historical cost accounting convention	(3)	1,172
Actuarial (losses) arising on defined benefit pension scheme	(600)	(326)
Surplus under the historical cost accounting convention	<u>45</u>	<u>533</u>

26. Members

The legal members of the company are the members of the UKAC as explained in the Trustee report. The liability of members is limited to the sum of £1 per member.

27. 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.

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THIS PAGE DOES NOT FORM PART OF THE FINANCIAL STATEMENTS.

LEGACIES FOR THE YEAR ENDED 31 DECEMBER 2005

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

M H Abbey	E M Boden	P Cody	J T Ford
A C Adams	P Bowen	L Coffey	J Forman
O R Addison	J R Bowie	G J Compton	I C Forrest
N Ahmed	R Brady	M Conkey	N Fowler
H Ainsworth	E J Brayne	H Cooper	L A M Fox
M Alexander	L D Breheney	F Cooper	D M Francis
D G Alexander	S P Brightman	S Cope	B J Franklin
B S Allen	C F Britton	A Cope	D J Frost
P R Allen	R J C Broadbent	H T Cork	P Frost
C Allen	W J Brooks	F Cronin	F T Fullalove
B Allison	M E Brown	M E Cush	C Furniss
L A C Anderson	P E Brown	J H Daniells	W D Gait
D L G Arthur	M E N Browne	G R Davies	M Gambrill
M Ashworth	V Brundle	N I Davies	D J Gaskin
H W Aston	K Buchan	E E Davis	J W Gauler
D L Austin	J T Buchanan	R E Deakin	C Gerring
K Backett	M Buckerfield	A C Denning	E C Gibbs
P D Bairstow	E Bulmer	F Dibble	E Gilmour
D Balckstock	I Burnett	M J Dobson	A P Girvan
J Banks	M H Burnside	P J S G Dobson	K Godwin
E Barlow	P M Burton	E M Dobson	L Godwin
H M Barnes	P M Burton	E G Dolman	R D Gold
B G Barnes	A C Byford	H E Dorr	A E Goodman
C E Barnes	P J Byford	R F G Dowdle	E T Goodrum
A N Barnett	C B Cakebread	P G Down	E L Goodship
J W Barron	H W Calver	T Dowsett	D N Gosden
M Basham	E H C Cameron	C Dowson	J Gosling
G M Bassett	D V M Cameron	L Dresser	B Gould
M E Bastow	O N F Case	T Dronsfield	E Greatorex
P Bateman	F P Chamberlain	A Dunnachie	E M Green
M E Bateman	J Charlesworth	J L Dunstan	M Green
H L Beadle	G Chatterton	H Duxbury-Sinclair	E M Greenup
A H Beckett	B A Cheatham	B L Dyke	H Grodzinski
K Beer	M A Cheer	B W Eccles	R J Groves
A H Bell	E M Chelsom	B L Edwards	R S Hadden
D E Belton	S M Chidley	E M Elliott	P Haines
P Bendell	P N Childs	J C Elstone	D E Hales
W E Berryman	L E M Clark	M C Ely	E A Hall
G H Best	H M Clarke	S H Everett	M E Hall
P Beverly	S E T Clee	W Fellows	S Hambleton
R M Binch	D B Clegg	E Filby	F Hammond
R G Binns	P J Clements	M M Fisher	M T Hannan
J Bisset	B Clowes	M T Flatt	E M Hardie
D Blackstock	R A Cockayne	R H Florance	M G Harman
M Boddy	W H M Cockram	A P Foletti	A W Harper

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LEGACIES FOR THE YEAR ENDED 31 DECEMBER 2005

L A Harrison	M W Jones	L J Mance	T W H Onions
E M Hasler	W F Jones	D M Mannering	E W Owen
D J Haynes	M Jones	H J Marsh	E D Owen
A B Head	R B Jones	E M Marshall	M Page
M M Headford	R A Jones	G Marston	E L Pagram
E W T Heal	J D Jones	M A Martin	J M Parnell
A M Heigh	H E Jones	E C Mason	H W Pearce
I Henderson	M K M Kearns	H Mattox	C E Pearce
E N Hendry	L A King	H A McCoubrey	J D Peck
C A Hersee	R G King	M R McGifford	H S Pedley
C Hibbird	J I M King	M J McKechnie	G J Pengelly
D Hickling	M I Knight	J B McLean's	E J Perowne
F Higon	D Knox	C P McLlroy	I Perryman
I E Hill	L Krotosky	E R McManus	S H Petherick
D M Hill	V E Lacey	J Meikle	A Pettifar
C Hill	D M Lack	M D S M Mence	M Phillips
F E Hill	D Laird	J C Merritt	A Pickett
S Hill	H Lambert	E V Methven	S G Pickett
D J Hinton	J M Lapthorne	C O Miles	D J Pine
I E Hodson	I Larvin	A M Millross	M Pittam
E Holdcroft	S Laws	L M Mohapatra	E A Pointer
E Holdsworth	S J Lee	B D Moore	J R Potter
P Hollingworth	E A Leech	M H Morris	B R Price
M J Holohan	M C Lennon	M Morritt	W J Prichard
J Holt	M E Letchford	B M Morton	F R Pring
J M Hood	B Levick	G W Mosdell	G S Pringle
D J Howard	R Lewis	M J Mowat	M A Prosser
J Howe	A Lewis	I Murphy	K Pugsley
N Hoyle	L M Lindley	D M Napthen	S A Pyne
P E M Hughes	G H Little	A L Nason	G Rafferty
J H Hughes	W L Livingstone	V E Neal	M Ramsden
A P Hughes	E E M Lock	R H Nelson	N B Rana
C Hummerstone	P J Lockwood	A C Nesfield	P H Randall
P I Hunt	M A Lomas	N Newman	V E Rankine
A B J Hunter	W L Loome	A Newport	J Rawcliffe
L C S Ingram	D S Lowe	G Nichols	A Reed
M Isherwood	R E Loynes	W J Nicklin	P M Rhodes
D H Jackman	J Luczak	M S Nicol	E A Ribbans
M K Jackman	R D MacDonald	I M Nicolas	B Richardson
R Jacques	J E Macfarlane	L J Noakes	H J Riddoch
J T James	M MacKenzie	K J Norton	I E Riggs
A H Jameson	H Maddock	H Nunn-Brown	J Riley
W F Johnson	S E Maggs	E Ogley	A H Ritchie
F M Jones	F Malley	D Oldacre	I C Robertson
V Jones	E Mallinder	C E Ollivant	B C Robinson

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LEGACIES FOR THE YEAR ENDED 31 DECEMBER 2005

P S Robinson	L St.Claire	F K M Vogler	H A Worsfold
F A Roe	G J Stacey	V F Walden	L Wykes
F M Roe	T W Stafford	E A H Walden	M Young
M H C Rogers	M N Stanley	C M Walker	M J Young
A Rogers	G A Stanley	M Walmsley	O Zappelloni
P E M Roose	K E M Starker	H Ward	
D M Rose	V Stewart	M B Waring	
J W Ross	I F Stewart	I B Watling	
A J Rosser	I K Stone	J A Watson	
F A Rowe	G Stone	P F I Watson	
S A Rowley	P H Stoodley	E M Webb	
J A Rutter	J R Strang	K B Webster	
E J Sadler	B Sugden	D Welford	
F T Sansom	M R Sutherland	Y Westgate	
H B Sawtell	M Sutton	F Whalley	
D E Scharf	J Sworn	B P Wheaton	
A W Schofield	B K Taylor	L M Wheller	
A Serafini	M C Taylor	G White	
S J Shepherd	D M Taylor	T A Whitehead	
E B M Short	J E Thomas	M P G Whitehouse	
G Simmonds	E T Thomas	W R Whitehurst	
P M Simpson-Shaw	H Thompson	J L Wigglesworth	
E Slade	H Thon	H Wilkinson	
M E Smith	J E Thorley	A K Wilson	
G A Smith	D E Towner	M H Wilson	
B R Smith	R Townley	P Winch	
J Smith	E M Towns	J Winch	
D A Smith	R C J Treble	J W Wing	
M M Smith	E E Turner	E R Wiseman	
M M Snelling	K G Turner	W Wiseman	
D Somerscale	M O Tyler	A M Wood	
P J M Spalding	E B Tyson	R Woods	
K Speak	R E Tyssen-Drakes	J B Woollett	
G Spear	G G Usher	C M Woolley	
C J Spendlove	B O Utting	Z M Wootton	