

ARTHRITIS CARE
CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 31 December 1997

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Legal status:

Charitable company limited by guarantee and not having a share capital. Each member of the Board and member of the Charity guarantees the company the sum of £1.

Address and Registered Office:

18 Stephenson Way
London NW1 2HD

Registered charity number:

206563

Company, registered in England, number:

529321



ARTHRITIS CARE

TRUSTEES, OFFICERS AND PROFESSIONAL ADVISERS

Patron: The Rt.Hon. Sir Angus Ogilvy KCVO
President: The Duke of Westminster OBE TD DL

BOARD OF TRUSTEES:

Chairman: Mrs.Janet K. Innes
Vice-Chairmen: Mr.P.R. Smith and Dr.T.S. Wilson MD FRCP(G) FFCM (to August 1997)
 Dr D. Woolf FRCP (from September 1997)
Hon. Treasurers: Mr.R.D. Pearce and Liz Kwantes

Mrs.M. Andrews (to August 1997)
 Miss S.J. Beeston
 Mrs.R. Blair (from September 1997)
 Mr.C.A. Brockbank (to August 1997)
 Mr.R.J.G. Burton (to August 1997)
 Mr.T.M. Callender (to August 1997)
 Mrs.G. Cunliffe (to April 1997)
 Dr.J. Davies (to August 1997)
 Dr.N.A. Dunn MA FRCP(Lond&Ed) (to August 1997)
 Mrs.J.F. Gallyer (to August 1997)
 The late Miss E.W. Gould (to April 1997)
 Mr.E.G. Hawker (to August 1997)
 Mr.R.A. Johnstone (to August 1997)
 Mr.W.J. Knight(to August 1997)
 Mr.R. Lamont-Brown MA FSA Scot (to August 1997)
 Mr.I. Loynes (from September 1997)
 Mr.G. MacGillivray (from September 1997)
 Miss T. Oliver
 Mrs.J. Robinson (to August 1997)
 Mrs.L.A. Scott
 Mrs.M. Stoney (to August 1997)
 Mr.D. Tibbetts (to August 1997)
 Mr.K. Williams (to August 1997)
 Mrs.D.P. Wilson (to August 1997)

Chief Executive:

Company Secretary:

Director of Finance:

Auditors:

Shipleys, Chartered Accountants
 10 Orange Street
 Haymarket
 London WC2H 7DQ

Bankers:

National Westminster Bank
 Oxford Circus Corporate Business Centre
 1st Floor, Argyll House
 246 Regent Street
 London W1R 6PB

Mrs.H.P. Barbour Dip.COT (to August 1997)
 Mrs.J. Binns(to August 1997)
 Mr.C. Brice ERD TD (to August 1997)
 Mrs.M. Burden (from September 1997)
 Miss D.M. Byrne
 Dr.N. Cardoe FRCP (to August 1997)
 Mrs.J.M. Davey (to August 1997)
 Dr.D.V. Doyle MD FRCP FRCPI
 Mrs.J.M. Elphick CQSW (to August 1997)
 Dr.C. Gibb (to August 1997)
 Mrs.P.E. Hamilton (to August 1997)
 Dr.R.G. Hull FRCP FRCPCH
 Mr.D. Jones (from September 1997)
 Mrs.P. le Gallez SRN M Phil(to August 1997)
 Ms.M.A. Lewis BA Cert Ed (to August 1997)
 Mr.S.A. MacArthur (to August 1997)
 Mrs.M. Murray
 Gp.Capt.J. Rees (to April 1997)
 The late Miss J. Scarlett MBE (to August 1997)
 Mr.F.N. Shakesby B.Sc(Econ) ACIS
 Dr.A. Taggart FRCP (to August 1997)
 Hilary J. Walters (to August 1997)
 Mr.A.R.E. Wilson (to August 1997)
 Dr.D. Woolf FRCP

Richard Gutch

Kate Nash

Ian W. Robinson FCA

Solicitors:

Pothecary and Barratt
 White Horse Court
 North Street
 Bishop Stortford CM23 2LD

Investment advisers:

National Westminster Bank
 NatWest Investments
 London Branch - Corporate Unit
 62 Green Street
 London W1Y 4BA

ARTHRITIS CARE
REPORT OF THE TRUSTEES
for the year ended 31 December 1997

Introduction

by Janet Innes

Arthritis Care came of age in 1997. Not only did it celebrate its 50th anniversary, but it resoundingly endorsed founder Arthur Mainwaring Bowen's vision of a user-led organisation.

Unusually for the time, Waring Bowen was not a rich philanthropist, but had arthritis himself. He was diagnosed with ankylosing spondylitis at the age of 25 and, conscious of the isolation felt by people in his condition, especially those who had been used to an active life, he formed an organisation to put people with arthritis in touch with each other, give information on treatment and raise public awareness of the problems faced by people with arthritis.

In 1997 members of Arthritis Care demonstrated that the charity's vision remains the same when they elected a majority of people with arthritis to the board of trustees.

This is the first time since it started that the organisation has been genuinely user-led, and since September 1997 the trustees have been working to focus their priorities. The result is a clear vision and a new mission to take Arthritis Care into the millennium.

1997 – the bare essentials

Arthritis Care has 630 groups and branches around the UK.

There are nearly 62,000 members. More than 44,000 of them belong to a local Arthritis Care branch or group.

More than 8,000 people had holidays in Arthritis Care hotels in 1997.

The helpline information service responded to 12,508 enquiries in 1997. The majority of these enquiries were by phone, yet only a tiny 6 per cent of people get through on the freephone helpline service.

Nearly twice as many people took Challenging Arthritis courses in 1997 as in 1996 – 936 compared with 540. In addition the number of volunteers involved in Challenging Arthritis rose from 102 in 1996 to 135.

The total number of people taking Arthritis Care training courses in 1997 was 1,180

Arthritis News will be published six times a year, instead of quarterly. It is available from newsagents as well as to members and subscribers.

More than 90,000 leaflets and other publications were distributed during 1997.

The need

Arthritis is one of the most misunderstood medical conditions. A common myth is that it only affects older people and that it's not really serious.

The truth is that eight million people in the UK have arthritis – one million of those are under 46 and 14,500 are children. It is the biggest single cause of disability in the UK today and is estimated to be the reason for one in four visits to a GP.

The main symptoms of arthritis are pain and loss of movement. While there is no cure, there are ways in which people can manage the condition and maintain their quality of life after diagnosis.

ARTHRITIS CARE
REPORT OF THE TRUSTEES
for the year ended 31 December 1997

Arthritis Care provides people with information and training which helps them to challenge their arthritis. In addition the organisation campaigns to change people's attitudes. Not only does it address the public ignorance surrounding arthritis, but it aims to influence decision makers. With better information, they can make sure that the policies they make, the services they commission and the products they design meet the needs of all the people who use them.

Arthritis Care meets the need

Arthritis Care's mission is to put people with arthritis in control – of their arthritis, their lives and their organisation.

To help people gain that control Arthritis Care offers access to the necessary information and support, as well as training in managing the condition and in how to communicate with health and social services professionals. In addition it campaigns, both nationally and locally, for better understanding of the condition. The organisation's 630 branches and groups play a vital role in helping the organisation meet its goals in their local areas.

People with arthritis are represented at all levels within Arthritis Care as volunteers, staff and trustees. The charity recognises that people with arthritis are uniquely qualified to provide support and services to other people with arthritis.

Time of change

Radical change took place in Arthritis Care's structure in 1997. Following widespread consultation it reduced the board of trustees from 50 to 18 members. Eight of those people are elected to represent a region or nation within the UK, five are directly elected by members and one represents the national committee of Young Arthritis Care. The treasurer and vice-treasurer are specially appointed and there are places to co-opt two people. For the first time, a majority of the trustees have arthritis.

Members of the board took up their duties in September 1997, and immediately focused on identifying priorities for the organisation. Working with senior management they highlighted three priorities:

1. To provide support to people with arthritis, particularly through the helplines and information service and the provision of empowerment training.
2. To raise public awareness and to campaign.
3. To achieve financial security for the organisation.

Arthritis Care will be investing in these priorities over the next three years. All its other activities will be assessed in terms of how they contribute to one or more of these priorities.

However there is room for regional divergence according to need. The seven national and regional committees, which were also formed in September are developing plans for the charity's focus in their area. Elected by branches and groups in their area, each has a representative on the board of trustees – two in the case of Scotland.

Information

The helpline and information service lies at the heart of Arthritis Care's work. Often, after diagnosis, people are left feeling bewildered and isolated. The information counsellors provide them with the information and support they need.

Most of the information counsellors have personal experience of arthritis and they are all professionally trained counsellors. In 1997 they dealt with 12,058 enquiries at an average cost

ARTHRITIS CARE
REPORT OF THE TRUSTEES
for the year ended 31 December 1997

to Arthritis Care of £8 per enquiry. However, the numbers helped are the tip of the iceberg. There is significant need that Arthritis Care cannot currently meet.

On average there are 1,200 calls a week to the freephone helpline, although when there is media coverage of arthritis this can rise to more than 10,000. Yet only about 6 per cent of callers get through to an information counsellor.

Training

Arthritis Care's training programmes all aim to help people with arthritis to help themselves. Challenging Arthritis went from strength to strength in 1997 with nearly twice as many people taking the self-management course as in 1996.

The courses are now available across most of the UK. Interim research at the Centre for Psychosocial Research into Rheumatic Diseases at Coventry University has confirmed the success of the programme.

It found that as a result of the Challenging Arthritis course people feel significantly more confident about managing pain, they relax more, exercise more and experience less pain and depression. In addition people communicate better with their doctors after the course and visit them less.

Also the subject of research is the Into Work programme which incorporates personal development training, with wider disability issues and job-skill training. Experience from the Into Work programme has been used to develop a broader programme, Working Horizons, for 1998.

Campaigning

Arthritis Care joined forces with the British League Against Rheumatism to produce a comprehensive pack, *Arthritis: Getting it Right*, which was launched by Tessa Jowell, public health minister, at the House of Commons in November 1997.

Squeezing toothpaste, taking the lid off a medicine bottle, using a computer or catching a bus are everyday things that most people take for granted. Yet they are often difficult, painful or downright impossible for people with arthritis.

Jean Ashcroft, Arthritis Care's director of public policy and information, who has personal experience of arthritis, wrote the report, *Arthritis: Understanding People's Everyday Needs*, which was part of the pack. It draws attention to such everyday difficulties and proposes simple solutions.

Arthritis Care is focussing its campaigning in 1998 on the issues raised in *Understanding People's Everyday Needs*. It aims to ensure that planners of services such as transport, education and housing, as well as commissioners of healthcare, and designers of everyday products understand the needs of people with arthritis.

Golden anniversary

Arthritis Care celebrated its 50th anniversary with 50 couples who also reached their golden anniversary in 1997 at the Duke of Westminster's country house, Eaton Park. Everyone attending signed a card for the Queen and Prince Philip who have also been married 50 years. Jane Asher baked the birthday cake.

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REPORT OF THE TRUSTEES
for the year ended 31 December 1997

Around the country Arthritis Care's branches all celebrated too. Many spread the word by persuading their local council to plant anniversary flower beds, so Arthritis Care bloomed in parks and on roundabouts across the country.

Many people held fundraising events to mark the anniversary. Anton Mosimann closed his exclusive club in Belgravia for a night for a four-course anniversary dinner. It raised £5,000.

Fashion aficionados were given a sneak preview of Frank Usher's glamorous spring collection thanks to Stephen and Anne Bruh's generosity. The two fashion shows raised nearly £5,000.

In addition, Arthritis Care's president the Duke of Westminster helped mark the anniversary through his awards to people with arthritis who have made an outstanding contribution to the lives of other people with arthritis. Winners were Phil Smith, the founder of Young Arthritis Care, Jack Burton, one of Arthritis Care's most active volunteers, and Morag Campbell, who started Arthritis Care's Badenoch branch in the Scottish highlands.

Volunteers

Grants totalling nearly £1m from the Millennium Commission and the Lloyds TSB Foundation meant that Arthritis Care could launch its Millennium Volunteer Awards scheme in 1997. In return for a three year commitment the 300 volunteers – all people with arthritis – will get a top-notch training and support package. The training will give them skills in managing their arthritis as well as job-specific skills.

Many other people also give their time to help Arthritis Care. The work they do varies from the high challenge, high support volunteers such as the trainers on Challenging Arthritis courses to members of one of the many branch, regional or national committees.

An estimated 7,000 people volunteer for Arthritis Care, most of them people who have arthritis themselves. Arthritis Care depends on their commitment and thanks each and every one of them for the work they do for the charity.

Branches

At local level, Arthritis Care's 630 branches and groups provide a wide range of activities for people with arthritis. They vary enormously according to need, with some run on self-help lines and others providing more of a social forum.

Branches and groups have plenty of up-to date information on all aspects of arthritis, but many people find the most valuable aspect of membership is talking to someone who understands their pain and who they can share experiences with about how diet or exercise affect their condition. They also negotiate group reductions for hydrotherapy, other types of treatment and organise outings.

Review of transactions

Despite an optimistic start 1997 continued to be difficult financially for Arthritis Care. Although overall income grew by 5.5 per cent, this growth was in restricted project and local branch and group income. Unrestricted core income did not increase as anticipated and was £300,000 below budget. This was largely because of a reduction of £200,000 when the promise of a Littlewood's scratchcard was withdrawn and one of the hotels incurred a substantial deficit. Action has been taken to address this for 1998 and the hotels are expected to be a significant net contributor to the charity's resources from 1999 onwards.

ARTHRITIS CARE
REPORT OF THE TRUSTEES
for the year ended 31 December 1997

Trustees estimated there were £1,110,000 of legacies still to be received at the end of 1997, compared to £620,000 at the end of 1996. This suggests that legacy income will increase in 1998.

The two main loss-making activities were closed. Together they had a deficit of £198,000. Carlisle House nursing home was sold in December and, at the time of writing, Waring Bowen House hotel is on the market. In addition other reductions in expenditure and increases in income are planned with the aim of re-establishing liquid reserves to a safe level. The board of trustees has agreed that free reserves should be set at a level equivalent to six months of core expenditure, ie £2.5m in today's terms.

Arthritis Care has developed other sources of income in addition to legacies. In 1997 the largest single donor, the National Lottery Charities Board, contributed just 6 per cent of income spread across a variety of projects. Management and administration costs have been kept low and were 8p for every £1 of income received.

Responsibilities of Board

The members of the Board, who are the directors and trustees, are responsible for preparing accounts which give a true and fair view of the state of the affairs of the Charity and the Group (i.e. the Charity and its trading subsidiary) as at the end of each financial year and of the income and expenditure of the Charity and the Group for that period.

In preparing those accounts, the Board is required to:

- ★ select suitable and applicable accounting policies and then apply them consistently;
- ★ make judgements and estimates that are reasonable and prudent;
- ★ prepare the financial statements on a going concern basis unless it is inappropriate to presume that the organisation will continue in business.

The Board is also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charity and the Group and enable it to ensure that the financial statements comply with company and charity legislation and the relevant governing instruments. It is responsible for safeguarding the Group's assets and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Appointment of auditors

A resolution to reappoint Shipleys as auditors will be proposed to members at the annual general meeting.

By Order of the Board



Kate Nash, Company Secretary

21 April 1998

s h i p l e y s

c h a r t e r e d a c c o u n t a n t s

10 Orange Street, Haymarket, London WC2H 7DQ

Telephone (0171) 312 0000 Facsimile (0171) 312 0022

**AUDITORS' REPORT TO THE MEMBERS OF
ARTHRITIS CARE**

We have audited the financial statement on pages 9 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 and 13.

Respective responsibilities of trustees and auditors

As described in their report the trustees are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Charity and of the Group at 31 December 1997 and of its balance of income over expenditure and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditors

21 April 1998

ARTHRITIS CARE GROUP
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
for the Year Ended 31 December 1997

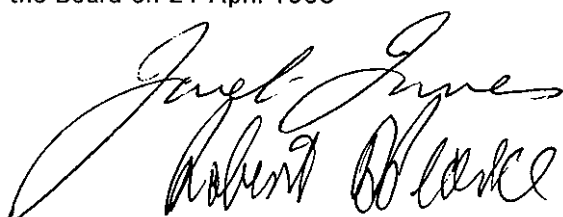
	<i>Notes</i>	Unrestricted Funds £	Restricted Funds £	Total 1997 £	Total 1996 £
Income and Expenditure					
Incoming Resources					
from continuing operations:-	1				
Membership subscriptions		148,652	114,361	263,013	288,581
Donations	3	1,300,212	2,113,367	3,413,579	3,302,122
Legacies		1,206,314	604,401	1,810,715	1,515,295
Fees for services	4	1,757,966	48,710	1,806,676	1,782,104
Investment income		33,190	199,680	232,870	296,227
Net income of trading subsidiary	5	60,745	0	60,745	7,232
Total Incoming Resources		4,507,079	3,080,519	7,587,598	7,191,561
Resources Expended					
from continuing resources:-	1				
<i>Direct charitable expenditure:-</i>					
Training and development		0	824,628	824,628	614,576
Branches and regional support		714,453	1,744,762	2,459,215	2,458,841
Hotels		1,794,450	82,110	1,876,560	1,644,816
Residential homes		328,711	7,740	336,451	386,357
Public policy and information		204,938	20,369	225,307	199,110
Publications		383,522	0	383,522	320,348
Young Arthritis Care		168,867	49,997	218,864	205,574
	4	3,594,941	2,729,606	6,324,547	5,829,622
<i>Other expenditure:-</i>					
Fundraising and publicity		696,941	0	696,941	551,960
Management and administration		613,365	0	613,365	568,928
		1,310,306	0	1,310,306	1,120,888
Total Resources expended	6	4,905,247	2,729,606	7,634,853	6,950,510
Net (outgoing)/incoming resources before transfers		(398,168)	350,913	(47,255)	241,051
Transfers between funds	13	72,005	(72,005)	0	0
Net (outgoing)/incoming resources		(326,163)	278,908	(47,255)	241,051
Gains or losses on investment assets:-					
Realised		10,387	0	10,387	858
Unrealised		125,551	0	125,551	35,390
Net (loss)/gain on disposal of tangible fixed assets	7	(134,908)	0	(134,908)	758
Net Movement in Funds		(325,133)	278,908	(46,225)	278,057
Fund balances brought forward at 1 January 1997		6,232,372	5,237,955	11,470,327	11,192,270
Fund balances carried forward at 31 December 1997		5,907,239	5,516,863	11,424,102	11,470,327

The notes on pages 12 to 19 form part of these financial statements.

ARTHRITIS CARE GROUP
BALANCE SHEETS
at 31 December 1997

		<u>Group</u>		<u>Charity</u>	
		<i>(Charity & trading subsidiary)</i>			
	<i>Notes</i>	1997	1996	1997	1996
		£	£	£	£
Fixed Assets					
Tangible	7	6,537,826	6,785,103	6,537,826	6,785,103
Investments	8	1,235,175	1,163,769	1,235,427	1,164,021
		<u>7,773,001</u>	<u>7,948,872</u>	<u>7,773,253</u>	<u>7,949,124</u>
Current Assets					
Stocks		15,797	19,076	15,797	19,076
Debtors and prepayments	9	100,980	182,141	106,882	180,862
Cash at bank or in hand:					
by local committees, branches					
and groups	10	4,645,093	4,210,003	4,645,093	4,210,003
centrally held	10	(66,779)	195,458	(77,666)	195,340
		<u>4,695,091</u>	<u>4,606,678</u>	<u>4,690,106</u>	<u>4,605,281</u>
Creditors: Amounts falling due					
within one year	11	580,045	598,822	575,312	597,677
Net Current Assets		<u>4,115,046</u>	<u>4,007,856</u>	<u>4,114,794</u>	<u>4,007,604</u>
Total Assets less Current Liabilities		11,888,047	11,956,728	11,888,047	11,956,728
Creditors: amounts falling due after					
more than one year	12	463,945	486,401	463,945	486,401
Net Assets	15	<u>11,424,102</u>	<u>11,470,327</u>	<u>11,424,102</u>	<u>11,470,327</u>
Funds					
Restricted funds	13	5,516,863	5,237,955	5,516,863	5,237,955
Unrestricted funds:-					
Designated funds	14	6,085,250	6,415,500	6,085,250	6,415,500
Other charitable funds	14	(178,011)	(183,128)	(178,011)	(183,128)
Non-charitable trading funds	5	0	0	0	0
		<u>11,424,102</u>	<u>11,470,327</u>	<u>11,424,102</u>	<u>11,470,327</u>

Approved by the Board on 21 April 1998



The notes on pages 12 to 19 form part of these financial statements.

ARTHRITIS CARE GROUP
CONSOLIDATED CASHFLOW STATEMENT
for the year ended 31 December 1997

	1997		1996	
	£	£	£	£
Net cash (outflow)/inflow from operating activities		(63,122)		62,295
Returns on investments and servicing of finance				
Interest and dividends received	232,870		296,227	
Interest paid	<u>(43,053)</u>		<u>(41,870)</u>	
Net cash inflow from returns on investment and servicing of finance		189,817		254,357
Investing activities:				
Purchase of tangible fixed assets	(239,138)		(138,347)	
Proceeds from sale of tangible fixed assets	108,232		16,376	
Purchase of investments	(175,249)		(47,308)	
Proceeds from sale of investments	<u>352,313</u>		<u>164,928</u>	
Net cash inflow from investing activities		46,158		(4,351)
Increase in cash and cash equivalents		<u>172,853</u>		<u>312,301</u>
Cash and cash equivalents at 1 January 1997		4,405,461		4,093,160
Cash and cash equivalents at 31 December 1997		<u><u>4,578,314</u></u>		<u><u>4,405,461</u></u>

NOTES TO CASHFLOW STATEMENT

1 Reconciliation of changes in resources to net cash inflow from operating activities:

Changes in resources before revaluations	(47,255)	241,051
Gifts in kind (investments)	(112,532)	(169,397)
Depreciation	243,275	218,673
Decrease/(increase) in stocks	3,279	549
Decrease/(increase) in debtors	81,161	136,275
(Decrease)/increase in creditors	(41,233)	(110,499)
	<u>126,695</u>	<u>316,652</u>
Net cash flow from investment income less interest payable	(189,817)	(254,357)
	<u><u>(63,122)</u></u>	<u><u>62,295</u></u>

2 Analysis of changes in cash and cash equivalents during the year

	1997 £	1996 £	change in the year £
Cash at bank and in hand and short term deposits.			
local committees, branches and groups	4,645,093	4,210,003	
centrally held	<u>(66,779)</u>	<u>195,458</u>	
	<u><u>4,578,314</u></u>	<u><u>4,405,461</u></u>	<u><u>172,853</u></u>

The notes on pages 12 to 19 form part of these financial statements.

ARTHRITIS CARE GROUP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

1 Statement of total recognised gains and losses

The deficiency for the year was the only recognised gain or loss in the year and refers solely to continuing operations. There being no Endowment Funds, it is deemed unnecessary to prepare a consolidated Summary Income and Expenditure Account.

During the year the charity's residential care home was sold as it was not considered to be central to the role of the charity. The net deficit on this operation was £77,140 (1996: £57,888), see note 4.

2 Accounting policies

(a) Accounting convention

The financial statements of the Group have been prepared under the historical cost convention and comply with the Statement of Recommended Practice, "Accounting by Charities" issued in October 1995.

(b) Consolidation

The financial statements of the Charity include the assets, liabilities, funds and income and expenditure of all the Charity's local committees, branches and groups, as well as its central office, regional services, hotels and nursing home. The local committee, branch and group figures have been compiled from returns by local treasurers made up to 31 October 1997. The figures for the Arthritis Care Group comprises the Charity and its subsidiary trading company, Arthritis Care (Trading) Limited.

Exemption under Section 230 of the Companies Act 1985 has been applied and an individual profit and loss account of the parent company has not been prepared. The deficit of the parent company for the year was £106,970.

(c) Income

Income is recorded when receivable whenever the amount is known, otherwise it is accounted on a cash received basis.

Legacies are recorded on a cash received basis due to the uncertainty of the value of estates until received.

(d) Depreciation of tangible fixed assets

Fixed assets, which are stated at cost, are depreciated on a straight line basis at rates sufficient to reduce the net book amount of those assets to their estimated residual value at the end of their expected useful lives. The following rates are currently used:

Freehold buildings	- 2 per cent.
Office equipment	- 33 per cent.
Motor vehicles	- 25 per cent.

No depreciation has been charged on leasehold property as it is considered that the property is maintained to such a standard that no diminution in the value has taken place and any provision for depreciation would be immaterial.

Fixed assets with an individual cost of less than £3,000 are written off in the year of purchase.

(e) Stocks

Stocks of goods for resale are stated at the lower of cost and net realisable value after making allowance for obsolete and slow moving items.

(f) Listed Investments

In accordance with the recommended practices, listed investments are stated at market value. Realised and unrealised gains or losses are shown separately on the Statement of Financial Activities.

ARTHRITIS CARE GROUP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

2 Accounting policies continued.

(g) Pension Costs

Pension contributions are charged against income so that the expected cost of providing pensions is recognised in the period in which benefit is derived from the employees' services.

(h) Expenditure

Directly attributable expenditure on staff and other costs is charged to direct charitable expenditure, fundraising or general administration. Indirect expenditure is allocated to these headings in proportion to the estimated usage that each activity makes of the resources.

3 Donations

Included in donations are the responses to special appeals

	1997	1996
	£	£
New Mayfair hotel appeal	0	89,778
Hotel transport appeals	32,215	48,152
Hotel improvement appeals	18,393	44,251
Emergency appeal	0	120,477
	<u>50,608</u>	<u>302,658</u>

The hotel transport and improvement appeals have been included in restricted income.

4 Services to People with Arthritis

	Expenditure	Fees for	Other	Net
	£	Services	Income	Expenditure
	£	£	£	£
Year to 31 December 1997				
Training and development	824,628	0	754,666	69,962
Branches and regional support	2,459,215	0	252,875	2,206,340
Hotels	1,876,560	1,431,115	143,304	302,141
Residential homes	336,451	259,311	0	77,140
Public policy and information	225,307	15	23,084	202,208
Publications	383,522	116,235	30,015	237,272
Young Arthritis Care	218,864	0	54,110	164,754
	<u>6,324,547</u>	<u>1,806,676</u>	<u>1,258,054</u>	<u>3,259,817</u>
Year to 31 December 1996				
Training and development	614,576	1,012	508,092	105,472
Branches and regional support	2,458,841	0	209,356	2,249,485
Hotels	1,644,816	1,356,717	221,116	66,983
Residential homes	386,357	328,469	0	57,888
Public policy and information	199,110	0	21,972	177,138
Publications	320,348	95,906	29,464	194,978
Young Arthritis Care	205,574	0	30,128	175,446
	<u>5,829,622</u>	<u>1,782,104</u>	<u>1,020,128</u>	<u>3,027,390</u>

"Other Income" comprises donations and other voluntary income given for these purposes.

ARTHRITIS CARE GROUP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

4 Services to People with Arthritis

(continued)

During the year the following discretionary statutory grants were received nationally and are included under the heading of donations.

	1997 £	1996 £
Department of Health:-		
Information services to young people with arthritis	9,243	17,729
Accidents prevention project	0	6,666
Regionalising information project	0	3,750
Arthritis Self Management Programme	34,270	13,333
	<u>43,513</u>	<u>41,478</u>
City of Plymouth	2,000	0
Northern Ireland Department of Health and Social Security	9,500	14,250
Scottish Office	15,000	15,000
Rural Development Commission	19,609	11,210
Department for Education and Employment:-		
ESF Horizon Programme	161,999	96,256
National Lottery Millennium Commission	32,854	0
National Lottery Charities Board		
UK Committee	238,098	177,944
England Committee	128,005	128,005
N.Ireland Committee	33,046	0
Scotland Committee	72,443	0
	<u>756,067</u>	<u>484,143</u>

£20,610 of the income from the National Lotteries Charities Board shown above remains to be spent as at the date of these accounts. NLCB grants to local committees, branches and groups have not been included in these figures.

5 Net income of trading subsidiary

The Charity has a wholly owned subsidiary, Arthritis Care (Trading) Limited, a company incorporated and registered in England. The principal activity of this company is the raising of funds through the sale of goods and fund raising events.

A summary of the trading results is shown below:

	1997 £	1996 £
Turnover	99,205	44,874
Cost of sales	33,046	34,591
Gross profit	<u>66,159</u>	<u>10,283</u>
Expenses	5,414	3,051
Net profit	<u>60,745</u>	<u>7,232</u>
Amount covenanted to the charity	60,745	7,232
	<u>0</u>	<u>0</u>
Balance from previous year	0	0
Non-charitable trading funds	<u>0</u>	<u>0</u>

The company has taken advantage of the exemption provided by Section 228(7) of the Companies Act 1985 not to publish its own profit and loss account.

The Consolidated Statement of Financial Activities includes a profit on ordinary activities of £60,745 (1996: £7,232) which is dealt with in the Statement of Financial Activities of the charity.

ARTHRITIS CARE GROUP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

6 Analysis of Total Resources Expended

	Staff costs £	Depreciation £	Other £	Total £
Direct charitable expenditure:-				
Training and development	202,632	0	621,996	824,628
Branches and regional support	637,553	49,744	1,771,918	2,459,215
Hotels	1,156,942	100,946	618,672	1,876,560
Residential homes	106,283	9,185	220,983	336,451
Public policy and information	182,726	0	42,581	225,307
Publications	109,829	0	273,693	383,522
Young Arthritis Care	165,759	0	53,105	218,864
	<u>2,561,724</u>	<u>159,875</u>	<u>3,602,948</u>	<u>6,324,547</u>
Other expenditure:-				
Fundraising and publicity	198,853	0	498,088	696,941
Management and administration	306,289	83,400	223,676	613,365
Total	<u>3,066,866</u>	<u>243,275</u>	<u>4,324,712</u>	<u>7,634,853</u>

Included in Other Costs are:-

- a) Auditor's remuneration for audit of £25,542 (1996: £25,000) and for other professional services of nil (1996: £5,000).
- b) Travel expenses reimbursed to Trustees of £12,667 (1996: £16,025) for the year. No emoluments were paid to trustees.
- c) Premiums of £2,306 (1996: £2,306) on a professional indemnity policy to protect the Charity, trustees and employees from loss arising from the neglect or defaults of the trustees or employees.

Staff Costs

Emoluments of employees.

	<u>1997</u>	<u>1996</u>
Gross pay	2,673,860	2,517,467
Social security costs	236,679	213,090
Other pension costs	122,005	142,210
Payments to agencies or similar for temporary help.	34,322	33,750
	<u>3,066,866</u>	<u>2,906,517</u>

One employee was paid emoluments in the band £50,000 to £59,999. No other employee received more than £40,000.

The average number of persons employed during the year was:

	<u>Total</u>	<u>Central</u>	<u>Regions</u>	<u>Hotels & Homes</u>
Number of employees (1996: 253)	269	74	69	126
Full time equivalent				
1997	193	61	34	98
1996	198	58	35	105

ARTHRITIS CARE GROUP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

7 Tangible Fixed Assets**Group and Charity**

	Properties		Self Catering	Fixtures	Motor	Total
	Freehold £	Leasehold £	Units £	Equipment £	Vehicles £	
Cost						
At 1 January 1997	7,002,759	5,000	93,390	351,668	445,345	7,898,162
Additions				72,808	166,330	239,138
Disposals	242,653		25,980		11,117	279,750
At 31 December 1997	<u>6,760,106</u>	<u>5,000</u>	<u>67,410</u>	<u>424,476</u>	<u>600,558</u>	<u>7,857,550</u>
Depreciation						
At 1 January 1997	390,144		63,979	284,907	374,029	1,113,059
Disposals	12,151		19,302		5,157	36,610
Charge for year	112,870		6,741	60,555	63,109	243,275
At 31 December 1997	<u>490,863</u>	<u>0</u>	<u>51,418</u>	<u>345,462</u>	<u>431,981</u>	<u>1,319,724</u>
Net Book Value						
At 31 December 1997	<u>6,269,243</u>	<u>5,000</u>	<u>15,992</u>	<u>79,014</u>	<u>168,577</u>	<u>6,537,826</u>
At 31 December 1996	<u>6,612,615</u>	<u>5,000</u>	<u>29,411</u>	<u>66,761</u>	<u>71,316</u>	<u>6,785,103</u>

Capital commitments

There are no expenditure commitments at 31 December for which no provision has been made in these accounts (1996: £NIL).

Loss on disposal of tangible fixed assets

This comprises a loss on the sale of the residential home of £144,257 less a net gain of £9,349 on other assets sold. The residential home was sold at below market value, with the approval of the Charity Commissioners, in order to protect the interests of Arthritis Care's residents in the home.

8 Fixed Asset Investments

	1997		1996	
	Market Value £	Cost £	Market Value £	Cost £
Quoted Investments at market value				
UK government securities	197,254	195,645	414,320	311,503
Other listed stocks and shares	1,035,394	644,589	748,210	529,012
	<u>1,232,648</u>	<u>840,234</u>	<u>1,162,530</u>	<u>840,515</u>
Bank deposits, building society accounts and bonds	2,527		1,239	
Total for Group	<u>1,235,175</u>		<u>1,163,769</u>	
Investment in subsidiary undertaking (see note 5 for details)	252		252	
Total for Charity	<u>1,235,427</u>		<u>1,164,021</u>	

ARTHRITIS CARE GROUP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

9 Debtors

	1997		1996	
	Group £	Charity £	Group £	Charity £
Trade debtors	67,631	67,631	152,430	151,161
Other debtors	33,349	27,885	29,711	27,927
Amount due from subsidiary company		11,366		1,774
Total	100,980	106,882	182,141	180,862

10 Cash at bank and in hand

	1997		1996	
	Group £	Charity £	Group £	Charity £
Held by:- Central office	(77,666)	(77,666)	195,340	195,340
Local committees, branches and groups	4,645,093	4,645,093	4,210,003	4,210,003
Subsidiary company	10,887		118	
Total	4,578,314	4,567,427	4,405,461	4,405,343

11 Liabilities: amounts falling due within one year

	1997		1996	
	Group £	Charity £	Group £	Charity £
Trade creditors	226,835	226,835	186,478	186,478
Other creditors	222,615	222,615	214,452	213,807
Accruals	68,740	64,007	135,904	135,404
Bank loan repayable within one year	61,855	61,855	61,988	61,988
Total	580,045	575,312	598,822	597,677

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

	1997 £	1996 £
Group and Charity		
Bank loan:	463,945	486,401

The bank loan is repayable over 15 years and secured by a legal mortgage over the property at 18 Stephenson Way. Interest is payable at 1.5% over base rate.

ARTHRITIS CARE GROUP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

13 Restricted Funds

Restricted funds hold donations and other income given for specific purposes. The balances represent amounts which had not been allocated at the year end. Local committee, branch and group funds are raised and controlled locally for services to people with arthritis in the local area.

The analysis of the Arthritis Care Group net assets between funds is set out in note 15.

	Balance 01/01/97	Movement in Funds		Balance 31/12/97
		Incoming Resources	Expenditure Gains. Losses & transfers	
	£	£	£	£
Central funds:				
Hotel funds	124,992	118,747	161,856	81,883
Training and development projects	76,768	754,666	824,629	6,805
Young Arthritis Care projects	51,499	20,717	49,996	22,220
Public policy and information projects	21,558	11,000	20,369	12,189
	<u>274,817</u>	<u>905,130</u>	<u>1,056,850</u>	<u>123,097</u>
Regional funds:				
Local committee, branch and group funds	4,901,346	1,979,475	1,578,718	5,302,103
Other regional projects	61,792	195,914	166,043	91,663
	<u>5,237,955</u>	<u>3,080,519</u>	<u>2,801,611</u>	<u>5,516,863</u>

Included in the transfers from hotel funds above is an amount of £72,005 representing the cost of purchasing a coach which has been charged to the hotel's transport appeal.

14 Unrestricted Funds

	Balance 01/01/97	Movement in Funds		Balance 31/12/97
		New Designations	Utilised/ Realised	
	£	£	£	£
Designated				
Central branch fund	115,500	0	115,500	0
Capital asset reserve	6,300,000	0	230,000	6,070,000
Staff provident fund	0	0	(15,250)	15,250
Total Designated funds	<u>6,415,500</u>	<u>0</u>	<u>330,250</u>	<u>6,085,250</u>
Unallocated funds	(183,128)	4,580,114	4,574,997	(178,011)
Charity Unrestricted funds	<u>6,232,372</u>	<u>4,580,114</u>	<u>4,905,247</u>	<u>5,907,239</u>
Subsidiary undertaking	0	0	0	0
Total Unrestricted funds	<u>6,232,372</u>	<u>4,580,114</u>	<u>4,905,247</u>	<u>5,907,239</u>

The trustees agreed to closing the central branch fund in 1997.

The Capital asset reserve, being approximately the net book value of tangible fixed assets less the long term creditor per note 12, represents the income received in past years which has been used to acquire the fixed assets required for the running of the charity's services and activities.

The staff provident fund is available to provide ex gratia payments for retiring members of staff who for some period of their employment were ineligible to join the company's pension scheme.

ARTHRITIS CARE GROUP
NOTES TO THE FINANCIAL STATEMENTS
for the year ended 31 December 1997

15 Analysis of Group Net Assets between Funds

	Unrestricted Funds £	Restricted Funds £	Total Funds £
Fund balances at 31 December are represented by:			
Tangible fixed assets	6,396,013	141,813	6,537,826
Investments	719,978	515,197	1,235,175
Current assets : Stock and debtors	93,521	23,256	116,777
Cash & bank	(258,283)	4,836,597	4,578,314
Current liabilities	(580,045)	0	(580,045)
Long term liabilities	(463,945)	0	(463,945)
Total net assets	5,907,239	5,516,863	11,424,102
Unrealised gains included above:			
On tangible fixed assets	0	0	0
On investment assets (see below)	272,640	0	272,640
	272,640	0	272,640
Reconciliation of movements in unrealised gains on investment assets:			
Unrealised gains at 1 January 1997	219,984	0	219,984
Deduct in respect of disposals in year	72,895	0	72,895
	147,089	0	147,089
Add: Net gains arising on revaluations in year	125,551	0	125,551
Unrealised gains at 31 December 1997	272,640	0	272,640

There is a deficit of £24,829 of resources available for central core work of the charity made up of the excess of current liabilities over the unrestricted investments and current assets.

16 Pension costs

The Charity operates a defined benefit scheme whose assets are held separately from those of the charity and are independently administered.

The scheme provides benefits based on final pensionable pay and is fully funded. Contributions to the scheme were determined by a professionally qualified actuary and are charged so as to spread the cost of pensions over employees' working lives with the charity.

The pension charge for the year was:

1997	£108,441	being 10.7% of pension scheme members' salary to July 1997 and 10.9% from August 1997
1996	£115,672	being 10.7% of pension scheme members' salary

Employees contribute a further 5% of salaries

The latest scheme valuation was carried out at 30 September 1997 using the Projected Unit method. In the provisional report the main actuarial assumptions were:

- Interest rates of 8.25% per annum
- Pensionable salaries increased by 6% per annum
- A dividend growth rate of 4% per annum
- An increase in pension of 3.5% per annum
- Members eligible to retire at 60 will all do so.

At the date of the valuation the actuarial value of the assets was £1,223,000 being 120% of the liabilities of the scheme based on final projected pensionable salaries.

Treasurer's Report

For the year ended 31 December 1997

Core funding still under pressure

This is my ninth and final report and in my last year as treasurer I wish that I could have reassured members that the projected recovery in the Arthritis Care's accumulating operating deficit had been achieved during 1997.

Regrettably this has not been the case. Total resources spent from unrestricted funds increased by almost £300,000 whilst core income in our golden anniversary year remained static at £4.5m.

However, restricted funds achieved a surplus of £279,000 and during the year, statutory grants increased by £272,000, a growth of more than 50 per cent in funding towards the project services provided for people with arthritis.

Nevertheless the charity's success in this field imposes its own pressures on our resources, both human and financial, and these problems are currently being addressed to make sure an increased contribution to core costs is built into future project funded applications.

This highlights the need to establish an audit committee within the charity. Such a committee would investigate the management of costs along with the value of various services which Arthritis Care offers. I hope that my successor will consider its implementation early in his term of office.

I am pleased to report an increase of almost £250,000 in donations to unrestricted funds. However, legacies received during the year show no increase on 1996 and members' subscriptions received both by branches and centrally fell by £25,000 in a year when the subscription was raised by £1.

In the circumstances I would appeal to all branch and group treasurers to make sure that they remit the appropriate 50 per cent of all subscriptions received to central office on time, this being the only financial levy made upon locally run groups. Central office has a similar role to perform by improving the collection of subscriptions which are paid direct.

Because of the nationwide golden anniversary appeal, no special appeals were mounted in 1997, and the amount raised and applied to unrestricted funds was £504,000. The trading subsidiary successfully secured valuable sponsorship increasing its revenue for the year by more than £50,000 compared with the previous year.

Resources spent have been closely monitored by the board of trustees. A reduction of £145,000 in regional support reflects a full year's savings in the reorganisation of regional services. However, total hotel expenditure has risen by £200,000, and with escalating costs at Waring Bowen House, coupled with

declining bookings, the Trustees arrived at a most difficult decision of closing down the hotel in January 1998.

Following a decision made the previous year, Carlisle House, our former residential home, was sold. Efforts to secure a commercial buyer were unsuccessful. The home was sold to another charity at below the market value, with the approval of the Charity Commissioners in order to protect the interests of the residents. This resulted in a loss of £140,000.

The deficit on net outgoings of £325,000 has meant that the charity's unrestricted funds have been depleted further. We have also suffered a fall of £48,000 in liquid reserves and there is a deficit of £25,000 of resources available for the central core work of the charity. Against this background, the budget for 1998 has been pruned severely with the aim of achieving a break-even position by this year end.

In closing, I wish to thank everyone for their support during my term as chairman of the finance and general purposes committee, and I must single out Liz Kwantes, my co-treasurer for the exceptional commitment and professional expertise she has given to Arthritis Care.

Robert D Pearce