

Kidney Research UK

**Annual Report and Financial
Statements**

31 March 2008

Company Limited by Guarantee
Registration Number
905693 (England and Wales)

Charity Registration Number
252892

BUZZACOTT

Contents

Reports

Reference and administrative details	1
Statement of the Chairman and Chief Executive Officer	2
Trustees' report	3
Independent auditors' report	20

Financial statements

Consolidated statement of financial activities	22
Balance sheets	24
Consolidated cash flow statement	25
Principal accounting policies	27
Notes to the financial statements	30

Reference and administrative details

Trustees	Prof Neil Turner PhD FRCP John H Bartlett Diana M Blass Prof J Andrew Bradley MBChB PhD FRCS Prof Alexander M Davison RD MD FRCP Andrew M Gaulter Jeremy Nicholls Prof Michael Nicholson MD FRCS Prof Caroline O S Savage PhD FRCP FMedSci
Company secretary	Anne-Marie McCarthy
Chief Executive Officer	Charles L Kernahan
Registered office	Kings Chambers Priestgate Peterborough PE1 1FG
Telephone	0845 070 7601
Website	www.kidneyresearchuk.org
Company registration number	905693 (England and Wales)
Charity registration number	252892
Auditors	Buzzacott LLP 12 New Fetter Lane London EC4A 1AG
Bankers	HSBC Bank plc 79 Piccadilly London W1J 8EU
Investment advisers	Newton Investment Management 71 Queen Victoria Street London EC4V 4DR

Statement of the Chairman and Chief Executive Officer

WELCOME:

From the Chairman and Chief Executive Officer

Kidney disease is one of the greatest health challenges facing the UK today.

It's all about people..... this year's review highlights both the impact we have made on the lives of people affected by kidney disease and the wide network of people we work with, who are helping to drive forward advancements in tackling this disease.

Our researchers..... involved in vital research to find a major breakthrough.

Our innovative partnership approach ensures that we continue to play a leading role in funding research to find better ways of preventing, diagnosing and treating kidney disease. We have £7.7 million invested in 76 research programmes, including 2008's five training awards, to help today's young researchers become 'the experts of the future,' and ten new research projects (correct at Sept 2008).

The people we support..... improving the quality of life and health of kidney patients.

We are developing better ways of tackling early stage kidney disease throughout the UK and we believe this is best achieved by reaching into the community to raise awareness of the disease and to support the people affected by it.

Our supporters..... helping to create a brighter future for kidney patients.

The invaluable work of our fundraisers, support staff and volunteers has enabled us to raise over £9.3 million this year. However, we are still only able to support one in three of the research funding applications we feel are worthy of support. We need your continuing support to increase this number and to help realise our vision of creating a world free from kidney disease. We would like to thank everyone who has generously given of their time and money to help Kidney Research UK support patients and advance medical research into kidney disease this year.

Finally, we are particularly proud to announce that from August 2008, Angela Rippon, the television journalist and newsreader, will become Patron of Kidney Research UK. Angela will support our fundraising, education and awareness activities through public appearances and endorsements. She says: "*Kidney disease is a sneaky disease. It creeps up on you, unannounced, and has the potential to radically change the lives of millions of people in this country. A greater awareness of the causes of kidney disease could improve general health and well being, and help to prevent many cases in the future. I'm delighted to be part of an organisation that will help make that happen.*"

Professor Neil Turner
Chairman

Charles Kernahan
Chief Executive Officer

Trustees' report Year to 31 March 2008

The Trustees present their statutory report together with the consolidated financial statements of Kidney Research UK and its subsidiary company for the year ended 31 March 2008.

The report has been prepared in accordance with Part VI of the Charities Act 1993 and the Companies Act 1985.

The financial statements have been prepared in accordance with the accounting policies set out on pages 27 to 29 of the attached financial statements and comply with the Charity's Memorandum and Articles of Association, applicable laws and the requirements of the Statement of Recommended Practice on 'Accounting and Reporting by Charities' issued in March 2005.

Objectives and activities

Charitable objectives

The facts about kidney disease:

- ◆ Chronic kidney disease (CKD) affects more than three million people in the UK and the incidence is rising rapidly. It is often without symptoms and can go undetected for many years, sometimes leading to kidney failure requiring dialysis or a transplant.
- ◆ Of the 7,242 people on the organ waiting list, 6,475 need a kidney.
- ◆ 40,000 people are undergoing dialysis or transplant treatment for kidney failure at any one time, with numbers set to double over the next ten years.
- ◆ High blood pressure, if uncontrolled, can cause kidney failure.
- ◆ South Asian and African-Caribbean people are up to five times more susceptible to kidney disease;
- ◆ Someone in the UK is diagnosed with kidney cancer every ninety minutes.

The vision and mission statements of the Charity are as follows:

Our Vision: A world free from kidney disease.

Our Mission: To fund life-saving research into kidney disease, to improve the quality of life of those with kidney disorders and to increase public awareness of kidney health.

To this end Kidney Research UK is pursuing the following three strategic objectives:

- ◆ Funding research into kidney disease and supporting the careers of researchers in the field of kidney disease;
- ◆ Raising awareness of and educating people about kidney disease; and
- ◆ Supporting patients with kidney disease.

Objectives and activities (continued)

Charitable objectives (continued)

The Trustees have directed that at least 75% of direct charitable expenditure be invested in research and career development with the combined objectives of awareness and education and patient support benefiting from the remaining 25%. During the 2007/8 financial year the percentage of direct charitable expenditure attributed to research was 84%.

Principal activities

The Charity undertakes the following activities in pursuance of these strategic objectives:

◆ **Research and career development**

High quality research is our top priority and we support the largest number of cutting edge kidney research projects and career development programmes in the UK.

The Charity funds one round of research project applications and one round of career development applications from researchers each year. The applications are peer reviewed by the Research Grants Committee, which makes funding recommendations to the Trustees on the basis of the quality of science in the application. The Trustees support the highest scored applications to the level of funding available.

◆ **Education and awareness activities**

The Charity is actively involved in programmes to inform patients, their carers, the general public and healthcare professionals about all aspects of kidney disease.

◆ **Patient support**

We support kidney patients and their carers in a variety of ways. Welfare grants are available to support the specific needs of individual patients. Applications for these grants are reviewed by the Patients' Grants Committee which makes funding recommendations to the Trustees. In addition, our Kidney Health Information Service provides a helpline, web-based information and literature to help individuals learn about kidney disease.

Grant making policy

As one of the UK's largest funders of research into kidney disease, Kidney Research UK is dedicated to improving the understanding of kidney disease, its causes, prevention and treatment.

Our robust and objective application and peer review process ensures the most effective use of our supporters' money, with all projects having clear objectives and deliverable quality outcomes.

Objectives and activities (continued)

Grant making policy (continued)

The Charity supports a wide range of research projects through open calls to UK scientists. Understanding basic mechanisms of kidney disease through laboratory research is important for developing strategies for treatment and prevention and the spectrum of research currently supported ranges from molecular studies of how cells work through to clinical trials and health services research. The Charity endorses the Association of Medical Research Charities (AMRC) position that animals should only be used for research if it is essential and there is no alternative.

The Charity recognises that training of medical researchers is an essential investment for the future of kidney research in the UK and awards fellowships to clinicians during their training. In addition, the Charity provides support for scientists to enable them to undertake a PhD, undergo supervised training or, through senior fellowships, to establish themselves as independent researchers.

Clinical trials provide the evidence on which to base treatment decisions. Providing funding for large scale clinical trials is currently beyond the scope of the Charity, but the Charity is keen to support pilot studies and to work in partnership with other research funders, professional associations and the pharmaceutical industry to support clinical trials. Subject to available funds and through the development of new partnerships we hope to be able to support larger-scale clinical activity in the future, building on our experience and achievements to date.

In addition to funding research from open invitation, the Charity supports projects of research into areas where a specific need is identified. Often this is done in partnership with other organisations.

Investment policy

The Charity's investment policy seeks to maximise long-term total return whilst maintaining a level of diversification and risk in line with the Charity's predicted liquidity needs and the investment outlook in various markets. This policy is reviewed regularly by a committee of the Trustees, the Finance and Risk Committee. The Trustees have instructed the Charity's investment managers not to invest in tobacco-related financial vehicles.

Structure, governance and management

Constitution

Kidney Research UK is constituted as a company limited by guarantee, Company Registration No. 905963, and is registered for charitable purposes with the Charity Commission, Charity Registration No. 252892. The Charity is governed by its Memorandum and Articles of Association.

Connected entities

The Charity has a wholly owned subsidiary company, Kidney Research Enterprises Limited, Company Registration No. 2932606. The company's principal activity is to undertake trading and retail activities for the benefit of Kidney Research UK.

Structure, governance and management (continued)

Connected entities (continued)

The Charity has links with The Kidney Foundation, a registered charity (Charity registration No. 802530), which operates from the same premises as Kidney Research UK. The Kidney Foundation currently operates at a very low level of activity.

Liability of members

In the event of the Charity being wound up, company members are each required to contribute an amount not exceeding £1.

Trustees

The Trustees constitute the directors of the Charity for the purposes of the Companies Act 1985. They are appointed for an initial period of three years and may be elected to serve a further term. The following Trustees were in office at 31 March 2008 and served throughout the year except where indicated.

Trustees	Appointed/retired
Prof A Neil Turner PhD FRCP	
Prof Graham F Badley BA PGCE Adv Dp Ed MEd PhD	Retired 10 September 2007
John H Bartlett	
Diana M Blass	
J Andrew Bradley MBChB PhD FRCS	
Rupert M Caldecott	Retired 11 June 2008
Prof Alexander M Davison RD MD FRCP	
Andrew M Gaulter	
Jeremy Nicholls	Appointed 10 March 2008
Prof Michael Nicholson MD FRCS	
Revd Dr Judy Craig Peck MBBS MRCGP DATS	Retired 10 March 2008
Prof Caroline O S Savage PhD FRCP FMedSci	

Chairs of the Board of Trustees, Finance and Risk Committee, Research Strategy Committee and a number of independent ex-officio chairpersons, including the following: Chairpersons of the Lay Advisory Committees, Chairperson of the Patients' Grants Committee, Chairperson of the Research Grants Committee, and the Senior Medical Advisor are elected by the Board of Trustees. Under an agreement with the Renal Association, the elected Clinical Vice President is recommended as the Senior Medical Advisor for the Charity, for ratification by the Board of Trustees.

Structure, governance and management (continued)

Trustees (continued)

No Trustee received any remuneration for services as a Trustee (2007 - £nil) but a total of £3,059 (2007 - £4,449) was reimbursed to 9 Trustees (2007 - 10) for travelling expenses.

Due to the nature of the Charity's operations and the composition of the Board of Trustees it is inevitable that transactions will take place with organisations in which a Trustee may have an interest. All transactions involving organisations in which a Trustee may have an interest are conducted at arm's length and in accordance with the Charity's financial regulations and normal procurement procedures. Details of grants payable are provided in the notes to the financial statements.

Recruitment and appointment

The Charity uses a variety of recruitment processes to maintain a good balance of skills and expertise at Trustee level. To this end Trustees are recruited to the Charity from the business community as well as from other areas with an interest in the work of the Charity.

Induction and training

A pre-planned induction to the organisation is offered to new Trustees including formal meetings with other Trustees and senior managers of the Charity, at which information on the range of activities undertaken by the Charity is shared. Third party training is also offered when appropriate. On an annual basis, time is set aside for Trustees and senior managers, as a group, to engage in strategic discussions which include an element of training.

Trustees' responsibilities statement

The Charity's Trustees are responsible for preparing the annual report and financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

Company law requires the Trustees (who are directors of the company for the purpose of the Companies Act) to prepare financial statements which give a true and fair view of the state of affairs of the Charity as at the balance sheet date and of its incoming resources and application of resources, including its income and expenditure, for the financial year then ended. In preparing financial statements giving a true and fair view, the Trustees are required to:

- ◆ select suitable accounting policies and then apply them consistently;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

Structure, governance and management (continued)

Trustees' responsibilities statement (continued)

- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity, and the Charity and its subsidiary, and which enable them to ensure that the financial statements comply with the Companies Act 1985. The Trustees are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees, in his or her capacity as director of the Charity, confirms that:

- ◆ so far as the Trustee is aware, there is no relevant audit information of which the Charity's auditors are unaware; and
- ◆ the Trustee has taken all the steps that he/she ought to have taken as a Trustee in order to make himself/herself aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985.

Organisational structure

The Trustees have legal responsibility for the actions of the Charity. They are appointed for a renewable term of three years, and are the directors of the company for the purposes of the Companies Act. The Board of Trustees sets the strategy of the Charity and oversees its implementation. There are four meetings of the full Board throughout the year at which some of the members of the senior management team attend in an ex officio capacity.

The Board is assisted by six advisory committees to which it delegates specific responsibilities. The Chairs of these advisory committees report on their specific activities and make recommendations to the Trustees. The committees are made up of experts and lay advisors, as appropriate, who provide their services to the Charity on a voluntary basis.

The roles of the committees are as follows:

- ◆ The Research Grants Committee makes independent recommendations to the Trustees on grant funding applications, for which the highest quality of science is the benchmark for peer review. The Chairperson and participating members of the Committee are neither Trustees nor members, except in exceptional circumstances for reasons of specific knowledge requirements; however a Trustee will normally attend committee meetings as an observer. In the event that a grant application is received from an institution that employs a member of the committee, the member will exclude themselves from the related discussion or decision.

Structure, governance and management (continued)

Organisational structure (continued)

- ◆ The Patients' Grants Committee recommends to the Trustees patients who are deserving of support from welfare grants. The members of the Committee include one Trustee but the remainder of the committee and the Chairperson are independent of the Board of Trustees.
- ◆ The Charity has two Lay Advisory Committees, one for England and Wales and one for Scotland and Northern Ireland. The Lay Advisory Committees advise the Trustees on the health issues affecting kidney disease patients, specific to their geographical areas. Each Committee comprises one Trustee and approximately six to ten independent advisors; the Chairpersons of these committees are independent of the Board of Trustees.
- ◆ The Finance and Risk Committee advises the Trustees on areas of risk facing the Charity as well as monitoring the Charity's financial performance against an approved annual budget and three-year Business Plan. The members of this Committee currently comprise four Trustees, the Chief Executive and Finance Director. The Chairperson of this committee is elected from the Trustee members only. The Executive members are not eligible to be appointed as Chairperson of the committee.
- ◆ The Remuneration Committee is a recently formed sub-committee of the Finance and Risk Committee and is responsible for reviewing and approving salary and benefit packages available to employees of the Charity.
- ◆ The Research Strategy Committee advises the Trustees on setting the current and future focus for the research grant funding of the Charity. Members of this Committee include the Charity's Senior Medical Advisor, Chairperson of the Research Grants Committee, Chairperson of the Charity with two other Trustees, the Chief Executive and the Grants Manager. Other executives are invited to attend as required. The Executive members are not eligible to be appointed as Chairperson of the committee.

Mr Charles Lloyd Kernahan, as Chief Executive, has responsibility for the implementation of the agreed policy and strategy of the Charity, as delegated by the Trustees. This is achieved with the help of the senior management team comprising:

Finance Director and Company Secretary	Anne-Marie McCarthy
Director of Corporate Development	Michael Nation
Head of Individuals Fundraising	Peter Storey
Operations and Systems Manager	Diane Grogan
Human Resources Advisor	Gina Isaac

Structure, governance and management (continued)

Volunteers

The Charity could not operate without the support of its substantial and growing volunteer base and this base represents significant value to the organisation. Volunteers perform a variety of essential roles across the Charity from governance, advisory and fundraising activities to administration. The contribution of our volunteers is essential to the future of the Charity and we constantly work not only to recruit more volunteers, but also to show our appreciation for their hard work and commitment through developments such as our annual 'Volunteer of the Year' awards.

Employees

The Charity offers employees the opportunity to work in an inclusive and empowering environment. Kidney Research UK strongly believes in investing in its people and in order to maintain high standards in its employment practices, promotes the following initiatives:

- ◆ The Charity encourages development on both professional and personal levels and supports this by the provision of training programmes.
- ◆ The employee-elected Employee Support Team meets with senior management on a regular basis to discuss any areas of concern and is consulted on proposed changes to the Charity which may affect staff.
- ◆ Employees are kept regularly informed of the objectives, activities and progress of the Charity through regular meetings, the Charity Update newsletter and the staff conference, which is held bi-annually and brings together employees from all areas of the organisation.
- ◆ The annual 'Employee of the Year' award recognises outstanding contribution, with the shortlist of candidates for the award being selected by fellow employees. The Adjudication committee comprises the Chairperson, Chief Executive, Chairperson of the Employee Support Team and employee representatives from amongst the group of previous winners.

Risk management

The Trustees continue to assess the major risks to which the Charity is exposed, both operational and financial, and are satisfied that appropriate measures are in place to limit and manage those risks. Specifically, the senior management team maintains a risk register which is considered to be an effective way for the Trustees to evaluate significant risks to the organisation, to establish the degree to which the risks are controlled and moderated, and to determine necessary action. The Trustees and senior management team regularly review the risk register, with responsibility resting with the Finance and Risk Committee.

Achievements and performance

Review of the year

◆ *Research*

The year saw the introduction of the new regime of two grant rounds in the year (as opposed to three rounds per year, as previously organised). This has helped to save administrative costs and the time commitment of the voluntary Research Grants Committee, as anticipated. The Trustees also approved the increase in the ceiling for project grant funding, available (for full projects), from £100,000 to £150,000. This was approved at the end of the previous year as a result of consultation with key research stakeholders.

Our commitment to new research and career development programmes in the year reached almost £1.6million comprising twelve major research projects and start-up grants totalling £777,522, and £785,088 committed to the following:

- One senior fellowship in further support of a scientist establishing himself;
- Three training fellowships in support of fostering future experts;
- One career development fellowship;
- One PhD student; and
- Three joint fellowships in partnership with the British Renal Society (BRS)(1) and the International Society of Nephrology (ISN)(2).

Through our recent research activity, we have made a number of important advances including:

- Improvement in the prevention of anaemia for those undergoing treatment;
- Reduction in the risk of kidney transplant rejection;
- Identification of a gene which could be targeted by drugs to reduce kidney stone formation; and
- The potential to develop novel carbon monoxide therapy to preserve kidneys before transplantation procedures.

Dr Claire Sharpe, King's College Hospital, received a training fellowship and subsequent project grant to study kidney scarring and fibrosis which affects progression to kidney failure.

Claire says *"My academic career has been made possible by the continued support of Kidney Research UK over the last decade."* Claire now supervises a new generation of 'renal expert' in Dr Joe Wang, who was awarded his own training fellowship in 2006 (partly supported by The Rosetree Trust). Joe says *"This support gives me the opportunity to meet peers, to learn from leading experts in the field of nephrology, and to be informed about all aspects of renal disease"*.

Achievements and performance (continued)

Review of the year (continued)

◆ **Research** (continued)

Sharing expertise and skills through partnerships with individuals and organisations enables us to achieve major advances in the prevention, treatment and management of kidney disease.

Some of our recent partnership projects include:

STEPP (Long-term Outcomes in Renal Transplantation): This project aims to improve the understanding of illnesses associated with long-term kidney transplantation, leading to increased survival for both the patient and the transplanted organ. The full results will be published in 2009, but the project was given an excellent profile at the 2007 British Renal Society conference, with eye-catching banners and a booklet detailing patients' stories. www.stepp.org.uk

BOLDE (Broadening Options for Long-term Dialysis in the Elderly): A three-year study, led by the West London Renal and Transplant Centre, investigating access to home-based care for older kidney patients. This innovative project is supported by Baxter Healthcare Limited with collaboration from some of the UK's leading professional organisations and individual experts.

We are also leading the way with a number of community-focused projects that will help to develop innovative ways to identify and treat kidney disease in its early stages. Examples include:

Kidney Early Evaluation Programme - Risk Assessment: A co-ordinated awareness programme offering free kidney health checks, vascular risk assessment and educational information to more than 2,000 people within specific 'at risk' groups (defined by age, ethnicity, relationship to existing patients and individuals who have not visited their GP recently). This initiative will help inform public health policy, particularly in relation to the planned launch of 'vascular checks' by the NHS in 2009. www.kidneyresearchuk.org/content/view/494/653

ABLE (A Better Life through Education and Empowerment) – This initiative, which began in 2001 and initially addressed inequalities in health due to ethnicity, has now become the Charity's overall kidney health awareness programme. Key outcomes this year have come from dissemination and awareness activities, including:

- Written and oral presentations about ABLE research and awareness projects at major medical conferences in Brazil and Rotterdam, and at more than six UK health professional conferences and events.
- Aspects of the campaign received wide coverage in at least 11 publications, with excellent circulation amongst both lay and professional audiences.

Achievements and performance (continued)

Review of the year (continued)

◆ **Research** (continued)

- “The Leicester ABLE Project” was published, with a Foreword by Donal O’Donoghue, National Clinical Director for Renal Care. (Copies are available online or directly from the Charity.) www.kidneyresearchuk.org/ABLE

◆ **Educational and awareness activities**

In the year, the Charity has continued to work on increasing the level of awareness of kidney disease. Some of the highlights of our activities are as follows:

- Fundraising events continue to play an important role in providing opportunities for spreading key messages to the general public and several of our fundraising activities this year attracted media attention to the cause of kidney disease and the work we do.
- The Charity was actively involved in World Kidney Day 2008 with various activities organised to raise awareness about the disease and future research priorities. Further information can be found at www.worldkidneyday.org.uk
- The Kidney Health Information Service provides web-based general information on kidney disease with a focus on niche areas and our research priorities. This vital resource aims to empower kidney patients, their families and carers, through information and education, and to ‘bring research to life’. We have also launched a new ‘Patient Forum’ on the site to allow individuals to network with others in a similar position. www.kidneyresearchuk.org/information

Nicola Richards suffers from Medullary Sponge Kidneys and wanted to find out more about her condition to help her cope better. *“The information I received from the Kidney Health Information Service was extremely useful. I now feel more in control and it will be interesting to talk to more people with my condition through the new Patient Forum”.*

- **‘Living with Kidney Disease’ DVDs** – We have produced educational DVDs in partnership with a range of organisations, including the Big Lottery Fund, Department of Health and pharmaceutical companies. This year we have distributed over 20,000 of these to patients, carers and health professionals.

Achievements and performance (continued)

Review of the year (continued)

◆ **Patient support**

Empowering people living with kidney disease is very important to us. In the year, we supported 173 patients from across England, Scotland, Wales and Northern Ireland with grants of £67,460 to help improve their quality of life.

One recipient was Michael Cocknye, a dialysis patient studying for an MA in 'Sports History and Culture'. *“Studying enables me to cope with my dialysis treatment and without the grants and the financial security they (Kidney Research UK) provide, I would not be able to. I would encourage patients to continue with any studies or hobbies they enjoy, as this will help them to maintain a degree of normality in their lives.”*

To fund research that is valued and relevant to those closest to the disease, we actively engage with patients and carers, drawing on their broad range of views, experience and advice. To help determine future priorities for kidney research, we undertook a survey of over 1,000 kidney patients, identifying the disease areas of most concern to patients and their carers. The results are available at:

www.kidneyresearchuk.org/content/view/321/392

Fundraising activities

We continued the initiative instituted at the end of the last financial year of focusing our fundraising activities on the supporter-centred approach which is essential to ensuring a longer term relationships with our supporters and thereby achieving growth in income for the Charity. We also concentrated efforts on the most profitable fundraising products at our disposal.

Fundraising in the year was highly successful in several areas yielding an overall 22.5% increase in income over the previous period.

Some highlights of this year's fundraising initiatives included:

- ◆ 1,651 walkers took part in our 'London Bridges Walk 2007' event;
- ◆ 3,700 people participated in other events to raise money for the Charity;
- ◆ We held Supporter Receptions around the UK in which our researchers talked about their work, brought it to life and said a special 'thank you' to our supporters;
- ◆ In partnership with Textile Holdings and UK Clothing Limited, we launched a recycling scheme for clothing. This has already raised £18,000 and looks to be an excellent fundraising activity for the future;
- ◆ We set up our online 'Tribute Funds' facility which enables supporters to remember a lost loved one and to celebrate their life by donating money in their name;

Achievements and performance (continued)

Fundraising activities (continued)

- ◆ Rob Jackson of Volunteer England helped judge the first of our new annual 'Volunteer of the Year' competitions, the winners of which included Kath Ellis who won the Lifetime Volunteer Achievement Award for her tireless commitment to the Charity over many years. Malcolm Whale of Kidney Research UK described her as follows:

"Kath Ellis, 82, is one of life's 'busy people'. Giving 41,000 volunteering hours to our Charity alone, and as a member of Skegness Ladies Fundraising Group since 1972, she has helped raise over £32,000 for Kidney Research UK. Kath is a born carer, not motivated by personal gain or recognition, but driven by the desire to help improve the quality of other people's lives."

- ◆ Tesco invited us into 81 of its stores, to talk to customers about the Charity, raise awareness of kidney disease and fundraise; which resulted in £22,000 in donations;
- ◆ We received £9,600 from Boundary Mills in Grantham, as their charity of the year;
- ◆ Supporters participating in our popular lottery draws, raised £800,000, a 39% increase on last year;
- ◆ The London Bridges Walk, Great North Run and London Marathon were the most successful ever, raising nearly £500,000 for the Charity.

Investment performance

Over the year the Charity's investment portfolio achieved an income yield of 4.51% and capital return of -8%. In the first quarter of the financial year, a significant tranche of the portfolio was liquidated and has been invested in cash funds and fixed deposits. This has helped to insulate the value of the overall portfolio against the turbulence of the world-wide capital markets. The investment managers continue to invest in accordance with the Trustees' investment policy set out earlier in this report and comply with the ethical guidelines given to them. At the end of the year the Charity's portfolio of listed investments comprised 47.7% UK equities, 23.3% overseas equities and 29% bonds and cash.

Financial review

Results for the year

As noted earlier, the Charity's income increased by £1,780,963, or 22.5%, over the previous year, which helped to deliver a healthy surplus of £2,845,935. The Trustees constantly strive to increase the commitment to our charitable objectives and this surplus has enabled them to increase by £500,000, the monies available for research grants in the 2008/9 financial year.

Financial review (continued)

Results for the year (continued)

The surplus was delivered from the following areas:

◆ **Income**

As noted above, the Charity benefited from a significant uplift in income of £1,780,963 in the year. Of this increase, £1,636,369 is attributable to additional legacy income, £245,330 to activities for generating funds including our successful lottery campaigns, £63,160 to income from investments and cash and £30,995 to donations. The largest reduction in income, £180,399, came from restricted grants which, as a result of the accounting rules for recognising liabilities for restricted grants, did not affect the overall net income of the Charity.

◆ **Operating costs**

In the year ended 31 March 2008, operating costs were reduced by approximately £357,000 or 7% over the previous year. This was largely achieved through concentration of effort on more profitable fundraising activities and generally greater efficiencies. The reduced costs have not adversely affected investment in future fundraising opportunities.

◆ **Profitability of fundraising products**

As noted above, the year saw the consolidation of our regular quarterly review of the profitability of our fundraising products. This discipline has helped to refine the efforts of our fundraisers onto more profitable activities and those with a supporter relationship and therefore long-term relationship rather than transactional or short-term focus.

◆ **Charitable activities expenditure**

The largest share of the £237,118 reduction in research expenditure from last year relates to the fall in restricted expenditure to the value of £180,399 which directly reflects the decrease in restricted income, as noted above. The research expenditure also reduced in the year due to the reduction from three grant rounds to two, effectively delaying one grant round. However the Trustees are pleased to have committed an additional £500,000 to research expenditure in the coming year.

Reductions in the areas of education and awareness and patient support reflect efficiencies in operations and therefore lower costs, as noted above, and some element of timing of expenditure.

◆ **Cost of fundraising ratio**

The total amount spent on fundraising as a proportion of total funds raised stood at 37% which reflects a significant reduction on the previous year's figure of almost 48%. Furthermore the total amount spent on raising voluntary and grant income as a proportion of that income was 30%, down from 38% in the previous year. The Trustees are satisfied that these percentages have exceeded targets set for the year.

Financial review (continued)

Results for the year (continued)

◆ ***Kidney Research Enterprises Ltd***

The Charity's trading subsidiary showed a reassuring profit before donation under gift aid of £357,136. This represents an improvement on recent performance and the Trustees continue to believe that the activities of the subsidiary are essential to the future growth of the Charity both for the acquisition of new supporters and volunteers through the lottery, events and retail products and for obtaining donations, which are reflected in the financial statements of the Charity.

Reserves policy and financial position

Reserves policy

The Charity carries out a diverse range of activities, some of which comprise short term and externally funded projects whilst others comprise long term projects requiring significant ongoing financial commitment and investment.

The Trustees, having examined the requirement for general funds not already committed, consider that the level of free reserves should be within the range of 0.75 to 1.0 times annual direct charitable expenditure at any one time. The Trustees are of the opinion that this provides sufficient flexibility to cover any temporary shortfalls in incoming resources, and will allow the Charity to continue in operation whilst specific action plans are considered and implemented.

As a result of the success the Charity has enjoyed in the year, specifically in terms of legacy fundraising, the level of free reserves stands at 2.6 times the direct charitable expenditure for the 2007/8 financial year. Therefore the Trustees have decided to set aside £500,000 of the Charity's free reserves as a designated fund to be added to the budgeted commitments for research grants in the coming year. When considering the extent of this additional commitment, the Trustees have carefully considered the Charity's existing commitments, current state of the economy and related uncertainty in regards to fundraising levels in the future.

Financial position

The balance sheet shows total funds of £7,228,115. Of these funds £6,468,115 are held in unrestricted general funds and £760,000 in designated funds, of which £500,000 relates to additional research funding as noted above.

Any restricted funds have been received in respect of specific projects, the liabilities of which have been accounted for and are represented under the heading of creditors in the balance sheet. Full details of these restricted and designated funds can be found in notes 18 and 19 to the financial statements together with an analysis of movements in the year.

Financial review (continued)

Reserves policy and financial position (continued)

Financial position (continued)

At 31 March 2008, the Charity's free reserves, being the general funds of the Charity excluding amounts represented by tangible fixed assets, amounted to £6,342,133. The Trustees consider that this level of free reserves lies broadly within the Charity's policy set out above and is adequate, given the current economic and fundraising conditions, as discussed earlier.

Future plans

Charitable objectives

◆ **Research**

The Trustees intend to continue to increase the level of funding available for research grant applications bearing in mind overall charity fundraising market conditions, existing commitments and available free reserves.

Restricted research expenditure will continue, but will be focussed on 'Nationally Important and Influential' research that cannot be accommodated within the confines of our unrestricted activity and funding. However the funding must cover both the project and our internal acquisition and running costs.

In the 2008/9 financial year the Charity is undertaking a significant clinical study focussed on the early evaluation of Chronic Kidney Disease (CKD). The Trustees and Executive members believe that this study will help inform the health policy for the planned introduction of vascular risk assessment in 2009. The Charity is working closely with the Department of Health and other leading charities on this important initiative.

◆ **Awareness, education and patient support**

We will focus our advocacy activity on research-related areas, looking to support other patient and advocacy organisations' non-research related initiatives in a partnership concept.

We intend to increase patient grants in the coming year to £90,000 and have planned to increase this commitment over subsequent years.

Kidney Health Information support by telephone, web and publications will be increased in line with patient demands and planned activity.

Future plans (continued)

Fundraising

We will continue to develop relationship driven income for unrestricted use by increasing our current level of existing supporters through methods including investment in direct marketing.

Through relationship marketing to supporters and the development of our 'Supporter Journey Model' the organisation will continue to focus on the concept of maximising the lifetime value of engaged individuals.

Legacy income remains the largest single income source and the Charity is investing in the area of legacy marketing in the future as part of our expansion of direct marketing.

Major donor and corporate adoption activities are areas that the Charity believes are important to our potential to grow income and we are in the process of developing plans to address these opportunities in the 2008/09 fiscal year.

Operational efficiency continues to be a focus although, as there are fewer areas where we could show material effect, the main focus will be to ensure we have profitable product offerings and our administration overheads are kept in control.

The Charity's assets

Acquisitions and disposals of fixed assets during the year are recorded in the notes to the financial statements.

Auditors

The auditors, Buzzacott LLP, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

Approved by the Trustees on 29 September 2008 and signed on their behalf by:

Prof Neil Turner PhD FRCP

Chairman

Report of the independent auditors to the members of Kidney Research UK

We have audited the financial statements on pages 22 to 42 which have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and the accounting policies set out on pages 27 to 29.

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

Respective responsibilities of Trustees and independent auditors

As described on pages 7 and 8 the Trustees, who are also the directors of Kidney Research UK for the purposes of company law, are responsible for the preparation of the Trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

In addition, we report to you if, in our opinion the Charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Trustees' remuneration and transactions with the Charity is not disclosed.

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

Basis of opinion

We conducted our audit in accordance with 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 judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charity's circumstances, consistently applied and adequately disclosed.

Basis of opinion (continued)

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

Opinion

In our opinion the financial statements:

- ◆ give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Charity, and the Charity and its subsidiary, as at 31 March 2008 and of their incoming resources and application of resources, including their income and expenditure, in the year then ended;
- ◆ have been properly prepared in accordance with the Companies Act 1985; and
- ◆ the information given in the Trustees' Report is consistent with the financial statements.

Buzzacott LLP
Chartered Accountants and Registered Auditors
12 New Fetter Lane
London
EC4A 1AG

15 October 2008

Consolidated statement of financial activities Year to 31 March 2008

	Notes	Unrestricted funds £	Restricted funds £	2008 Total funds £	2007 Total funds £
Income and expenditure					
Incoming resources					
Incoming resources from generated funds					
. Voluntary income	1	6,740,795	—	6,740,795	5,073,431
. Activities for generating funds	2	1,498,792	—	1,498,792	1,253,462
. Investment income	3	365,981	—	365,981	302,821
Incoming resources from charitable activities	4	176,132	889,870	1,066,002	1,260,893
Total incoming resources		8,781,700	889,870	9,671,570	7,890,607
Resources expended					
5					
Costs of generating funds					
. Costs of generating voluntary income		2,410,170	—	2,410,170	2,445,993
. Fundraising trading: cost of goods sold and other costs		1,144,399	—	1,144,399	1,272,495
. Investment management costs		61,685	—	61,685	33,410
		3,616,254	—	3,616,254	3,751,898
Charitable activities					
. Research		1,357,386	889,870	2,247,256	2,571,477
. Education and awareness		314,927	—	314,927	402,756
. Patient welfare		99,306	—	99,306	119,034
Governance costs		84,546	—	84,546	108,732
Total resources expended		5,472,419	889,870	6,362,289	6,953,897
Net incoming resources for the year		3,309,281	—	3,309,281	936,710
Net realised investment (losses) gains	13	(141,061)	—	(141,061)	42,077
Statement of total recognised gains and losses					
Net income		3,168,220	—	3,168,220	978,787
Net unrealised investment (losses) gains	13	(322,285)	—	(322,285)	159,426
Net movement in funds		2,845,935	—	2,845,935	1,138,213
Fund balances brought forward at 1 April 2007		4,382,180	—	4,382,180	3,243,967
Fund balances carried forward at 31 March 2008		7,228,115	—	7,228,115	4,382,180

Consolidated statement of financial activities Year to 31 March 2008

	2008	2007
	£	£
Historical cost net movement in funds		
Net movement in funds (page 22)	2,845,935	1,138,213
Unrealised losses (gains) on investments	322,285	(159,426)
Difference between historical cost realised gains and the actual realised gains (losses) calculated on the revalued amounts	731,725	578,859
Historical cost net movement in funds	3,899,945	1,557,646

All of the Charity's activities were derived from continuing operations during the above two financial periods.

Balance sheets 31 March 2008

	Notes	Group		Charity	
		2008 £	2007 £	2008 £	2007 £
Fixed assets					
Tangible assets	12	125,982	136,451	58,001	47,310
Investments	13	7,727,375	6,257,548	7,877,375	6,407,548
		7,853,357	6,393,999	7,935,376	6,454,858
Current assets					
Stocks	14	83,572	113,372	—	—
Debtors	15	2,766,162	2,199,166	2,688,438	2,109,057
Investments	13	1,156,000	1,435,000	1,156,000	1,435,000
Cash at bank and in hand		949,560	473,463	735,568	440,691
		4,955,294	4,221,001	4,580,006	3,984,748
Creditors: amounts falling due within one year	16	(4,025,538)	(4,244,415)	(3,915,190)	(4,094,705)
Net current assets (liabilities)		929,756	(23,414)	664,816	(109,957)
Total assets less current liabilities		8,783,113	6,370,585	8,600,192	6,344,901
Creditors: amounts falling due after one year	17	(1,554,998)	(1,988,405)	(1,554,998)	(1,988,405)
Net assets		7,228,115	4,382,180	7,045,194	4,356,496
Represented by:					
Funds and reserves					
Income funds:					
Restricted funds	18	—	—	—	—
Unrestricted funds					
. Designated funds	19	760,000	—	760,000	—
. General funds		6,468,115	4,382,180	6,285,194	4,356,496
		7,228,115	4,382,180	7,045,194	4,356,496

Approved by the Trustees on 29 September 2008
and signed on their behalf by:

Prof Neil Turner PhD FRCP

Chairman

Consolidated cash flow statement Year to 31 March 2008

	Notes	2008 £	2007 £
Cash inflow (outflow) from operating activities	A	1,896,988	(478,281)
Return on investments	B	365,981	300,946
Capital expenditure and financing investments	B	(752,879)	523,686
Increase in cash	C	1,510,090	346,351

Notes to the cash flow statement for the year to 31 March 2008

A Adjustment of net incoming resources to net cash inflow (outflow) from operating activities

	2008 £	2007 £
Net incoming resources for the year	3,309,281	936,710
Depreciation charge	62,524	91,491
Loss on disposal of tangible fixed assets	—	4,251
Interest receivable	(116,199)	(71,804)
Dividends receivable	(249,782)	(229,142)
Decrease (increase) stocks	29,800	(17,981)
Increase in debtors	(566,996)	(1,307,321)
(Decrease) increase in creditors	(571,640)	115,515
Net cash inflow (outflow) from operating activities	1,896,988	(478,281)

Consolidated cash flow statement Year to 31 March 2008

B Gross cash flows

	2008 £	2007 £
Returns on investments and servicing of finance		
Interest received	116,199	71,804
Investment income received	249,782	229,142
	365,981	300,946
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(52,055)	(29,374)
Payments to acquire listed investments	(7,896,716)	(2,375,660)
Receipts from disposals of listed investments	7,195,892	2,928,720
	(752,879)	523,686

C Analysis of changes in net funds

	At 1 April 2007 £	Cash flows £	At 31 March 2008 £
Cash at bank and in hand	473,463	476,097	949,560
Cash held by investment managers	378,883	953,349	1,332,232
Bank overdraft	(80,644)	80,644	—
	771,702	1,510,090	2,281,792

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and in accordance with the requirements of the Companies Act 1985. Applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) have been followed in these financial statements.

Basis of consolidation

These financial statements consolidate the results of the Charity and its wholly owned subsidiary, Kidney Research Enterprises Limited, on a line by line basis. A separate statement of financial activities and income and expenditure account are not presented by the Charity itself following the exemption afforded by section 230 of the Companies Act 1985 and the note in paragraph 397 of SORP 2005.

Incoming resources

Incoming resources are recognised in the period in which the Charity is entitled to receipt and the amount can be measured with reasonable certainty. Income is deferred only when the Charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Grants from government and other agencies have been included as income from charitable activities where these amount to a contract for services, but as donations where the money is given in response to an appeal or with greater freedom of use, for example monies for core funding.

Grants which are received and subsequently passed directly to a third party recipient are recognised as income in full at the point at which the Charity is notified that it is to receive the funding. At this point, the liability for the amount which will be paid to the third party recipient is also recognised.

Legacies are included in the statement of financial activities when the Charity is advised that payment will be made or property transferred and the amount involved can be quantified.

Resources expended and the basis of apportioning costs

Expenditure is included in the statement of financial activities when incurred and includes attributable VAT which cannot be recovered.

Resources expended comprise the following:

- a. The costs of generating funds include the salaries, direct costs and overheads associated with generating donated income, the costs associated with fundraising trading activity, the costs relating to the management of the Charity's listed investments.

Resources expended and the basis of apportioning costs (continued)

b. The costs of charitable activities comprise expenditure on the Charity's primary charitable purposes as described in the Trustees' report. Such costs include:

- ◆ Research
- ◆ Education and awareness
- ◆ Patient welfare

Grants payable by the Charity are included in the statement of financial activities when approved and when the intended recipient has either received the funds or been informed of the decision to make the grant and has satisfied all related conditions. Grants approved but not paid at the end of the financial year are accrued for. Grants where the beneficiary has not been informed or has to meet certain conditions before the grant is released are not accrued for but are noted as financial commitments in the notes to the financial statements.

Non-grant expenditure of the Charity's cost centres is allocated to activities on the basis of the staff time spent on each activity.

c. Governance costs include those costs incurred in the governance of the Charity and its assets and are primarily associated with constitutional and statutory requirements.

Tangible fixed assets

All assets costing more than £500 and with an expected useful life exceeding one year are capitalised.

Tangible fixed assets are capitalised and depreciated at the following annual rates in order to write them off over their estimated useful lives:

- | | |
|------------------------------------|-------------------------------|
| ◆ Leasehold property | Over the life of the lease |
| ◆ Computer and similar equipment | 33.3% per annum based on cost |
| ◆ Fixtures, fittings and equipment | 15% per annum based on cost |

Investments

Listed investments are included in the financial statements at their market value as at the balance sheet date. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

Stocks

Stocks for resale are valued at the lower of cost and net realisable value.

Fund accounting

Restricted funds comprise monies raised for, or their use restricted to, a specific purpose, or contributions subject to donor imposed conditions.

The designated funds are monies or assets set aside out of general funds and designated for specific purposes by the Trustees.

General funds represent those monies which are freely available for application towards achieving any charitable purpose that falls within the Charity's charitable objects.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged on a straight-line basis over the lease term.

Pension costs

The pension charge represents payments to a defined contribution scheme which are charged to the statement of financial activities in the period to which they relate.

1 Voluntary income

	Unrestricted funds £	Restricted funds £	2008 Total £	2007 Total £
Donations, gifts and appeals	2,680,084	—	2,680,084	2,649,089
Legacies	4,060,711	—	4,060,711	2,424,342
	6,740,795	—	6,740,795	5,073,431

2 Activities for generating funds

The Charity has one wholly owned subsidiary, Kidney Research Enterprises Limited, which is incorporated in England and Wales. The subsidiary's principal activity is to undertake trading and retail activities for the benefit of Kidney Research UK. Kidney Research Enterprises Limited donates its taxable profit, if any, to Kidney Research UK. A summary of the subsidiary's results is shown below. Audited financial statements will be filed with the Registrar of Companies.

	Total 2008 £	Total 2007 £
Profit and loss account		
Turnover	1,498,7392	1,253,462
Cost of sales	(480,005)	(692,411)
Gross profit	1,018,787	561,051
Other expenses	(664,394)	(578,657)
Other interest receivable and similar income	2,743	1,217
Profit (loss) on ordinary activities before donation under Gift Aid	357,136	(16,389)
Donation under Gift Aid scheme to Kidney Research UK	(200,000)	—
Profit (loss) for the financial year before taxation	157,136	(16,389)
Taxation	—	—
Loss for the financial year	157,136	(16,389)
Accumulated losses at 1 April 2007	(158,715)	(142,326)
Accumulated losses at 31 March 2008	(1,579)	(158,715)

The shareholder's funds of the subsidiary at 31 March 2008 were £332,921 (2007 - £175,785). The Trustees are satisfied that the activities of the subsidiary are essential to the future growth of the Charity both for the acquisition of new supporters and volunteers through the lottery, events and retail products and for obtaining donations, which are reflected in the financial statements of the Charity.

3 Investment income

	Unrestricted funds £	Restricted funds £	2008 Total £	2007 Total £
Rental income	—	—	—	1,875
Income from listed investments	249,782	—	249,782	229,142
Interest receivable	116,199	—	116,199	71,804
	<u>365,981</u>	<u>—</u>	<u>365,981</u>	<u>302,821</u>

4 Incoming resources from charitable activities

	Unrestricted funds £	Restricted funds £	2008 Total funds £	2007 Total funds £
Grants receivable	176,132	889,870	1,066,002	1,260,893

5 Analysis of total resources expended

	Grants and project expenditure £	Allocated costs (note 6) £	2008 Total £	2007 Total £
Cost of generating funds				
Cost of generating voluntary income	—	2,410,170	2,410,170	2,445,993
Fundraising trading: costs of goods sold and other costs	—	1,144,399	1,144,399	1,272,495
Investment management costs	—	61,685	61,685	33,410
	<u>—</u>	<u>3,616,254</u>	<u>3,616,254</u>	<u>3,751,898</u>
Charitable activities				
Research	2,114,140	133,116	2,247,256	2,571,477
Education and awareness	19,405	295,522	314,927	402,756
Patient welfare	67,460	31,846	99,306	119,034
	<u>2,201,005</u>	<u>460,484</u>	<u>2,661,489</u>	<u>3,093,267</u>
Governance costs				
	<u>—</u>	<u>84,546</u>	<u>84,546</u>	<u>108,732</u>
Total	<u>2,201,005</u>	<u>4,161,284</u>	<u>6,362,289</u>	<u>6,953,897</u>

Governance costs for the year ended 31 March 2008 include audit fees of £16,655 (2007 – £15,000).

The decrease in expenditure on research activities year on year includes a £180,399 reduction in restricted expenditure which relates directly to a fall in restricted income. It also reflects the Charity's reduction of grant funding rounds from three a year to two, effectively delaying one grant round in the 2007/8 financial year. The Trustees have designated £500,000 for additional research awards in the 2008/9 financial year (note 19).

6 Allocated costs

The following cost categories have been allocated across the Charity's activities on the basis of staff time spent on each activity.

	CEO/Human resources £	Finance & estates £	Fundraising - individuals £	Corporate fundraising & grants £	Direct marketing, fulfilment & IT £	2008 Total £
Cost of generating funds						
Cost of generating voluntary income	122,543	238,005	1,052,089	307,273	690,260	2,410,170
Fundraising trading: costs of goods sold and other costs	35,383	144,547	592,053	—	372,416	1,144,399
Investment management costs	6,277	55,408	—	—	—	61,685
	<u>164,203</u>	<u>437,960</u>	<u>1,644,142</u>	<u>307,273</u>	<u>1,062,676</u>	3,616,254
Charitable activities						
Research	21,825	61,495	—	47,278	2,518	133,116
Education and awareness	21,824	7,999	199,279	64,752	1,668	295,522
Patient welfare	4,890	8,303	—	18,653	—	31,846
	<u>48,539</u>	<u>77,797</u>	<u>199,279</u>	<u>130,683</u>	<u>4,186</u>	460,484
Governance costs	<u>44,888</u>	<u>32,623</u>	<u>5,462</u>	<u>1,573</u>	<u>—</u>	84,546
Total	<u>257,630</u>	<u>548,380</u>	<u>1,848,883</u>	<u>439,529</u>	<u>1,066,862</u>	4,161,284

7 Grants payable

The Charity makes grants to both individuals and institutions in accordance with its grant making policy set out in the Trustees' report. A detailed breakdown of grants payable is provided in note 23 to the financial statements.

A reconciliation of the grants payable and grants commitments figures shown in these financial statements is as follows:

	2008 £	2008 £	2007 £	2007 £
Grant commitments at 1 April 2007		4,716,217		5,470,242
Commitments made in the year	1,562,610		1,614,703	
Adjustments and lapsed grant commitments	(188,859)		(58,888)	
Grants payable (note 23)		1,373,751		1,555,815
Grants paid during the year		(2,222,997)		(2,309,840)
Commitments at 31 March 2008		3,866,971		<u>4,716,217</u>
Commitments at 31 March are payable as follows:				
Within one year		2,311,973		2,727,812
After more than one year		1,554,998		1,988,405
		3,866,971		<u>4,716,217</u>

8 Net incoming resources for the year

This is stated after charging:

	Unrestricted funds £	Restricted funds £	2008 Total funds £	2007 Total funds £
Staff costs (note 9)	2,178,398	—	2,178,398	2,178,843
Auditors' remuneration				
. Statutory audit services	16,655	—	16,655	15,000
. Non-statutory audit services	1,650	—	1,650	1,500
. Other services	4,502	—	4,502	600
Depreciation	62,524	—	62,524	91,491

9 Employment costs

Employment costs during the year were as follows:

	2008 £	2007 £
Wages and salaries	1,927,154	1,928,144
Social security costs	168,511	164,407
Other pension costs	82,733	86,292
	2,178,398	2,178,843

The average number of employees (on a full-time equivalent basis) during the year, analysed by function, was as follows:

	2008 Number	2007 Number
Generation of funds	83	85
Charitable activities		
. Research	3	4
. Education and awareness	7	7
. Patient welfare	1	2
Governance	1	1
	95	99

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2008 Number	2007 Number
£80,001 - £90,000	1	1

10 Trustees' remuneration

None of the Trustees received remuneration in respect of their services during the year (2007 - £nil).

During the year out of pocket travelling expenses amounting to £3,059 (2007 - £4,449) were reimbursed to 9 (2007 - 10) Trustees.

11 Taxation

Kidney Research UK is a registered charity and therefore is not liable to income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

The subsidiary, Kidney Research Enterprises Limited, donates its taxable profits, if any, to Kidney Research UK each year.

12 Tangible fixed assets

Group	Leasehold land and buildings £	Computer software & equipment £	Fixtures, fittings & equipment £	Total £
Cost				
At 1 April 2007	91,426	237,845	448,960	778,231
Additions	—	52,055	—	52,055
At 31 March 2008	91,426	289,900	448,960	830,286
Depreciation				
At 1 April 2007	49,870	198,595	393,315	641,780
Charge for year	6,309	31,430	24,785	62,524
At 31 March 2008	56,179	230,025	418,100	704,304
Net book values				
At 31 March 2008	35,247	59,875	30,860	125,982
At 31 March 2007	41,556	39,250	55,645	136,451

12 Tangible fixed assets (continued)

Charity	Computer software & equipment £	Fixtures, fittings & equipment £	Total £
Cost			
At 1 April 2007	178,429	235,348	413,777
Additions	35,706	—	35,706
At 31 March 2008	<u>214,135</u>	<u>235,348</u>	449,483
Depreciation			
At 1 April 2007	154,185	212,282	366,467
Charge for year	17,686	7,329	25,015
At 31 March 2008	<u>171,871</u>	<u>219,611</u>	391,482
Net book values			
At 31 March 2008	<u>42,264</u>	<u>15,737</u>	<u>58,001</u>
At 31 March 2007	<u>24,244</u>	<u>23,066</u>	<u>47,310</u>

13 Investments

Group	2008 £	2007 £
Listed investments		
Market value of listed investments at 31 March 2007	7,313,665	7,665,222
Additions at cost	7,896,716	2,375,660
Disposals at book value (proceeds: £7,195,892; realised loss: £141,061)	(7,336,953)	(2,886,643)
Net unrealised investment (losses) gains	(322,285)	159,426
Market value of listed investments at 31 March 2008	<u>7,551,143</u>	<u>7,313,665</u>
Cash held by investment managers for re-investment	1,332,232	378,883
	<u>8,883,375</u>	<u>7,692,548</u>
Cost of listed investments at 31 March 2008	<u>7,183,687</u>	<u>5,892,199</u>
Allocated as follows:		
	2008 £	2007 £
Fixed asset investments	7,727,375	6,257,548
Current asset investments	1,156,000	1,435,000
	<u>8,883,375</u>	<u>7,692,548</u>

13 Investments (continued)

Charity	Shares in subsidiary undertaking £	Listed investments £	Total 2008 £	Total 2007 £
Market value at 31 March 2007	150,000	7,313,665	7,463,665	7,815,222
Additions at cost	—	7,896,716	7,896,716	2,375,660
Disposals at book value (proceeds: £7,195,892; loss: £141,061)	—	(7,336,953)	(7,336,953)	(2,886,643)
Net unrealised investment (losses) gains	—	(322,285)	(322,285)	159,426
Market value at 31 March 2008	150,000	7,551,143	7,701,143	7,463,665
Cash held by investment managers for re-investment	—	1,332,232	1,332,232	378,883
	150,000	8,883,375	9,033,375	7,842,548
Cost of investments at 31 March 2008	334,500	7,183,687	7,518,187	6,226,699

Allocated as follows:

	2008 £	2007 £
Fixed asset investments	7,877,375	6,407,548
Current asset investments	1,156,000	1,435,000
	9,033,375	7,842,548

Listed investments

All listed investments were dealt on a recognised stock exchange. Listed investments held at 31 March 2008 comprised the following:

Group and Charity	2008 £
UK equities	2,796,491
Overseas equities	1,457,705
UK corporate bonds	718,261
UK treasury stock	476,601
UK property funds	141,622
UK unit trusts	210,472
Overseas bonds	45,103
Cash based investment funds	500,000
Fixed interest deposits	1,204,888
	7,551,143

At 31 March 2008 no individual investment holdings had a market value in excess of 5% of the market value of the entire listed portfolio as at that date (2007 – none).

Shares in subsidiary undertaking

At 31 March 2008 Kidney Research UK owned the entire called up ordinary share capital of 334,500 ordinary £1 shares in Kidney Research Enterprises Limited (note 2). At 31 March 2008, the aggregate of the share capital and reserves of Kidney Research Enterprises Limited amounted to £332,921 (2007 – £175,785).

Notes to the financial statements 31 March 2008

14 Stocks

Group	2008 £	2007 £
Merchandise for resale	83,572	113,372

At 31 March 2008, the Charity did not hold any merchandise (2007 - £nil).

15 Debtors

Group	2008 £	2007 £
Taxation recoverable	46,122	41,097
Legacies receivable	1,536,712	1,080,961
Trade debtors	65,248	—
Other debtors	1,003,004	965,153
Prepayments and accrued income	115,076	111,955
	2,766,162	2,199,166

Charity	2008 £	2007 £
Taxation recoverable	36,875	41,097
Legacies receivable	1,536,712	1,080,961
Trade debtors	56,193	—
Other debtors	996,215	915,045
Prepayments and accrued income	62,443	71,954
	2,688,438	2,109,057

16 Creditors: amounts falling due within one year

Group	2008 £	2007 £
Bank overdraft	—	80,644
Expense creditors	162,378	271,359
Social security and other taxation	47,883	47,736
Grants payable	2,311,973	2,727,812
Other creditors	1,069,461	770,410
Accruals and deferred income	433,843	346,454
	4,025,538	4,244,415

Charity	2008 £	2007 £
Expense creditors	80,053	185,970
Amounts owed to subsidiary undertaking (note 2)	875	60,382
Social security and other taxation	32,925	33,298
Grants payable	2,311,973	2,727,812
Other creditors	1,067,296	779,405
Accruals and deferred income	422,068	307,838
	3,915,190	4,094,705

17 Creditors: amounts falling due after more than one year

Group and Charity	2008 £	2007 £
Grants payable	1,554,998	1,988,405

18 Restricted funds

The income funds of the Charity include restricted funds comprising the following unexpended balances of donations and grants held on trusts to be applied for specific purposes:

	At 1 April 2007 £	Incoming resources £	Expenditure & grants committed £	At 31 March 2008 £
ABLE				
. Department of Health	–	3,400	(3,400)	–
. Epigoni Trust	–	8,100	(8,100)	–
. Sanofi Aventis	–	2,500	(2,500)	–
QI CKD				
. Health Foundation	–	642,000	(642,000)	–
Fellowships				
. Edith Murphy Foundation	–	9,558	(9,558)	–
. Rosetree Trust	–	20,000	(20,000)	–
. Catherine Cookson Charitable Trust	–	50,000	(50,000)	–
Joint fellowships				
. British Renal Society	–	25,011	(25,011)	–
Kidney Early Evaluation Programme				
. Amgen	–	12,857	(12,857)	–
. Amgen	–	6,797	(6,797)	–
. Roche	–	93,095	(93,095)	–
Kidney Health Information				
. Department of Health	–	10,075	(10,075)	–
Experimental medicine – REN-2 Study				
. Bayer Schering Pharma	–	3,128	(3,128)	–
Miscellaneous	–	3,349	(3,349)	–
	–	889,870	889,870	–

19 Designated funds

	At 1 April 2007 £	New designations £	Utilised in year £	At 31 March 2008 £
Research Fund	–	500,000	–	500,000
Property Fund	–	260,000	–	260,000
	–	760,000	–	760,000

The Research Fund represents monies which have been set aside by the Trustees for additional research project commitments in the 2008/09 financial year.

The Property Fund represents monies set aside by the Trustees to meet the costs of future dilapidations and premises move.

20 Analysis of net assets between funds

Group	Unrestricted funds £	Restricted funds £	Total 2008 £
Fund balances at 31 March 2008 are represented by:			
Tangible fixed assets	125,982	—	125,982
Fixed asset investments	7,727,375	—	7,727,375
Current assets	4,053,256	902,038	4,955,294
Creditors: amounts falling due within one year	(3,612,388)	(413,150)	(4,025,538)
Creditors: amounts falling after one year	(1,066,110)	(488,888)	(1,554,998)
Total net assets	7,228,115	—	7,228,115
Total unrealised gains included above:			
On investment assets	367,456	—	367,456
Reconciliation of movements in unrealised gains on investment assets			
Unrealised gains at 1 April 2007	1,421,466	—	1,421,466
In respect of disposals	(731,725)	—	(731,725)
Net gains arising on revaluation in year	(322,285)	—	(322,285)
Unrealised gains at 31 March 2008	367,456	—	367,456

20 Analysis of net assets between funds (continued)

Charity	Unrestricted funds £	Restricted funds £	Total 2008 £
Fund balances at 31 March 2008 are represented by:			
Tangible fixed assets	58,001	—	58,001
Fixed asset investments	7,830,374	—	7,830,374
Current assets	3,731,236	902,038	4,633,274
Creditors: amounts falling due within one year	(3,502,040)	(413,150)	(3,915,190)
Creditors: amounts falling after one year	(1,066,110)	(488,888)	(1,554,998)
Total net assets	7,051,461	—	7,051,461
Total unrealised gains included above:			
On investment assets	182,956	—	182,956
Reconciliation of movements in unrealised gains on investment assets			
Unrealised gains at 1 April 2007	1,236,966	—	1,236,966
In respect of disposals	(731,725)	—	(731,725)
Net losses arising on revaluation in year	(322,285)	—	(322,285)
Unrealised gains at 31 March 2008	182,956	—	182,956

21 Operating leases

At 31 March 2008 the Charity had annual commitments under non-cancellable operating leases as follows:

Group	Land and buildings	
	2008 £	2007 £
Operating leases which expire:		
Within two to five years	220,195	200,170
Thereafter	87,750	80,000
	307,945	280,170
<hr/>		
Charity	Land and buildings	
	2008 £	2007 £
Operating leases which expire:		
Within two to five years	118,620	118,620
	118,620	118,620

22 Liability of members

The Charity is constituted as a company limited by guarantee. In the event of the Charity being wound up members are required to contribute an amount not exceeding £1.

23 Grants awarded

	Researcher	Institution	Project title	£	Term
1	Dr N Jones	NDS, Oxford	Visualising T cell interplay rejection and the induction of tolerance to vascularised allografts	202,543	3 years
2	Dr Refik Gokmen	KCL	Defining the transcriptional mechanisms of control of T cell regulatory and effector function in renal transplantation	175,545	3 years
3	Dr Andrew Hall	UCL	The role of mitochondria in the renal Fanconi Syndrome	108,003	2 years
4	Dr Georgina Carr	Newcastle	Disruption of exocytosis/endocytosis in the distal nephron and the hypercalciuria/nephrocalcinosis of Dents Disease	122,911	3 years
5	Dr Ishita Dasgupta	Bristol	Angiogenic factors in the pathogenesis of diabetic microalbuminuria	60,758	1 year
6	Dr Moin Saleem	Bristol	Identifying the causes and cellular effects of Focal Segmental Glomerulosclerosis	52,589	3 years
7	Dr June Fabian	Southmead Hospital, Bristol	N/A	5,613	6 months
8	Prof Edwina Brown	Imperial, London	Peritoneal Dialysis for the Older People Study:	180,000	3 years
9	Mr Joseph Chilcot	Lister Hospital	Depression and Perception of illness among the dialysis population: a longitudinal investigation	49,460	2 years
10	Dr Craig Smith	Manchester	Functional Proteomics of urea transporter activity	98,711	2 years
11	Dr Stan White	Leeds	Establishing a Zebrafish model of Lowe Syndrome	27,587	1.5 years
12	Dr Edmund Lamb	Kent & Cant	Applicability of the MDRD equation for the estimation of GFR in older people	30,689	
13	Prof John Kirby	Newcastle	Kidney allograft failure: implications of the balance between IL-17 and TFGbeta producing intratubular T cells	99,307	2 years
14	Dr Albert Ong	Sheffield	Targeting cell proliferation as a therapeutic strategy in ADPKD	99,928	2.3 years
15	Dr Kevin Marchbank	Newcastle	Novel therapies for complement mediated renal disease	30,000	2 years
*16	Prof Caroline Savage	Birmingham	The role of neutrophil serine proteases in rapidly progressive glomerulonephritis	28,750	3 years
	Carried forward			1,372,394	

23 Grants awarded (continued)

	Researcher	Institution	Project title	£	Term
	Brought forward			1,375,394	
*17	Dr Alan Bevington	Leicester	The effect of acidosis correction and exercise in tissue wasting and immune function in renal patients	29,260	2 years
*18	Prof Keith Wheatley	Birmingham	ASTRAL - Angioplasty and Stent for Renal Artery Lesion	24,732	1 year
19	Ms Jackie Buck	Leicester General Hospital	BERRT Study	9,558	3 months
20	Dr Adelina Mihaescu	ISN	N/A	6,666	6 months
21	Dr A Rees	Aberdeen	GN DNA Bank	120,000	
				1,562,610	
	Adjustment and lapsed grants			(188,859)	
	Grants payable (note 7)			1,373,751	

* Denotes grant made to a Trustee or an institution with which they are related.