

**Kidney Research UK**

**Annual Report and Financial  
Statements**

31 March 2007

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

Charity Registration Number  
252892

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## Reference and administrative details

<b>Trustees</b>	Prof G F Badley BA PGCE Adv Dp Ed MEd PhD Mr J H Bartlett Mrs D M Blass Prof J A Bradley MBChB PhD FRCS Mr R M Caldecott Revd Dr J Craig Peck MBBS MRCPG DATS Prof A M Davison RD MD FRCP Mr A M Gaulter Prof M Nicholson MD FRCS Prof C O S Savage PhD FRCP FMedSci Prof A N Turner PhD FRCP
<b>Company secretary</b>	Ms A M McCarthy
<b>Chief Executive</b>	Mr C L Kernahan
<b>Registered office</b>	Kings Chambers Priestgate Peterborough PE1 1FG
Telephone	0845 070 7601
Website	<a href="http://www.kidneyresearchuk.org">www.kidneyresearchuk.org</a>
<b>Company registration number</b>	905693 (England and Wales)
<b>Charity registration number</b>	252892
<b>Auditors</b>	Buzzacott 12 New Fetter Lane London EC4A 1AG
<b>Bankers</b>	HSBC Bank plc 79 Piccadilly London W1J 8EU
<b>Investment advisers</b>	Newton Investment Management 71 Queen Victoria Street London EC4V 4DR

## **Chairman's statement**

### **WELCOME: a year of progress helping us to fund more research to save lives**

#### **From the Chairman, Professor Neil Turner**

On behalf of the charity I would like to extend our sincere gratitude to Professor Charles Pusey for his excellent stewardship, endless enthusiasm and commitment during his six years as Trustee and latterly Chairman.

As the new Chair, I am delighted to present this review which illustrates our commitment to bringing the UK's leading kidney experts together to undertake the highest quality research into saving lives. This report covers a wide range of achievements and highlights the successful development of a number of new initiatives.

Our principal goals remain promoting and delivering high quality research across the UK, working increasingly in partnership across a wide range of activities. We continue the provision of support for patients; raising awareness and understanding of kidney disease; and effectively influencing the policy development of kidney healthcare at all levels.

We continued to invest in the career and professional development of scientists, clinicians and nurses, as well as remained focussed on supporting 'innovation' projects that stimulate the development of new approaches to solving the challenges of kidney disease. However, achieving scientific progress has a high cost and we need to continue to work together to meet this demand.

I look forward to working with you in the future – your support is vital and every penny donated helps us to make a real difference to saving lives. Your support makes a huge difference.

Professor Neil Turner, Chair

## **Chief Executive's report**

### **From the Chief Executive, Charles Lloyd Kernahan**

The 2006/7 financial year demonstrated our increasing level of professionalism and operational effectiveness, as we continued to take full advantage of our strategy review and re-branding. There are always challenges in achieving our ambitious goals, but the ever apparent 'can do' attitude of our staff, volunteers and supporters is a major contribution towards the development of new and better ways of tackling kidney disease.

With kidney disease on the increase, I'm particularly pleased to report that we have led on initiatives in early kidney disease identification and prevention and this has been achieved alongside a continued involvement in important research activity focussing on dialysis care and transplantation.

Working in partnership is a key priority for Kidney Research UK and we have worked with a wide range of organisations on a number of initiatives including World Kidney Day 2007 and the introduction of two major research projects that aim to tackle chronic kidney disease in the community.

Our growing number of supporters, continue to show boundless enthusiasm and commitment and we never cease to be amazed by their willingness to take up the challenge.

I would like to take this opportunity to add my sincere thanks to Professor Charles Pusey for all his support for our work and now very much look forward to working with our new Chair, Professor Neil Turner to help us to continue to increase the good work that the charity provides to the renal community and the public as a whole.

I am proud to see Kidney Research UK remain at the forefront of new developments and extend my personal thanks once again to everyone for going the extra mile - your help really matters.

Charles Lloyd Kernahan, Chief Executive

## **Trustees' report** Year to 31 March 2007

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 2007.

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

The financial statements have been prepared in accordance with the accounting policies set out on pages 28 to 30 of the attached financial statements and comply with the charitable company'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 objectives of Kidney Research UK are:

- ◆ 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;
- ◆ Supporting patients with kidney disease.

The Trustees have directed that at least 75% of direct charitable expenditure is represented by research with the combined objectives of awareness and education and patient support representing the remaining 25%. During the 2006/7 financial year the percentage of direct charitable expenditure attributed to research was 83%.

The charity's vision and mission statements 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.

#### ***Principal activities***

The charity undertakes the following activities in order to achieve these objectives:

- ◆ *Research*

Over three million lives in the UK are threatened by chronic kidney disease. Young, old, male, female, it can strike at any moment. That's why Kidney Research UK is dedicated to improving the understanding of kidney disease, its causes, treatment and management, through funding research.

**Objectives and activities** (continued)

**Principal activities** (continued)

◆ *Research (continued)*

The charity funds rounds of research project applications and career development applications from researchers each year. The applications are peer reviewed by the Research Grants Committee, who make 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.

◆ *Educational and awareness activities*

The charity undertakes activities to inform patients, the general public and healthcare professionals about all aspects of kidney disease.

◆ *Patient support*

Patient support by the charity includes the provision of individual patient welfare grants. Applications are reviewed by the Patients' Grants Committee, which makes recommendations to the Trustees for kidney patients who require specific support. The charity also provides a kidney health information helpline, a website and literature to inform individuals about specific aspects of 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.

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. Overseen by the Research Grants Committee, the application process and the system of application peer review by UK and international independent referees ensures that supporters' money is spent on science of the highest quality. The charity endorses the AMRC position that animals should only be used for research if it is essential and there is no alternative.

**Objectives and activities** (continued)

***Grant making policy*** (continued)

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 calls, 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 the various markets. This policy is reviewed regularly by the Finance and Risk Committee. After the year under review, it was considered appropriate to require a yield from the investment portfolio of 4%. The portfolio has been adjusted accordingly. 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 charitable company 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 four years and may be elected to serve a further term. The following Trustees were in office at 31 March 2007 and served throughout the year except where indicated.

<b>Trustees</b>	<b>Appointed/resigned</b>
Prof G F Badley BA PGCE Adv Dp Ed MEd PhD	
Mr J H Bartlett	Appointed 21 June 2006
Mrs D M Blass	
Prof J A Bradley MBChB PhD FRCS	
Mr R M Caldecott	
Prof J S Cameron CBE MD BSc FRCP	Resigned 13 September 2006
Revd Dr J Craig Peck MBBS MRCGP DATS	
Prof A M Davison RD MD FRCP	
Mr A M Gaulter	Appointed 21 June 2006
Prof M Nicholson MD FRCS	
Prof C D Pusey DSc FRCP FRCPATH FMedSci	Resigned 12 June 2007
Prof C O S Savage PhD FRCP FMedSci	
Prof A N Turner PhD FRCP	

Trustees appoint a Chairperson of the Board of Trustees, Chairperson of the Finance and Risk Committee, Chairperson of the 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. Under an agreement with the Renal Association, the elected Clinical Vice President is automatically recommended as the Senior Medical Advisor for the charity, for ratification by the Board of Trustees

In June 2007 the Board of Trustees saw a change in Chair from Professor Charles Pusey to Professor Neil Turner, an existing Trustee. The Trustees and staff of Kidney Research UK would like to welcome Professor Turner to the Chair and would also like to extend thanks to Professor Pusey for his dedicated stewardship of the charity over six years. His continuing involvement with the charity is warmly welcomed.

**Structure, governance and management** (continued)

**Trustees** (continued)

No Trustee received any remuneration for services as a Trustee (2006 - £nil) but a total of £4,449 (2006 - £6,280) was reimbursed to 10 Trustees (2006 - 6) for travelling expenses. No Trustee had any beneficial interest in any contract with the charity or its subsidiary company during the year.

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's Trustees come from various areas with an interest in the charity's work as well as from the business community. The charity uses a variety of recruitment processes to maintain this balance of skills and expertise at Trustee level.

**Induction and training**

New Trustees are given a pre-planned induction to the organisation, and to their role, by the other Trustees and the senior managers. This involves formal meetings and a programme of induction to the range of activities undertaken by the charity. 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 charitable company 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 charitable company, and the charitable company 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 charitable company 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***

Five principal advisory committees assist the Trustees in setting strategy for the charity and in ensuring that the strategy is being implemented. The Chairpersons of the advisory committees report to the Trustees on the committees' findings and decisions.

The committees are made up of experts and lay advisors, as appropriate, who offer their services on a voluntary basis to the charity.

The roles of the committees are as follows:

- ◆ The Research Grants Committee recommends to the Trustees grant applications for funding, based on the quality of science. Except in exceptional circumstances when specific expertise is required, the Chairperson and participating members of this Committee are neither Trustees nor members; however a Trustee will normally attend committee meetings as an observer. In the event that a grant application is received from the institution that employs a member of the committee, this member will exclude themselves from any discussion or decision relating to that application.
- ◆ 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.

**Structure, governance and management** (continued)

**Organisational structure** (continued)

- ◆ The charity has two Lay Advisory Committees, one for England and Wales and one for Scotland. These Lay Advisory Committees advise the Trustees on issues affecting patients with kidney disease specific to health issues within their geographical areas. Each Committee comprises one Trustee and approximately 6 to 10 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 organisation as well as monitoring the charity's financial performance against an approved annual budget and three-year Business Plan. The members of this Committee comprise Trustees and two Executive members, 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 Research Strategy Committee advises the Trustees on 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, the Chairperson of the charity, two other Trustees including one as Chairperson, the Chief Executive and Grants Manager. Other executives are invited to attend on a needs basis. The Executive members are not eligible to be appointed as Chairperson of the committee.

Authority to conduct the day-to-day operations of the charity is delegated by the Trustees to the Chief Executive, Mr Charles Lloyd Kernahan.

The Chief Executive is responsible for the implementation of policy and strategy, and is assisted in this by a senior management team consisting of:

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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

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**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 roles in governance, advisory, fundraising and administrative capacities. The largest group of around 12,000 volunteers undertake our annual house-to-house collections across the UK and a further 300 are regular volunteers who work in our shops and undertake fundraising in the Community. The contribution of our volunteers is essential to the future of the charity and we are working not only to recruit more volunteers, but also to improve our recognition of volunteer support, through new developments such as the 'Volunteer of the Year' award.

***Employees***

The charity offers employees the opportunity to work in an inclusive and empowering environment which can react quickly to opportunities and the changing external environment. Kidney Research UK strongly believes in investing in its people and promotes the following initiatives:

- ◆ Development on a professional and personal level is encouraged and supported by the provision of training where appropriate;
- ◆ The employee-elected staff council meets with senior management on a regular basis to discuss any areas of concern and is consulted to assist with the future development of the organisation;
- ◆ Employees are kept well informed of the objectives and activities of the charity through regular meetings, the Charity Update newsletter and a staff conference, which is held bi-annually;
- ◆ The annual "Employee of the Year" award recognises outstanding contribution. The shortlist of candidates for the award is selected by the employees and a committee comprising the Chairperson, Chief Executive and Employee representatives from previous winners adjudicate on the winner.

***Risk management***

The Trustees have assessed 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. A programme of review by the Trustees and senior management has been established under the responsibility of the Finance and Risk Committee.

## **Achievements and performance**

### ***Review of the year***

#### ◆ *Research*

This year the charity committed over £ 1.5 million to research. 12 major research projects and start-up grants totalling £955,864 were given support. This brings current commitments to research projects and start-up grants at the year-end to £4.7m.

In continuing support for developing future talent, two training fellowships, one career development fellowship, and a PhD studentship were awarded totalling £578,754 alongside three joint fellowships in partnership with the International Society of Nephrology and British Renal Society.

Kidney Research UK is involved in all aspects of kidney research, from understanding the underlying biological processes, to prevention, diagnosis, treatment and patient care.

Two examples of research projects which were completed during the year follow:

1. **Dr Tariq Ali at the University of Aberdeen** has tested the newly introduced Acute Dialysis Quality Initiative (ADQI) classification and found it to be helpful in predicting short term but not long term outcomes in acute kidney failure. This novel and wide-ranging approach has further underlined the importance of early treatment of kidney disease. Early diagnosis and treatment may mean that dialysis and transplantation could be avoided and lives saved.
2. **Dr Colin Baigent's** study has demonstrated that the simple effective and cost efficient fingerprick blood form of kidney function testing means may now take place in large-scale studies which will give us a much better picture of the associated health risks of kidney disease. Dr Baigent has also opened up the possibility that non-invasive finger-prick test will become more widely used for accessing kidney function outside of the academic area, possibly even at GP level.

In addition to the classical research projects mentioned above, Kidney Research UK has been involved for some years in research that tackles the awareness and education challenges for communities around the UK trying to understand the threat of Kidney Disease and what they can do to improve their chances of avoiding the disease. ABLE is such a research initiative that has been focussed on Black and Minority Ethnic communities because South Asian and African-Caribbean people are at a much greater risk of developing chronic kidney disease than other ethnic groups. They are also at greater risk of complications from diabetes and high blood pressure than the rest of the population. Kidney Research UK is aiming to help these at risk communities by raising awareness into kidney disease, highlighting the importance of healthy living and funding research into the causes, prevention and treatment of kidney disease among the South Asian and African-Caribbean communities. The charity has called this £1 million initiative, ABLE - A Better Life through Education and Empowerment.

**Achievements and performance** (continued)

**Review of the year** (continued)

◆ *Educational and awareness activities*

In the past year the charity has continued to work to increase the level of awareness of kidney disease. This has been achieved through fundraising events which provide a mechanism for spreading information to the wider public to specific projects which have focussed attention on groups who are at risk.

An example of an area where much work has been done to raise awareness and to promote education is through the charity's central coordination of World Kidney Day for the UK renal community. As part of this initiative the charity supplied every general practice surgery with posters and educational leaflets informing patients about Chronic Kidney Disease and how to tackle lifestyle changes to help prevent the disease.

◆ *Patient support*

In the year, the charity provided support for patients and their carers through 147 patient grants totalling £71,257. The recipients are spread across England, Scotland, Wales and Northern Ireland. Patients were also supported with the service provided by our Kidney Health Information. The initiative was consolidated into a telephone and computer based information and signposting service with emphasis on a significantly redesigned and expanding area of the charity's website, [www.kidneyresearch.org](http://www.kidneyresearch.org), dedicated to patients and their carers. This section of our website provides visitors with a broad range of information which is specific to the needs of patients and carers including specialist information where the charity has a key focus, from a research funding perspective.

**Fundraising activities**

Towards the end of the 2005/6 financial year a detailed analysis of the charity's fundraising activities was carried out. As a result of that review, during 2006/7 the charity's fundraising efforts were realigned to focus on the most profitable fundraising activities. The positive return to reserves of over £1.1m is evidence of the success of this action. The charity continues to monitor the profitability of its fundraising activities on a quarterly basis to ensure that fundraising effort is being expended in the areas that contribute most to our charitable activities of research, awareness and education and patient support.

**Achievements and performance** (continued)

**Fundraising activities** (continued)

During the year, as part of the ongoing review of the charity's fundraising efforts, research was carried out to learn more about our supporters including their preferred methods of supporting the charity and their preferred method of interaction with the charity. This research is a key investment for the future, as the supporter-centred approach to fundraising is essential to ensure a longer term relationship with our supporters and achieve growth in income for the charity. The findings of the research were put into practice in the latter part of the financial year to great success, and future activity of the charity has been planned around those findings.

Through this improved engagement with our supporters, some of our achievements for the year were:

- ◆ Donations as a result of direct marketing reached £1,229,000;
- ◆ Income of over £550,000 was derived from our popular lottery games;
- ◆ Over £700,000 was raised by supporters participating in our events, the most popular of which was the London Bridges Walk which attracted more than 600 participants;
- ◆ An income of £2.4million was received from legacy gifts left in supporters' wills;
- ◆ Support of £1,260,893 was received from corporate, trust and statutory donations of which £1,070,269 were restricted in nature.

In the coming year the charity is committed to:

- ◆ Growing income from the products that our supporters enjoy, in particular the lottery, direct appeals and challenge events;
- ◆ Increasing the reach of our message about the need to support research into kidney disease by both acquiring new supporters and looking after existing ones;
- ◆ Staging large-scale events such as the London Bridges Walk for which the aim is to attract over 1,500 walkers;
- ◆ To continue to develop partnerships with corporate partners and trust funds with a view to increasing the level of unrestricted support received from them.

During the year the charity was one of the first to join the Fundraising Standards Board, an organisation committed to high standards in fundraising.

## **Achievements and performance** (continued)

### ***Investment performance***

During the year the charity's investments continued to perform well achieving an income yield of 5.6% and capital growth of 1.2%. The investment managers continued to invest in accordance with the Trustees' investment policy set out earlier in this report and complying with the ethical guidelines given to them. At the end of the year the charity's portfolio of listed investments comprised 54.7% UK equities, 20.1% overseas equities and 25.2% non-equities.

The Trustees are satisfied with the performance of the investments and remain happy that their investment objectives are being met.

## **Financial review**

### ***Results for the year***

The charity enjoyed a positive movement to reserves of £1.138m for the year. This was achieved by both growth in income and a reduction in expenditure.

In the year the charity enjoyed growth in income of over 3%, reaching £7,890,607. This overall increase was achieved by:

- ◆ An increase in legacy income of £130,000;
- ◆ An increase in corporate donations of £343,030;
- ◆ Coupled with decreases in some of the less profitable areas in the Kidney Research Enterprises trading subsidiary, from which fundraising efforts have now been reassigned, as discussed earlier.

Despite the investment made in supporter research mentioned earlier, the cost of generating funds was reduced by almost £1,000,000 (20.7%). This reflects the actions taken in respect of the realignment of fundraising efforts over the last two fiscal periods referred to earlier in the report under "Fundraising activities". Over £600,000 of this reduction relates to employee costs and commissions paid to self-employed fundraisers who no longer work for the charity, therefore these savings will continue into the future. The total amount spent on fundraising as a proportion of total funds raised stood at 48% which shows a significant reduction on the previous year. Furthermore the total amount spent on raising voluntary income as a proportion of that voluntary income was 38%.

The total direct charitable expenditure (DCE) declined by £647,240 in the year. However the figure for 2005/6 included £500,000 of previous year adjustments, therefore the real decline in DCE on a like for like basis was £147,240 in the year.

**Financial review** (continued)

**Results for the year** (continued)

The reduction reflects a refocusing of our Education and Awareness programme to concentrate efforts on research related awareness activity and a reduction in the focus on more general advocacy activity.

The charity's trading subsidiary showed a loss in the year of £16,389. However 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 accounts of the charity. The Trustees will endeavour to return the subsidiary to profitability in the current financial year.

**Reserves policy and financial position**

**Reserves policy**

As explained above 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 unrestricted funds not already committed, consider that the level of unrestricted 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 due to the timing differences in income flows, and will allow the charity to cope and respond to unforeseen emergencies whilst specific action plans are implemented.

**Financial position**

The balance sheet shows total funds of £4,382,180. All of these funds are unrestricted. 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 funds can be found in note 18 to the financial statements together with an analysis of movements in the year.

The Trustees consider that this level of unrestricted reserves lies broadly within the charity's policy set out above and are adequate, given the current fundraising climate.

## **Future plans**

### ***Charitable objectives***

The charity looks forward to continuing to support its three core charitable activities in the current financial year.

#### ◆ *Research*

Our main charitable objective remains to support the highest quality research into kidney disease and related conditions. Following a consultation with key stakeholders during the year and due to the increasing cost of individual research grants, changes to the current research grant awards policy have been implemented with effect from the end of this fiscal year. This consultation and review was led by the charity's newly appointed chairperson, Professor Neil Turner, while still in his role of chair of the charity's Research Strategy Committee. The outcome of the consultation with the UK renal community results in the following grant award policy:

1. The total amount of project grant and training fellowship grant expenditure of the charity, from unrestricted income, is to remain at current levels of approximately £1.75 million on an annualised basis for the immediate future. This will represent at least 75% of our direct charitable expenditure.
2. The current ceiling for project grant funding available (for full projects) will be increased from £100,000 to £150,000 to reflect the increase in the cost of research in the current economic climate.
3. In order to maximise the efficiency of related administration and the time commitment of the voluntary Research Grants Committee, the number of grant application rounds per year will be reduced from three to two, represented by one project grant award round (previously two) and one training grant award round.

#### ◆ *Awareness, education and patient support*

The next year will see expenditure on these combined areas as not more than 25% of direct charitable expenditure. The focus will continue to be placed on research-related projects awareness and education, whilst providing support for other organisations' non-research related initiatives. We will continue to work with other professional and patient organisations in both education initiatives and lobbying activity. Kidney Research UK remains an active member of the Kidney Alliance which is an umbrella organisation attempting to improve the care of patients with kidney disease in the UK.

The charity has led on a number of initiatives relating to the early identification and treatment of Chronic Kidney Disease (CKD). These initiatives combine innovative research and education, being funded from a combination of restricted funding from key funding bodies like the Health Foundation, the Department of Health and the pharmaceutical industry. We make more detailed reference to these latest initiatives later in this report.

**Future plans** (continued)

**Charitable objectives** (continued)

◆ *Awareness, education and patient support (continued)*

Kidney Health Information remains as an important resource for patients and health care professionals alike and this coming year we will focus on further development of the content of the patient's section of the charity's website.

A further important contribution to the quality of life for kidney patients is our patient support grants scheme that helps support the specific needs of kidney patients experiencing financial difficulties brought about by their condition. Expenditure for this period will be in line with the levels of the current year, subject to demands and available funds.

**Fundraising**

Our supporter-centred approach to fundraising is essential to ensure the long term viability of the charitable activities of Kidney Research UK. This involves developing long term and meaningful relationships with our supporters and ensuring we continue to engage with them in the most appropriate way. This recently revised fundraising model will require investment in direct marketing both to interest new supporters and to maintain the growth in funding levels from those who already recognise the importance of our work. We expect to see the benefits of our revised approach and developing new communication activity in the medium to longer term.

We have also developed and introduced an ongoing programme of reception events which allow us to "bring to life" the work of the charity by offering us the excellent opportunity to thank our current friends and to develop interest in our work from new supporters.

Meanwhile our fundraising efforts will continue to be focussed on the most popular and efficient activities which our supporters have already indicated they enjoy. We anticipate growth in both number of supporters and income in the coming year.

Our direct marketing communication efforts will also be directed towards the longer term goal of securing legacy income, which in conjunction with many other charities has seen an erratic history and in some cases a decline in this income over recent years. We do expect that this focus will result in a more stable and increased income in the long term.

Working in partnership is a key priority for Kidney Research UK and in the corporate, trust and statutory donations area, we will develop the successful collaborations we have built up with a wide range of organisations as well as developing relationships with new partners. We will again work with partner organisations via the Kidney Alliance on World Kidney Day 2008, as a continuation of the initiative which we led in 2007. Also, we are happy to report that since the end of the year we have seen commenced two major research projects that aim to tackle Chronic Kidney Disease in the community. A brief summary of which follows:

**Future plans** (continued)

**Fundraising** (continued)

### **Chronic Kidney Disease Initiatives**

#### **Quality Improvements in Chronic Kidney Disease: A Significant Challenge for Primary Care**

Kidney Research UK, in collaboration with University Hospital Leicester and St George's Hospital Trust, has developed a unique £1.145 million partnership with restricted grant funding support from the **Health Foundation** and **Edith Murphy Foundation**. Two complementary, three-year community research studies, commencing in the early summer of 2007 will take place in eight locations around the UK to test and implement a range of quality improvements for individuals with Chronic Kidney Disease (CKD). One project will specifically focus on those patients who also have diabetes (Diabetic Nephropathy). The overall objective of both of these studies is to identify a quality improvement programme delivering an evidence base for improved treatment of kidney patients while in the care of their GP. This will enhance the overall quality of care, the outcome for the patient in the longer term and drive forward new advances in the treatment of CKD within the community.

#### **Community Outreach Programme**

We are in the process of negotiating with funding organisations to support an initiative to instigate an outreach education and screening programme for patients at high risk of Chronic Kidney Disease. If successful we will start a pilot project in three areas of the UK to establish a protocol that could be used throughout the country. This is another example of a combined education and research project that will have a significant effect on the care of patients with kidney disease.

In summary we anticipate that during the coming year we will consolidate the recent successes of the current year while we continue to invest in the future to secure the long term support for our charitable objects of:

- ◆ 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;
- ◆ Supporting patients with kidney disease.

Demands to support these objects continue to outweigh the funds received and we appeal to all readers of this report to consider that one in ten adults are at risk from Chronic Kidney Disease and we estimate that more than three million people in the UK will have their lives affected by this common disease.

**Future plans** (continued)

**Fundraising** (continued)

We continue in the battle to find ways that can improve the outcome for those with the disease and where possible prevent or at least delay the onset. Your support either voluntary or financial really does make a difference to a large number of people. We commit to using our charitable income from your support in the most effective and efficient way to help achieve our vision of: A world free of kidney disease.

**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, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

Approved by the Trustees and signed on their behalf by:

Prof A N Turner PhD FRCP

Trustee

Approved by the Trustees on: 10 September 2007

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

We have audited the financial statements on pages 23 to 43 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 28 to 30.

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

**Respective responsibilities of Trustees and independent auditors**

As described on pages 8 and 9 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 charitable company 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 charitable company'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 charitable company, and the charitable company and its subsidiary, as at 31 March 2007 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  
Chartered Accountants and Registered Auditors  
12 New Fetter Lane  
London  
EC4A 1AG

10 September 2007

## Consolidated statement of financial activities Year to 31 March 2007

	Notes	Unrestricted funds £	Restricted funds £	2007 Total funds £	2006 Total funds £
<b>Income and expenditure</b>					
<b>Incoming resources</b>					
Incoming resources from generated funds					
. Voluntary income	1	5,073,431	–	<b>5,073,431</b>	3,863,340
. Activities for generating funds	2	1,253,462	–	<b>1,253,462</b>	2,541,540
. Investment income	3	302,821	–	<b>302,821</b>	301,210
Incoming resources from charitable activities	4	190,624	1,070,269	<b>1,260,893</b>	918,863
Other incoming resources		–	–	–	2,332
<b>Total incoming resources</b>		<b>6,820,338</b>	<b>1,070,269</b>	<b>7,890,607</b>	<b>7,627,285</b>
<b>Resources expended</b>					
Costs of generating funds	5				
. Costs of generating voluntary income		2,445,993	–	<b>2,445,993</b>	2,370,890
. Fundraising trading: cost of goods sold and other costs		1,272,495	–	<b>1,272,495</b>	2,322,051
. Investment management costs		33,410	–	<b>33,410</b>	38,239
		<b>3,751,898</b>	–	<b>3,751,898</b>	4,731,180
Charitable activities					
. Research		1,414,208	1,157,269	<b>2,571,477</b>	2,936,225
. Education and awareness		402,756	–	<b>402,756</b>	711,162
. Patient welfare		119,034	–	<b>119,034</b>	93,120
Governance costs		108,732	–	<b>108,732</b>	88,002
<b>Total resources expended</b>		<b>5,796,628</b>	<b>1,157,269</b>	<b>6,953,897</b>	<b>8,559,689</b>
<b>Net incoming (outgoing) resources</b>		<b>1,023,710</b>	<b>(87,000)</b>	<b>936,710</b>	<b>(932,404)</b>
<b>Net realised investment gains</b>	13	<b>42,077</b>	–	<b>42,077</b>	243,447
<b>Statement of total recognised gains and losses</b>					
<b>Net income (expenditure)</b>		<b>1,065,787</b>	<b>(87,000)</b>	<b>978,787</b>	<b>(688,957)</b>
Net unrealised investment gains	13	159,426	–	<b>159,426</b>	1,090,676
<b>Net movement in funds</b>		<b>1,225,213</b>	<b>(87,000)</b>	<b>1,138,213</b>	401,719
<b>Fund balances brought forward at 1 April 2006</b>		<b>3,156,967</b>	<b>87,000</b>	<b>3,243,967</b>	2,842,248
<b>Fund balances carried forward at 31 March 2007</b>		<b>4,382,180</b>	–	<b>4,382,180</b>	3,243,967

## Consolidated statement of financial activities Year to 31 March 2007

	2007 £	2006 £
<b>Historical cost net movement in funds</b>		
Net movement in funds (page 23)	<b>1,138,213</b>	401,719
Unrealised gains on investments	<b>(159,426)</b>	(1,090,676)
Difference between historical cost realised gains and the actual realised gains calculated on the revalued amounts	<b>578,859</b>	222,403
<b>Historical cost net movement in funds</b>	<b>1,557,646</b>	(466,554)

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

**Balance sheets** 31 March 2007

	Notes	Group		Charity	
		2007 £	2006 £	2007 £	2006 £
<b>Fixed assets</b>					
Tangible assets	12	<b>136,451</b>	202,819	<b>47,310</b>	73,679
Investments	13	<b>6,257,548</b>	5,857,533	<b>6,407,548</b>	6,007,533
		<b>6,393,999</b>	6,060,352	<b>6,454,858</b>	6,081,212
<b>Current assets</b>					
Stocks	14	<b>113,372</b>	95,391	–	–
Debtors	15	<b>2,199,166</b>	891,845	<b>2,109,057</b>	817,538
Investments	13	<b>1,435,000</b>	1,976,366	<b>1,435,000</b>	1,976,366
Cash at bank and in hand		<b>473,463</b>	338,654	<b>440,591</b>	300,290
		<b>4,221,001</b>	3,302,256	<b>3,984,748</b>	3,094,194
<b>Creditors:</b> amounts falling due within one year	16	<b>(4,244,415)</b>	(2,937,996)	<b>(4,094,705)</b>	(2,792,969)
<b>Net current (liabilities) assets</b>		<b>(23,414)</b>	365,260	<b>(109,957)</b>	301,225
<b>Total assets less current liabilities</b>		<b>6,370,585</b>	6,424,612	<b>6,344,901</b>	6,382,437
<b>Creditors:</b> amounts falling due after one year	17	<b>(1,988,405)</b>	(3,180,645)	<b>(1,988,405)</b>	(3,180,645)
<b>Net assets</b>		<b>4,382,180</b>	3,243,967	<b>4,356,496</b>	3,201,792
<b>Represented by:</b>					
<b>Funds and reserves</b>					
<b>Income funds:</b>					
Restricted funds	18	–	87,000	–	87,000
Unrestricted funds					
. General funds		<b>4,382,180</b>	3,156,967	<b>4,356,496</b>	3,114,792
		<b>4,382,180</b>	3,243,967	<b>4,356,496</b>	3,201,792

Approved by the Trustees  
and signed on their behalf by:

Prof A N Turner PhD FRCP

Trustee

Approved on: 10 September 2007

## Consolidated cash flow statement Year to 31 March 2007

	Notes	2007 £	2006 £
<b>Cash outflow from operating activities</b>	A	<b>(478,281)</b>	(504,585)
<b>Return on investments</b>	B	<b>300,946</b>	293,710
<b>Capital expenditure and financing investments</b>	B	<b>523,686</b>	269,011
<b>Taxation</b>		–	61
<b>Management of liquid resources</b>	B	–	72,746
<b>Increase in cash</b>	C	<b>346,351</b>	<b>130,943</b>

### Notes to the cash flow statement for the year to 31 March 2007

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

	2007 £	2006 £
Net incoming (outgoing) resources	<b>936,710</b>	(932,404)
Depreciation charge	<b>91,491</b>	125,728
Loss on disposal of tangible fixed assets	<b>4,251</b>	–
Interest receivable	<b>(71,804)</b>	(112,342)
Dividends receivable	<b>(229,142)</b>	(181,368)
Increase stocks	<b>(17,981)</b>	(10,367)
Increase in debtors	<b>(1,307,321)</b>	(438,248)
Increase in creditors	<b>115,515</b>	1,044,416
<b>Net cash outflow from operating activities</b>	<b>(478,281)</b>	<b>(504,585)</b>

## Consolidated cash flow statement Year to 31 March 2007

### B Gross cash flows

	2007 £	2006 £
<b>Returns on investments and servicing of finance</b>		
Interest received	71,804	112,342
Investment income received	229,142	181,368
	<b>300,946</b>	<b>293,710</b>
<b>Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(29,374)	(30,279)
Payments to acquire listed investments	(2,375,660)	(1,393,310)
Receipts from disposals of listed investments	2,928,720	1,692,600
	<b>523,686</b>	<b>269,011</b>
<b>Management of liquid resources</b>		
Net movement in current assets investments	-	72,746

### C Analysis of changes in net funds

	At 1 April 2006 £	Cash flows £	At 31 March 2007 £
Cash at bank and in hand	338,654	134,809	<b>473,463</b>
Cash held by investment managers	168,677	210,206	<b>378,883</b>
Bank overdraft	(81,980)	1,336	<b>(80,644)</b>
	425,351	346,351	<b>771,702</b>

### **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 charitable company 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 by the personal representative of an estate 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 accounts.

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.

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 £	2007 Total £	2006 Total £
Donations				
. Donations and gifts	2,066,227	–	<b>2,066,227</b>	799,231
. House to House appeals	582,862	–	<b>582,862</b>	770,386
	<u>2,649,089</u>	<u>–</u>	<u><b>2,649,089</b></u>	<u>1,569,617</u>
Legacies	2,424,342	–	<b>2,424,342</b>	2,293,723
	<u>5,073,431</u>	<u>–</u>	<u><b>5,073,431</b></u>	<u>3,863,340</u>

## 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 2007 £	Total 2006 £
<b>Profit and loss account</b>		
Turnover	<b>1,253,462</b>	2,541,540
Cost of sales	<b>(692,411)</b>	(1,699,823)
Gross profit	<b>561,051</b>	841,717
Administrative expenses	<b>(578,657)</b>	(637,228)
Other interest receivable and similar income	<b>1,217</b>	1,126
(Loss) profit on ordinary activities before donation under Gift Aid	<b>(16,389)</b>	205,615
Donation under Gift Aid scheme to Kidney Research UK	–	(207,000)
Loss for the financial year before taxation	<b>(16,389)</b>	(1,385)
Taxation	–	(1,387)
Loss for the financial year	<b>(16,389)</b>	(2,772)
Accumulated losses at 1 April 2006	<b>(142,326)</b>	(139,554)
Accumulated losses at 31 March 2007	<b>(158,715)</b>	(142,326)

The shareholder's funds of the subsidiary at 31 March 2007 were £175,785 (2006 – £192,174). 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 accounts of the charity.

### 3 Investment income

	Unrestricted funds £	Restricted funds £	2007 Total £	2006 Total £
Rental income	1,875	–	<b>1,875</b>	7,500
Income from listed investments	229,142	–	<b>229,142</b>	181,368
Interest receivable	71,804	–	<b>71,804</b>	112,342
	<u>302,821</u>	<u>–</u>	<u><b>302,821</b></u>	<u>301,210</u>

### 4 Incoming resources from activities for generating funds

	Unrestricted funds £	Restricted funds £	2007 Total funds £	2006 Total funds £
Grants receivable	190,624	1,070,269	<b>1,260,893</b>	918,863

### 5 Analysis of total resources expended

	Grants and project expenditure £	Allocated costs (note 6) £	2007 Total £	2006 Total £
<b>Cost of generating funds</b>				
Cost of generating voluntary income	–	2,445,993	<b>2,445,993</b>	2,370,890
Fundraising trading: costs of goods sold and other costs	–	1,272,495	<b>1,272,495</b>	2,322,051
Investment management costs	–	33,410	<b>33,410</b>	38,239
	<u>–</u>	<u>3,751,898</u>	<u><b>3,751,898</b></u>	<u>4,731,180</u>
<b>Charitable activities</b>				
Research	2,362,570	208,907	<b>2,571,477</b>	2,936,225
Education and awareness	–	402,756	<b>402,756</b>	711,162
Patient welfare	71,257	47,777	<b>119,034</b>	93,120
	<u>2,433,827</u>	<u>659,440</u>	<u><b>3,093,267</b></u>	<u>3,740,507</u>
<b>Governance costs</b>				
	<u>–</u>	<u>108,732</u>	<u><b>108,732</b></u>	<u>88,002</u>
<b>Total</b>	<u>2,433,827</u>	<u>4,520,070</u>	<u><b>6,953,897</b></u>	<u>8,559,689</u>

Governance costs for the year ended 31 March 2007 include audit fees of £15,000 (2006 – £23,500).

## 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 £	2007 Total £
<b>Cost of generating funds</b>						
Cost of generating voluntary income	125,167	356,813	971,676	228,812	763,525	<b>2,445,993</b>
Fundraising trading: costs of goods sold and other costs	49,848	246,652	638,986	–	337,009	<b>1,272,495</b>
Investment management costs	1,879	28,899	–	–	2,632	<b>33,410</b>
	<u>176,894</u>	<u>632,364</u>	<u>1,610,662</u>	<u>228,812</u>	<u>1,103,166</u>	<b>3,751,898</b>
<b>Charitable activities</b>						
Research	27,641	89,555	–	87,711	4,000	<b>208,907</b>
Education and awareness	21,794	11,649	223,948	141,606	3,759	<b>402,756</b>
Patient welfare	12,415	12,092	–	23,270	–	<b>47,777</b>
	<u>61,850</u>	<u>113,296</u>	<u>223,948</u>	<u>252,587</u>	<u>7,759</u>	<b>659,440</b>
<b>Governance costs</b>	<u>50,374</u>	<u>38,592</u>	<u>8,277</u>	<u>11,489</u>	<u>–</u>	<b>108,732</b>
<b>Total</b>	<u>289,118</u>	<u>784,252</u>	<u>1,842,887</u>	<u>492,888</u>	<u>1,110,925</u>	<b>4,520,070</b>

## 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 22 to the accounts.

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

	2007 £	2007 £	2006 £	2006 £
Grant commitments at 1 April 2006		<b>5,470,242</b>		4,441,337
Commitments made in the year	<b>1,614,703</b>		2,780,899	
Adjustments and lapsed grant commitments	<b>(58,888)</b>		–	
Grants payable (note 22)		<b>1,555,815</b>		2,780,899
Grants paid during the year		<b>(2,309,840)</b>		(1,751,994)
Commitments at 31 March 2007		<b>4,716,217</b>		<u>5,470,242</u>
<b>Commitments at 31 March are payable as follows:</b>				
Within one year		<b>2,727,812</b>		2,289,597
After more than one year		<b>1,988,405</b>		3,180,645
		<b>4,716,217</b>		<u>5,470,242</u>

## 8 Net incoming (outgoing) resources

This is stated after charging (crediting):

	Unrestricted funds £	Restricted funds £	2007 Total funds £	2006 Total funds £
Staff costs (note 9)	2,178,843	–	<b>2,178,843</b>	2,490,986
Auditors' remuneration				
. Statutory audit services	15,000	–	<b>15,000</b>	23,500
. Non-statutory audit services	1,500	–	<b>1,500</b>	–
. Other services	600	–	<b>600</b>	11,750
Depreciation	91,491	–	<b>91,491</b>	125,728

## 9 Employment costs

Employment costs during the year were as follows:

	2007 £	2006 £
Wages and salaries	<b>1,928,144</b>	2,204,396
Social security costs	<b>164,407</b>	193,033
Other pension costs	<b>86,292</b>	93,557
	<b>2,178,843</b>	2,490,986

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

	2007 Number
Generation of funds	<b>85</b>
Charitable activities	
. Research	<b>4</b>
. Education and awareness	<b>7</b>
. Patient welfare	<b>2</b>
Governance	<b>1</b>
	<b>99</b>

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:

	2007 Number	2006 Number
£80,001 - £90,000	<b>1</b>	1

## 10 Trustees' remuneration

None of the Trustees received any remuneration in respect of their services during the year (2006 - £nil).

During the year out of pocket travelling expenses amounting to £4,449 (2006 - £6,280) were reimbursed to 10 (2006 - 6) 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 equipment £	Fixtures, fittings & equipment £	Total £
<b>Cost</b>				
At 1 April 2006	116,035	406,553	596,345	<b>1,118,933</b>
Additions	–	28,475	899	<b>29,374</b>
Disposals	(24,609)	(197,183)	(148,284)	<b>(370,076)</b>
At 31 March 2007	91,426	237,845	448,960	<b>778,231</b>
<b>Depreciation</b>				
At 1 April 2006	67,126	365,094	483,894	<b>916,114</b>
Charge for year	7,146	30,684	53,661	<b>91,491</b>
On disposals	(24,402)	(197,183)	(144,240)	<b>(365,825)</b>
At 31 March 2007	49,870	198,595	393,315	<b>641,780</b>
<b>Net book values</b>				
At 31 March 2007	41,556	39,250	55,645	<b>136,451</b>
At 31 March 2006	48,909	41,459	112,451	<b>202,819</b>

**12 Tangible fixed assets** (continued)

<b>Charity</b>	Computer equipment £	Fixtures, fittings & equipment £	<b>Total £</b>
<b>Cost</b>			
At 1 April 2006	280,641	343,489	<b>624,130</b>
Additions	19,915	899	<b>20,814</b>
Disposals	(122,127)	(109,040)	<b>(231,167)</b>
At 31 March 2007	<u>178,429</u>	<u>235,348</u>	<b>413,777</b>
<b>Depreciation</b>			
At 1 April 2006	257,821	292,630	<b>550,451</b>
Charge for year	18,491	26,976	<b>45,467</b>
On disposals	(122,127)	(107,324)	<b>(229,451)</b>
At 31 March 2007	<u>154,185</u>	<u>212,282</u>	<b>366,467</b>
<b>Net book values</b>			
At 31 March 2007	<u>24,244</u>	<u>23,066</u>	<b>47,310</b>
At 31 March 2006	<u>22,820</u>	<u>50,859</u>	<b>73,679</b>

**13 Investments**

<b>Group</b>	<b>2007 £</b>	2006 £
<b>Listed investments</b>		
Market value at 31 March 2006	<b>7,665,222</b>	6,703,135
Additions at cost	<b>2,375,660</b>	1,393,310
Disposals at book value (proceeds: £2,928,720; gain: £42,077)	<b>(2,886,643)</b>	(1,521,899)
Net unrealised investment gains	<b>159,426</b>	1,090,676
Market value at 31 March 2007	<u><b>7,313,665</b></u>	<u>7,665,222</u>
<b>Cash held by investment managers for re-investment</b>	<b>378,883</b>	168,677
	<u><b>7,692,548</b></u>	<u>7,833,899</u>
Cost of listed investments at 31 March 2007	<u><b>5,892,199</b></u>	<u>6,008,823</u>
Allocated as follows:		
	<b>2007 £</b>	2006 £
Fixed asset investments	<b>6,257,548</b>	5,857,533
Current asset investments	<b>1,435,000</b>	1,976,366
	<u><b>7,692,548</b></u>	<u>7,833,899</u>

**13 Investments** (continued)

<b>Charity</b>	Shares in subsidiary undertaking £	Listed investments £	<b>Total 2007 £</b>	Total 2006 £
Market value at 31 March 2006	150,000	7,665,222	<b>7,815,222</b>	6,853,135
Additions at cost	–	2,375,660	<b>2,375,660</b>	1,393,310
Disposals at book value (proceeds: £2,928,720; gain: £42,077)	–	(2,886,643)	<b>(2,886,643)</b>	(1,521,899)
Net unrealised investment gains	–	159,426	<b>159,426</b>	1,090,676
Market value at 31 March 2007	150,000	7,313,665	<b>7,463,665</b>	7,815,222
<b>Cash held by investment managers for re-investment</b>	–	378,883	<b>378,883</b>	168,677
	150,000	7,692,548	<b>7,842,548</b>	7,983,899
Cost of investments at 31 March 2007	334,500	5,892,199	<b>6,226,699</b>	6,008,823

Allocated as follows:

	2007 £	2006 £
Fixed asset investments	<b>6,407,548</b>	6,007,533
Current asset investments	<b>1,435,000</b>	1,976,366
	<b>7,842,548</b>	7,983,899

Listed investments

All listed investments were dealt on a recognised stock exchange. Listed investments held at 31 March 2007 comprised the following:

<b>Group and charity</b>	2007 £
UK equities	<b>4,362,070</b>
Overseas equities	<b>1,398,782</b>
UK corporate bonds	<b>523,344</b>
UK treasury stock	<b>464,303</b>
UK property funds	<b>307,154</b>
Unit trusts	<b>258,012</b>
	<b>7,313,665</b>

At 31 March 2007 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.

Shares in subsidiary undertaking

At 31 March 2007 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 2007, the aggregate of the share capital and reserves of Kidney Research Enterprises Limited amounted to £175,785 (2006 - £192,174).

**14 Stocks**

Group	2007 £	2006 £
Merchandise for resale	<b>113,372</b>	95,391

At 31 March 2007, the charity did not hold any stocks (2006 - £nil).

**15 Debtors**

Group	2007 £	2006 £
Taxation recoverable	<b>41,097</b>	28,881
Legacies receivable	<b>1,080,961</b>	360,981
Other debtors	<b>965,153</b>	386,187
Prepayments and accrued income	<b>111,955</b>	115,796
	<b>2,199,166</b>	891,845

Charity	2007 £	2006 £
Taxation recoverable	<b>41,097</b>	28,881
Legacies receivable	<b>1,080,961</b>	360,981
Other debtors	<b>915,045</b>	354,667
Prepayments and accrued income	<b>71,954</b>	73,009
	<b>2,109,057</b>	817,538

Total debtors at 31 March 2007 have increased in comparison to total debtors at 31 March 2006 due to a rise in the amounts due from funders at the year end of £575,026 (included within other debtors above) and an increase in legacies receivable of £719,980.

**16 Creditors: amounts falling due within one year**

Group	2007 £	2006 £
Bank overdraft	<b>80,644</b>	81,980
Expense creditors	<b>271,359</b>	195,149
Social security and other taxation	<b>47,736</b>	65,252
Grants payable	<b>2,727,812</b>	2,289,597
Other creditors	<b>770,410</b>	109,510
Accruals and deferred income	<b>346,454</b>	196,508
	<b>4,244,415</b>	2,937,996

Charity	2007 £	2006 £
Expense creditors	<b>185,970</b>	131,653
Amounts owed to subsidiary undertaking (note 2)	<b>60,382</b>	102,997
Social security and other taxation	<b>33,298</b>	40,863
Grants payable	<b>2,727,812</b>	2,289,597
Other creditors	<b>779,405</b>	109,511
Accruals and deferred income	<b>307,838</b>	118,348
	<b>4,094,705</b>	2,792,969

**17 Creditors: amounts falling due after more than one year**

<b>Group and charity</b>	<b>2007</b> <b>£</b>	2006 <b>£</b>
Grants payable	<b>1,988,405</b>	3,180,645

**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 2006 <b>£</b>	Incoming resources <b>£</b>	Expenditure & grants committed <b>£</b>	<b>At 31 March 2007 £</b>
<b>Patient DVD – “Understanding Kidney Disease”</b>				
. Wyeth	12,000	(17,791)	5,791	–
. Astella	30,000	–	(30,000)	–
. Baxter Healthcare Limited	30,000	–	(30,000)	–
. Genzyme	15,000	15,000	(30,000)	–
. Big Lottery Fund	–	147,000	(147,000)	–
<b>STEPP (Long Term Outcomes in Transplantation)</b>				
. Astella	–	4,709	(4,709)	–
. Roche	–	4,709	(4,709)	–
<b>ABLE</b>				
. Big Lottery Fund	–	7,825	(7,825)	–
. Big Lottery Fund	–	133,362	(133,362)	–
. Department of Health	–	7,500	(7,500)	–
. Department of Health	–	8,580	(8,580)	–
. Garfield Weston Foundation	–	50,000	(50,000)	–
<b>Joint PHD studentships</b>				
. Diabetes UK	–	20,875	(20,875)	–
<b>CKD</b>				
. Edith Murphy Foundation	–	379,500	(379,500)	–
<b>Fellowships</b>				
. Edith Murphy Foundation	–	18,000	(18,000)	–
<b>PD research</b>				
. Baxter Healthcare Limited	–	180,000	(180,000)	–
<b>2 joint fellowships</b>				
. British Renal Society	–	25,000	(25,000)	–
<b>Research into DNA data</b>				
. Freemasons’ Grand Charity	–	45,000	(45,000)	–
Carried forward	87,000	1,029,269	(1,116,269)	–

**18 Restricted funds** (continued)

	At 1 April 2006 £	Incoming resources £	Expenditure & grants committed £	At 31 March 2007 £
Brought forward	87,000	1,029,269	(1,116,269)	–
<b>World Kidney Day</b>				
<b>- National Activities</b>				
. Amgen	–	10,000	(10,000)	–
. British Renal Society	–	2,000	(2,000)	–
. Renal Association	–	2,000	(2,000)	–
. Department of Health	–	14,000	(14,000)	–
<b>World Kidney Day</b>				
<b>- Kidney Research UK Direct Activities</b>				
. Boots plc	–	9,000	(9,000)	–
. Roche	–	4,000	(4,000)	–
	<u>87,000</u>	<u>1,070,269</u>	<u>(1,157,269)</u>	<u>–</u>

**19 Analysis of net assets between funds**

<b>Group</b>	General fund £	Restricted funds £	Total 2007 £
<b>Fund balances at 31 March 2007 are represented by:</b>			
Tangible fixed assets	136,451	–	<b>136,451</b>
Fixed asset investments	6,257,548	–	<b>6,257,548</b>
Current assets	3,182,198	1,038,803	<b>4,221,001</b>
Creditors: amounts falling due within one year	(3,662,431)	(581,984)	<b>(4,244,415)</b>
Creditors: amounts falling after one year	(1,531,586)	(456,819)	<b>(1,988,405)</b>
<b>Total net assets</b>	<u>4,382,180</u>	<u>–</u>	<u><b>4,382,180</b></u>
<b>Total unrealised gains included above:</b>			
On investment assets	<u>1,236,966</u>	<u>–</u>	<u><b>1,236,966</b></u>
<b>Reconciliation of movements in unrealised gains on investment assets</b>			
Unrealised gains at 1 April 2006	1,656,399	–	<b>1,656,399</b>
In respect of disposals	(578,859)	–	<b>(578,859)</b>
Net gains arising on revaluation in year	159,426	–	<b>159,426</b>
Unrealised gains at 31 March 2007	<u>1,236,966</u>	<u>–</u>	<u><b>1,236,966</b></u>

**19 Analysis of net assets between funds** (continued)

<b>Charity</b>	General fund £	Restricted funds £	<b>Total 2007 £</b>
<b>Fund balances at 31 March 2007 are represented by:</b>			
Tangible fixed assets	47,310	–	<b>47,310</b>
Fixed asset investments	6,407,548	–	<b>6,407,548</b>
Current assets	2,945,945	1,038,803	<b>3,984,748</b>
Creditors: amounts falling due within one year	(3,512,721)	(581,984)	<b>(4,094,705)</b>
Creditors: amounts falling after one year	(1,531,586)	(456,819)	<b>(1,988,405)</b>
<b>Total net assets</b>	<b>4,356,496</b>	<b>–</b>	<b>4,356,496</b>
<b>Total unrealised gains included above:</b>			
On investment assets	1,086,966	–	<b>1,086,966</b>
<b>Reconciliation of movements in unrealised gains on investment assets</b>			
Unrealised gains at 1 April 2006	1,506,399	–	<b>1,506,399</b>
In respect of disposals	(578,859)	–	<b>(578,859)</b>
Net gains arising on revaluation in year	159,426	–	<b>159,426</b>
Unrealised gains at 31 March 2007	1,086,966	–	<b>1,086,966</b>

**20 Operating leases**

At 31 March 2007 the charity had annual commitments under non-cancellable operating leases as follows:

<b>Group</b>	Land and buildings	
	2007 £	2006 £
Operating leases which expire:		
Within one year	–	30,150
Within two to five years	<b>200,170</b>	165,620
Thereafter	<b>80,000</b>	106,850
	<b>280,170</b>	302,620
<hr/>		
<b>Charity</b>	Land and buildings	
	2007 £	2006 £
Operating leases which expire:		
Within one year	–	15,650
Within two to five years	<b>118,620</b>	118,620
Thereafter	–	–
	<b>118,620</b>	134,270

## 21 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.

## 22 Grants awarded

	Researcher	Institution	Project title	£	Term
1	Dr Fry	CIMR Cambridge	Investigating the cell biology of AE1	183,014	3 years
2	Dr Wang	KCL	Study of the effects of Ras and Rho GTPase inhibition on a model of renal fibrosis	203,266	3 years
3	Dr Fielding	Cardiff University	Cytokine signalling in inflammation: pathways in the development of peritoneal fibrosis	141,934	3 years
4	Prof Banting	Bristol University	The cellular trafficking and regulation of kidney anion exchanger (kAE1) in health and disease	42,723	3 years
5	Mrs Thomas	City University	Can an innovative patient-centred education programme control the parameters that cause diabetic kidney disease?	25,449	18 months
6	Dr Chilcot	Lister Hospital, Stevenage	Depression and perception of illness among the dialysis population: a longitudinal investigation	24,820	1 year
7	Dr Olanrewaju	Sheffield Kidney Institute, Northern General Hospital	N/A	11,219	1 year
8	Dr Othman	Sheffield Kidney Institute, Northern General Hospital	N/A	8,414	9 months
*9	Dr Evans	Imperial College	Molecular mechanism for the protective effects of A20, a ubiquitin-editing enzyme, in renal ischaemia-reperfusion injury	99,037	2 years
10	Dr Satchell	University of Bristol	Engineering the glomerular filtration barrier in vitro	98,068	2 years
11	Dr Kalra	Hope Hospital	Prediction of renal functional outcome after revascularisation with magnetic resonance imaging in renovascular disease	96,972	2 years
12	Dr Salmon	University of Bristol	Anti-proteinuric effect of angiotensin-1 in human glomeruli	30,000	1 year
13	Dr Khwaja	Sheffield Kidney Institute, Northern General Hospital	The therapeutic potential of a cyclin-dependent kinase inhibitor in renal fibrosis	18,000	2 years
*14	Dr Pfuhl	University of Leicester	Refining the domain structure of the membrane proximal region of polycystin 1 – a prerequisite to understanding the cause of polycystic kidney disease	96,994	2 years
*15	Dr Sandford	Addenbrooke's Hospital	Characterisation of a novel interaction between polycystin-1 and RPGR-interacting protein 1	96,453	3 years
16	Dr Norman	RFUCMS	The importance of gremlin in epithelial-mesenchymal transdifferentiation (EMT) in chronic kidney disease (CKD)	30,000	1 year
			Carried forward	1,206,363	

**22 Grants awarded** (continued)

<b>Researcher</b>	<b>Institution</b>	<b>Project title</b>	<b>£</b>	<b>Term</b>
		Brought forward	1,206,363	
*17 Dr Lightstone	Imperial College	The prospective cohort study to compare the rate and correlates of decline in kidney function in Indian-Asians compared to Northern Europeans: The LOLIPOP study	99,708	3 years
18 Dr Xu	KCL	Discovery, molecular mechanisms and biological identities of genuine anti-fibrotic herbs	100,000	2 years
*19 Dr Bradley	Addenbrooke's Hospital	Selective TNF receptor modulation in ischaemic renal injury	100,000	3 years
20 Dr Fraser	Cardiff University	The mechanisms of translational control of TGF beta synthesis in proximal tubular cells	90,632	2 years
*21 Dr Carr	Leicester General Hospital	A randomised controlled trial to assess the impact of patient empowerment on blood pressure control in high risk patients with renal impairment	18,000	1 year
			<u>1,614,703</u>	
		<b>Adjustment and lapsed grants</b>	<u>(58,888)</u>	
		<b>Grants payable (note 7)</b>	<b><u>1,555,815</u></b>	

\* Denotes grant made to a Trustee or a related institution