

Arthritis Care

A company limited by guarantee



ARTHRITIS CARE

*Empowering
people with arthritis.*

Report and Financial Statements

Year ended: 31 December 2002

Charity No. 206563
Company No. 529321



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Legal and administrative information

Report of the trustees

for the year ended 31 December 2002

Trustees, officers and professional advisors

President:	The Duke of Westminster
Patron:	The Hon Sir Angus Ogilvy
Chair:	Terry Oliver
Vice chair:	Patricia Field
Joint treasurer:	Henry Wilson
Joint treasurer:	Roy Whithear
Trustees:	Rosemary Blair Marj Burden Mary Cowern Mark Doughty David Doyle Rubina Hassanali Richard Hull Gordon MacGillivray (until July 2002) Norma MacDonald (from July 2002) Stephen Maguire Margaret Murray Marianne Scobie Lesley Ann Scott Norman Shakesby
Chief executive:	William Butler
Company secretary & director of resources:	Elizabeth Lendering
Auditors:	Sayer Vincent 8 Angel Gate City Road London EC1V 2SJ
Bankers:	National Westminster Bank (Royal Bank of Scotland Group) Corporate Banking London 9th Floor, 280 Bishopsgate London EC2M 4RB
Solicitors:	Pothecary and Barratt White Horse Court North Street Bishops Stortford CM23 2LD
Investment advisers:	Gerrard Ltd Old Mutual Place 2 Lambeth Hill London EC4V 4GG

The trustees, who are also the directors of the charity for the purposes of the Companies Act, submit their report and audited financial statements for the year ended 31st December 2002.

Arthritis Care is a charitable company limited by guarantee and was set up in 1947. It is governed by a memorandum and articles of association, which were last amended on 8th September 2001. The charity's objects are to carry out activities with the overall aim of working with and for all people with arthritis to promote their health, quality of life and independence through services, support, self-help, information and influence.

Arthritis Care's Vision is of a society where people with arthritis have equality of opportunity and full social inclusion. To achieve this aim the charity has identified five strategic priorities:

■ Representation

■ Information and support

■ Training

■ Inclusion

■ Striving for Success.

A snapshot of some key achievements of the year is detailed below. The Arthritis Care Annual Review 2002 provides a fuller picture of our five strategic priorities, how our services are meeting these priorities, our achievements in the year and the impact of our achievements.

Arthritis Care is the UK's largest voluntary organisation working with and for all people with arthritis. People with arthritis are at the centre of what Arthritis Care does and play a leading role in the organisation as volunteers, trustees and staff. Arthritis Care's work is informed every step of the way by people with arthritis throughout the UK.

Review of activities and future developments

The Statement of Financial Activities for the year is set out on pages 6 and 7 of the financial statements. A summary of the financial results and comments on particular aspects of the work of the charity are set out below.

Results, looking back over 2002

Unrestricted Funds

This year Arthritis Care underwent great change, restructuring the staffing in our offices in Scotland, Wales, Northern Ireland and the four English regions as well as in the UK office in London. Our new structure features staff that specialise in particular areas that correspond to our five strategic priorities. We now have a staffing team covering training, information, volunteer support and campaigning. Our work with young people and other groups is now incorporated within these specialist functions.

Report of the trustees

for the year ended 31 December 2002

The restructuring was a significant investment in time and resources and we are now a healthier and fitter organisation able to reach more people with arthritis. To support the organisational restructure, the trustees set a budget allowing us to draw on our unrestricted reserves up to a level of £860,000. This took place during a time when the investment portfolio was also experiencing significant losses: £213,000 in the year. Potentially, our reserves could have been depleted by over £1 million. It is relatively pleasing, therefore, to report that the deficit for the year on unrestricted funds was contained to £486,000. This result is a combination of increased income (up £648,000 in the year) and contained expenditure (up just £122,000 in the year).

The unrestricted liquid reserves as detailed in Note 16 are reduced to £842k (in 2001: £1.3 million).

Restricted Funds

These fund projects and the work of the branch network. The total increase in income from the previous year was a spectacular £2.3 million. Arthritis Care's expenditure has increased in line with income but additionally these funds were also hit by the performance of the investment portfolio which lost £93,000 in the year.

Projects

The most notable project supported by these funds was the outstandingly successful information campaign. A staggering 380,000 people reached out to us for information. This one-off campaign accounted for £2.2 million of the £3.6 million project funds. We were also able to increase activities in all areas of service provision. Our campaigning successes have included the Welsh health minister citing Arthritis Care's persuasive influence in her speech announcing a national arthritis strategy for Wales, with expectations of a similar strategy being adopted by the Scottish Parliament and a Northern Ireland Assembly. The Westminster parliament has the support of over half of all elected members of parliament for an early day motion supporting increased provision of services for people with arthritis. Income on projects exceeded expenditure in the year adding another £94,000 to project funds. A summary of project funds can be found in Note 14, this note is supported by a fuller breakdown of all projects which can be found in Appendix A.

Branches

Overall, Branches spent marginally more than they received in income: their total income was £2.4 million and their total expenditure £2.7 million but, as a grouping, they still have significant reserves available to them: £5.6 million at the year end. The distribution of these reserves between the branches though is uneven and many of the 583 voluntary run branches, groups and committees have some difficulty in surviving from year to year. We are very happy to announce that we have received an Annual Branch Return for every active branch bar one this year, these results show the outstanding amount of work done through our local branch network made up of

volunteers. A fuller picture of the income and expenditure of our local branch network can be found in Note 4.

Looking forward

The strategic framework launched at the Annual General meeting in July 2002 set out the priorities for the five years to 2007. The next four years will see a consolidation of our position. We aim to secure funding ensuring the continued support and development of our key priorities of representation, information and support, training, inclusion. We are in the fortunate position of having a wealth of knowledge and personal experience of arthritis amongst our volunteers, trustees and staff team. This rich seam of knowledge will continue to inform the focus of our service delivery and advocacy.

Investment policy and returns

Investment decisions for the centrally administered investments are taken by the investment managers within the investment mandate set by the trustees, as permitted by an Order of the Charity Commission under section 26 of the Charities Act 1993. Reports are received on a quarterly basis from the investment managers.

The overriding aim is to maintain the real value of the capital through long-term investment, while also providing a rising level of income. During the year the investment managers with the approval of the trustees agreed to move increasingly into collective funds and away from single equity investments. The small number of branches with large investment portfolios must comply with the charity's investment policy as set by the Board of Trustees. For smaller investments most branches use high interest deposit accounts or other risk free investments, most usually National Savings income bonds and accounts.

In common with most other charities with investment portfolios, Arthritis Care has suffered a serious diminution in the values of its holdings. The Trustees are concerned with the effect this has on the overall financial stability of the organisation. However, as the charity does not rely on the investment portfolios to fund current activities they have decided to retain the current weighting of asset allocation in the hope that the market will settle in the near future. This matter is reviewed systematically with the charity's investment advisors.

Arthritis Care (Trading) Ltd

The charity's wholly owned trading subsidiary gifted a total of £83,000 to the charity. This was earned from merchandising, sponsorship from pharmaceutical companies and through consultancy income. The trustees continue to review the future role of the trading subsidiary with a view to ensuring that the charity has the most effective arrangements in place for maximising tax relief and for complying with legal requirements.

Report of the trustees

for the year ended 31 December 2002

Reserves Policy

In support of the strategic objective of achieving financial security for the organisation, the trustees will completely review the policies of the charity including the branches. The aim of the review is to ensure that the policy meets the charity's needs namely: the needs of current and future beneficiaries, sufficient to cover known liabilities, sufficient to cover contingencies, to allow for the development of future plans and to be no more than is needed. During the review period we will continue to follow the established policy: to have liquid reserves equivalent to six months unrestricted running costs. Unrestricted liquid reserves stood at £842,000 at the year-end, the equivalent of just under 2 months unrestricted running costs. The trustees are working hard to develop a robust long-term income generation strategy and are continuing to streamline costs.

In respect of restricted funds held by local branches and groups, it is the trustees recommended policy that reserves equivalent to two years running costs should be aimed for. Regular meetings are continuing with representatives of the branches with the greatest reserves as to how funds in excess of two years running costs can best be used locally for people with arthritis within a business planning approach. This year saw a utilisation of these locally held reserves supporting the ongoing work of the charity.

The charity has a number of designated funds and reserves represented by investments and fixed assets. The purpose of these funds is detailed in Note 17 of the financial statements. The designated legacy reserve was transferred back to general funds as it was not adding value to the budgeting and planning process. The trustees maintain the policy of using a seven-year rolling average to budget for legacies.

Changes in fixed assets

The movements in tangible fixed assets during the year are set out in Note 8 of the financial statements. There have been no significant changes in tangible fixed assets.

Governance and internal control

Within the requirement of Company Law that the membership in general meeting appoints the directors, the composition of the board of trustees reflects the user-involvement ethos and devolved structure that underpins the work of the charity. Each of the seven national/regional committees elects one of their number (two in the case of Scotland) to serve as a trustee for three years. The National Committee of Young Arthritis Care also elects one of its members to serve as a trustee and, in addition, five trustees are directly elected by the membership to serve for three years.

On a three yearly basis, the board elects from its membership a trustee to serve as chair of the charity and a vice-chair. The honorary officer positions of joint treasurers are filled by a recommendation of the board to the membership in annual general meeting and serve for three years at a time. The board

also has the power to co-opt two others to serve as trustees for three years. A majority of the current board are people with personal experience of arthritis.

During the year a governance working party was established to consider national and regional committee roles and responsibilities. Two new committees have been established to increase trustees' involvement in key areas of Governance Strategy since the year end. The two committees cover between them the financial, physical and human resources and the public policy, campaigning and external publications of the charity. The audit committee has been re-established with new terms of reference covering the governance overview of the effectiveness and efficiency of the charity's corporate and organisational practices.

The board now meets in full session on at least four occasions during the year and delegates a number of its governance functions to appropriate committees, including an operations and resources committee, a public affairs committee and an audit committee. These committees are further supported by advisory groups made up of trustees and other individuals who advise on pensions, medical advice and young persons.

Risk Management

In 2002 we continued to address risks identified in our total risk assessment report. All risks identified on the risk register have received attention. This year we have set up a completely new committee structure, to improve trustee involvement in key areas of the charity. Last year we received an audit qualification due to a significant number of branches failing to submit year-end returns. A concerted effort by staff and trustees to support all branches in preparing their financial returns has resulted in an almost 100% return rate in 2002. New Branch Treasurers and Secretaries handbooks are being developed to further support the local branch network in fulfilling their legal and financial responsibilities. Looking forward the trustees are currently considering undertaking a scoping exercise to determine the focus of internal audit services.

Volunteers

The charity is grateful for the unstinting efforts of its appointed and elected volunteers who are involved in service provision and fundraising. Action is being taken to increase the level of support given to our volunteers at all levels to ensure that best value is derived from their sterling efforts.

Employee involvement and employment of disabled people

Employees have been consulted on issues of concern to them by means of regular staff meetings and kept informed directly by management on specific matters. The charity has a recognition agreement with AMICUS and meets regularly with staff representatives through a Joint Negotiating Committee.

A system of regular supervision and annual appraisal provides

Report of the trustees

for the year ended 31 December 2002

further opportunities for staff to raise any concerns, and the charity has implemented (and is developing further) policies in relation to all aspects of personnel matters including - equal opportunities, volunteering and health and safety policies.

In accordance with Arthritis Care's equal opportunities policy, the charity has well-established fair employment practices in the recruitment, selection, retention and training of disabled staff. On a recent survey 52% of staff responding answered yes to the question 'Do you have arthritis?'.

Statement of Responsibilities

Company and Charity law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period. In preparing these financial statements, the trustees have:

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

Trustees have overall responsibility for ensuring that the charity has appropriate systems of control, financial and otherwise. They are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity including taking all reasonable steps for the prevention and detection of fraud and other irregularities and to provide reasonable assurance that:

- the charity is operating efficiently and effectively
- its assets are safeguarded against unauthorised use and disposition
- proper records are maintained and financial information used within the charity or for
- publication is reliable
- the charity complies with relevant laws and regulations.

Arthritis Care's systems of internal control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss, and include:

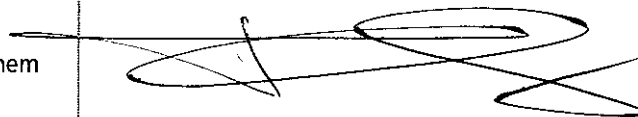
- a strategic plan, business plans and an annual budget approved by trustees

- regular consideration by the trustees of financial results, variance from budgets and non- financial performance indicators
- delegation of authority and segregation of duties
- identification and management of risks.

Appointment of Auditors

A resolution to re-appoint Sayer Vincent as auditors will be proposed to the members at the annual general meeting.

The board approved this report on 10 June 2003.



Terry Oliver
Chair

Independent Auditors' report to the members of Arthritis Care

We have audited the financial statements of Arthritis Care for the year ended 31 December 2002 which comprise the consolidated statement of financial activities, balance sheet, cashflow statement and related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

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

Respective responsibilities of the trustees and auditors

The responsibilities of the trustees (who are also directors of Arthritis Care for the purposes of company law) for preparing the report of the trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of responsibilities of the trustees. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 report of the trustees is not consistent with the financial statements, if the group and charitable company have 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 the trustees' remuneration and transactions with the group and charitable company is not disclosed.

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

Basis of opinion

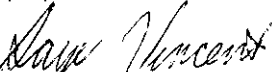
We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of financial statements, and of whether the accounting policies are appropriate to the group and

charitable company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the group and charitable company's state of affairs as at 31 December 2002 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


SAYER VINCENT

Chartered accountants & registered auditors
London

28 August 2003

ARTHRITIS CARE

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(incorporating an Income and Expenditure Account) for the Year Ended 31 December 2002

		2002			2001 Restated		
		Unrestricted Funds	Restricted Funds	Total	Unrestricted Funds	Restricted Funds	Total
	Notes	£'000	£'000	£'000	£'000	£'000	£'000
Incoming Resources							
Membership subscriptions		205	71	276	211	90	301
Donations	2	1,142	–	1,142	914	–	914
Legacies	3	2,259	603	2,862	2,050	410	2,460
<i>Activities in furtherance of the charity's objects</i>							
Training and Service development		–	502	502	–	477	477
Regional Services and Projects		337	445	782	147	506	653
Branch Donations	4	–	1,608	1,608	–	1,630	1,630
Hotels		1,393	53	1,446	1,347	39	1,386
Public Policy and Information		–	2,482	2,482	1	228	229
Publications		221	–	221	144	–	144
<i>Activities for generating funds</i>							
Investment income		54	148	202	62	192	254
Income of trading subsidiary	6	81	100	181	168	100	268
Gains on sale of fixed assets		–	–	–	–	19	19
Total Incoming Resources		5,692	6,012	11,704	5,044	3,691	8,735
Resources Expended							
<i>Costs of generating funds</i>							
Fundraising costs	7	611	–	611	815	97	912
Expenditure of trading subsidiary	6 & 7	93	–	93	136	–	136
		704	–	704	951	97	1,048
Charitable expenditure							
<i>Costs of activities in furtherance of the charity's objects</i>							
Training and Service development	7	124	378	502	17	523	540
Regional Services and Projects	7	1,823	572	2,395	1,572	397	1,969
Branches	4 & 7	–	2,663	2,663	–	2,185	2,185
Hotels	7	1,730	78	1,808	1,596	58	1,654
Public Policy and Information	7	374	2,460	2,834	296	239	535
Publications	7	562	–	562	518	–	518
Support costs	7	489	–	489	762	–	762
Management and Administration	7	159	–	159	131	–	131
		5,261	6,151	11,412	4,892	3,402	8,294
Total Resources expended		5,965	6,151	12,116	5,843	3,499	9,342
Net (resources expended)/incoming resources before transfers carried forward		(273)	(139)	(412)	(799)	192	(607)

ARTHRITIS CARE

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES continued

(incorporating an Income and Expenditure Account) for the Year Ended 31 December 2002

	Notes	2002			2001 Restated		
		Unrestricted Funds	Restricted Funds	Total	Unrestricted Funds	Restricted Funds	Total
		£'000	£'000	£'000	£'000	£'000	£'000
Net (resources expended)/incoming resources before transfers brought forward		(273)	(139)	(412)	(799)	192	(607)
Transfers between funds	14 & 15	-	-	-	(60)	60	-
Net (resources expended)/incoming resources		(273)	(139)	(412)	(859)	252	(607)
Net realised (losses)/gains on investment assets	9	(117)	20	(97)	(12)	(36)	(48)
Net Income and expenditure for the year		(390)	(119)	(509)	(871)	216	(655)
Net unrealised losses on investment assets	9 & 16	(96)	(113)	(209)	(227)	(41)	(268)
Net Movement in Funds		(486)	(232)	(718)	(1,098)	175	(923)
Fund balances brought forward at 1 January 2002		4,917	6,346	11,263	6,015	6,171	12,186
Fund balances carried forward at 31 December 2002		4,431	6,114	10,545	4,917	6,346	11,263

All of the above results are derived from continuing activities. All gains and losses recognised in the year are included above.

The loss for the year for Companies Act purposes, comprising the net outgoing resources for the year plus realised losses on investments, was £509K (2001: £655K).

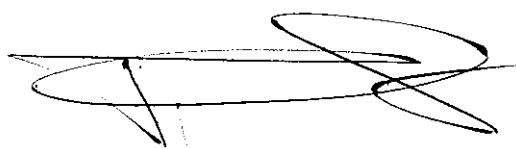
ARTHRITIS CARE

CONSOLIDATED BALANCE SHEET

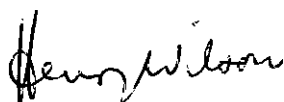
for the Year Ended 31 December 2002

		2002 group				2001 group			
	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Group Total £'000	Charity Total £'000	Unrestricted Funds £'000	Restricted Funds £'000	Group Total £'000	Charity Total £'000
Fixed Assets									
Tangible	8	3,934	68	4,002	4,002	4,052	67	4,119	4,119
Investments	9	915	1,302	2,217	2,217	1,226	1,440	2,666	2,665
		<u>4,849</u>	<u>1,370</u>	<u>6,219</u>	<u>6,219</u>	<u>5,278</u>	<u>1,507</u>	<u>6,785</u>	<u>6,784</u>
Current Assets									
Stocks		34	–	34	18	29	–	29	23
Debtors and prepayments	10	593	44	637	660	549	80	629	631
Cash at bank and in hand:									
held by local committees, branches and groups	11	–	4,208	4,208	4,208	–	4,398	4,398	4,398
held by UK office	11	82	492	574	559	180	361	541	525
		<u>709</u>	<u>4,744</u>	<u>5,453</u>	<u>5,445</u>	<u>758</u>	<u>4,839</u>	<u>5,597</u>	<u>5,577</u>
Creditors: amounts falling due within one year	12	(782)	–	(782)	(779)	(721)	–	(721)	(700)
Net current assets		<u>(73)</u>	<u>4,744</u>	<u>4,671</u>	<u>4,666</u>	<u>37</u>	<u>4,839</u>	<u>4,876</u>	<u>4,877</u>
Total Assets less Current Liabilities		4,776	6,114	10,890	10,885	5,315	6,346	11,661	11,661
Creditors: amounts falling due after more than one year	13	(345)	–	(345)	(345)	(398)	–	(398)	(398)
Net Assets		<u>4,431</u>	<u>6,114</u>	<u>10,545</u>	<u>10,540</u>	<u>4,917</u>	<u>6,346</u>	<u>11,263</u>	<u>11,263</u>
Funds									
Restricted funds	14	–	6,114	6,114	6,114	–	6,346	6,346	6,346
Unrestricted funds:									
Designated funds	15	3,967	–	3,967	3,967	4,549	–	4,549	4,549
General funds	15	464	–	464	459	368	–	368	368
Total funds		<u>4,431</u>	<u>6,114</u>	<u>10,545</u>	<u>10,540</u>	<u>4,917</u>	<u>6,346</u>	<u>11,263</u>	<u>11,263</u>

The financial statements on pages 6 to 24 were approved by the trustees on 10th June 2003 and signed on their behalf by:



T Oliver (Chair)



H A V Wilson (Joint Treasurer)



Roy Whithear (Joint Treasurer)

ARTHRITIS CARE
CONSOLIDATED CASHFLOW STATEMENT
for the year ended 31 December 2002

	Notes	2002			2001 restated		
		Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
		Funds £'000	Funds £'000	£'000	Funds £'000	Funds £'000	£'000
Net cash outflow from operating activities	A	(62)	(287)	(349)	(389)	(125)	(514)
Returns on investments and servicing of finance	B	34	148	182	49	192	241
Capital expenditure and investing activities	C	(17)	80	63	(287)	253	(34)
Financing	D	(53)	—	(53)	(73)	—	(73)
Decrease in cash	E & F	<u>(98)</u>	<u>(59)</u>	<u>(157)</u>	<u>(700)</u>	<u>320</u>	<u>(380)</u>

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

	2002			2001		
	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	Funds £'000	Funds £'000	£'000	Funds £'000	Funds £'000	£'000
A. Reconciliation of operating losses to net cash outflow from operating activities						
Net (outgoing)/incoming resources	(273)	(139)	(412)	(799)	192	(607)
Net investment income	(32)	(148)	(180)	(32)	(192)	(224)
Changes in resources before revaluation	(305)	(287)	(592)	(831)	—	(831)
Gifts in kind (investments)	—	—	—	—	(111)	(111)
Depreciation	160	36	196	205	41	246
(Increase) in stocks	(5)	—	(5)	(7)	—	(7)
(Decrease)/increase in debtors	27	(36)	(9)	199	(36)	163
Increase in creditors	61	—	61	45	—	45
Gain on sale of fixed assets	—	—	—	—	(19)	(19)
Net cash outflow from operating activities	<u>(62)</u>	<u>(287)</u>	<u>(349)</u>	<u>(389)</u>	<u>(125)</u>	<u>(514)</u>
B. Returns on investments and servicing of finance						
Interest and dividends received	54	148	202	79	192	271
Loan interest paid	(20)	—	(20)	(30)	—	(30)
Net cash inflow from returns on investment and servicing of finance	<u>34</u>	<u>148</u>	<u>182</u>	<u>49</u>	<u>192</u>	<u>241</u>
C. Capital expenditure and investing activities						
Purchase of tangible fixed assets	(43)	(37)	(80)	(41)	(47)	(88)
Proceeds of sale of tangible fixed assets	—	—	—	—	19	19
Purchases of investments	(858)	(619)	(1477)	(174)	(429)	(603)
Net (decrease)/increase of bank deposits, building society accounts and bonds	(166)	144	(22)	6	—	6
Proceeds from sale of investments	1050	592	1642	(78)	710	632
Net cash (outflow)/inflow from capital expenditure and investing activities	<u>(17)</u>	<u>80</u>	<u>63</u>	<u>(287)</u>	<u>253</u>	<u>(34)</u>

ARTHRITIS CARE
CONSOLIDATED CASH FLOW STATEMENT
for the Year Ended 31 December 2002

D. Financing

	2002			2001		
	Unrestricted Funds £'000	Restricted Funds £'000	Total £'000	Unrestricted Funds £'000	Restricted Funds £'000	Total £'000
Finance lease payments	(14)	–	(14)	(26)	–	(26)
Repayment of longterm loan	(39)	–	(39)	(47)	–	(47)
Net cash (outflow) from debt financing	<u>(53)</u>	<u>–</u>	<u>(53)</u>	<u>(73)</u>	<u>–</u>	<u>(73)</u>

**E. Reconciliation of net cash flow
to movement in net cash funds**

(Decrease)/increase in cash in the period	(98)	(59)	(157)	(700)	320	(380)
Cash outflow from debt financing	<u>53</u>	<u>–</u>	<u>53</u>	<u>73</u>	<u>–</u>	<u>73</u>
Movement in cash funds in the year	(45)	(59)	(104)	(627)	320	(307)
Net cash funds as at 1 January 2002	(274)	4759	4485	353	4439	4792
Net cash funds as at 31 December 2002	<u>(319)</u>	<u>4700</u>	<u>4381</u>	<u>(274)</u>	<u>4759</u>	<u>4485</u>

F. Analysis of changes in net cash funds

	At 1 Jan 2002 £'000	Cash Flow £'000	At 31 Dec 2002 £'000	At 1 Jan 2001 £'000	Cash Flow £'000	At 31 Dec 2001 £'000
Restricted Funds:						
Held by branches	4398	(190)	4208	4211	187	4398
Held centrally	<u>361</u>	<u>131</u>	<u>492</u>	<u>228</u>	<u>133</u>	<u>361</u>
	<u>4759</u>	<u>(59)</u>	<u>4700</u>	<u>4439</u>	<u>320</u>	<u>4759</u>
Unrestricted Funds:						
Held centrally	180	(98)	82	880	(700)	180
Bank Loan - repayable within one year	(42)	1	(41)	(30)	(12)	(42)
repayable after one year	<u>(383)</u>	<u>38</u>	<u>(345)</u>	<u>(442)</u>	<u>59</u>	<u>(383)</u>
Finance leases-repayable within one year	(14)	(1)	(15)	(16)	2	(14)
repayable after one year	<u>(15)</u>	<u>15</u>	<u>–</u>	<u>(39)</u>	<u>24</u>	<u>(15)</u>
	<u>(274)</u>	<u>(45)</u>	<u>(319)</u>	<u>353</u>	<u>(627)</u>	<u>(274)</u>
Net cash funds	<u>4485</u>	<u>(104)</u>	<u>4381</u>	<u>4792</u>	<u>(307)</u>	<u>4485</u>

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

1. Accounting policies

(a) Accounting convention

The financial statements of the Group have been prepared under the historical cost convention, with the exception of investments and freehold properties which are included at valuation. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), *Accounting and Reporting by Charities* published in October 2000 and applicable accounting standards.

(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 UK office, regional services and hotels. The local committee, branch and group figures have been compiled from returns by local treasurers made up to 31 October 2002. The figures for the Arthritis Care Group comprise the Charity and its subsidiary trading company, Arthritis Care (Trading) Limited.

Exemption under Section 230 of the Companies Act 1985 and paragraph 304 of the SORP has been applied and an individual profit and loss account of the parent company has not been prepared. The deficiency of the parent company for the year was £806K (2001 £1,055K deficiency).

(c) Company Status

The charity is a company limited by guarantee and not having a share capital.

In the event of the charity being wound up, each member of the board and member of the charity guarantee to pay the sum of £1.

(d) Fund accounting

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes. Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in note 15.

Restricted funds are funds which have to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund.

(e) Incoming Resources

All incoming resources are included in the Statement of Financial Activities (SOFA) when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

(i) Legacy income is recognised when it is considered certain. In practice legacies are accrued for when receipt is made in the post balance sheet period.

(ii) Grants awarded including grants for equipment are included in the financial statements at the time the grant is received or the conditions of grant have been met.

(f) Depreciation of tangible fixed assets

Fixed assets, with the exception of freehold land and buildings, are stated at cost and depreciated on a straight line basis at rates calculated to write off the cost over their expected useful economic lives as follows:

The valuation bases for freehold land and buildings are given in note 8.

Freehold land	Nil
Freehold buildings	over 50 years
Office equipment	over 3 years
Motor vehicles	over 4 years
Self Catering Units	over 10 years

With the exception of computer equipment, fixed assets with an individual cost of less than £3,000 are written off in the year of purchase.

Fixtures and fittings which have been fully depreciated, are written out of the accounts one year later.

(g) 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.

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

(h) Listed Investments

Listed investments are stated at market value at the balance sheet date. The SOFA includes the realised and unrealised gains and losses arising on disposals and revaluations throughout the year.

(i) Pension Costs

The Charity operates a defined benefits scheme on behalf of its employees. Pension contributions are charged to the income and expenditure account for the year in which they are payable to the scheme.

The Charity is following the transitional requirements of FRS 17 and the pension charge has been calculated in accordance with SSAP 24 as in previous years. (please see note 17)

(j) Resources Expended

All expenditure is accounted for on an accruals basis and has been summarised under activities. Where costs cannot be directly attributed to particular activities they have been allocated in proportion to the estimated usage that each activity makes of the resources using staff time as the basis of apportionment.

(i) The cost of generating funds is the direct cost spent on fundraising activity including the trading company expenditure. A proportion of central support costs is allocated to the cost of generating funds.

(ii) Expenditure not apportioned under an activity relates to the central administration cost of the general management of the charity and is classed as support costs.

(iii) The management and administration costs comprise the direct costs of and an apportionment of staff time spent on attaining compliance with constitutional and statutory requirements

(k) Finance and Operating leases

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred. Assets purchased under finance leases are capitalised as fixed assets. Obligations under such agreements are included in creditors. The difference between the capitalised cost and the total obligation under the lease represents the finance charges. Finance charges are written off to the SOFA over the period of the lease so as to produce a constant periodic rate of charge.

2. Donations

	2002			2001 Restated		
	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Direct mail	608	–	608	576	–	576
Other donations	534	–	534	338	–	338
	<u>1,142</u>	<u>–</u>	<u>1,142</u>	<u>914</u>	<u>–</u>	<u>914</u>

The 2001 comparatives are restated reassigning those donations received for regional services and projects.

3. Legacies

	2002			2001		
	Unrestricted £000	Restricted £000	Total £000	Unrestricted £000	Restricted £000	Total £000
Accrued legacies 1 January	(396)	–	(396)	(428)	–	(428)
Legacies received during year	2,206	603	2,809	2,082	410	2,492
Legacies accrued 31 December	449	–	449	396	–	396
	<u>2,259</u>	<u>603</u>	<u>2,862</u>	<u>2,050</u>	<u>410</u>	<u>2,460</u>

At 31st December 2002 there were 89 wills in progress with the estimated value of £935K (2001: 88 wills estimated value £780K).

Thirty wills with the estimated value of £486K have not been recognised as we are unable to confirm their receipt or quantify the value with reasonable accuracy.

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

4. Branches

The 2001 comparative figures have been restated, following receipt of more detailed supporting information.

	2002 Restricted Total £000	2001 Restated Restricted Total £000
Incoming Resources		
Membership	71	90
Branch Donations	1,608	1,630
Legacies	603	410
Gains on disposal of fixed assets	—	19
Investment Income	148	192
Total Incoming Resources	2,430	2,341
Resources Expended		
Grants	27	88
Welfare	1,330	1,207
Administration	399	385
Other	871	464
Sub Total	2,627	2,144
Depreciation	36	41
Total Resources expended	2,663	2,185
Net (resources expended)/incoming resources	(233)	156
Net realised (losses)/gains/ on investment assets	20	(36)
Net Income and expenditure for the year	(213)	120
Net unrealised losses on investment assets	(113)	(41)
Net Movement in Funds	(326)	79

5. Staff Costs

	2002 £'000	2001 £'000
Emoluments of employees.		
Gross pay	3,335	3,361
Social security costs	241	239
Other pension costs	274	231
Payments to agencies or similar for temporary help.	101	182
Compensation and redundancy	102	70
	4,053	4,083

One employee (2001: one) was paid emoluments in the band £60,000 to £69,999. No other employee earned more than £50,000.

The employee earning more than £50,000 participated in the pension scheme.

The average number of persons employed during the year was:

	Total	Central	Regions	Hotels
Number of employees (2001: 276)	234	59	103	72
Full time equivalent				
2002	167	50	68	49
2001	191	48	79	64

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

6. 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 services and corporate sponsorship. The net profit is gifted to the charity.

A summary of the results of the subsidiary is shown below:

	2002	2001
	£'000	£'000
Turnover	181	268
Cost of sales	90	113
Gross profit	91	155
Expenses	3	23
Net profit	88	132
Amount covenanted to the charity	83	132
Profit on ordinary activities after taxation	5	—
Reserves brought forward	—	—
Reserves carried forward	5	—

Current assets and liabilities of the subsidiary as at 31st December 2002 were as follows:

	2002	2001
	£'000	£'000
Current Assets		
Stock	16	6
Debtors	10	70
Cash	15	16
	41	92
Creditors		
Creditors less than one year	(36)	(92)
Net Current Assets	5	—
Profit and loss account	5	—

Called up share capital is £252 (2001: £252)

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

7. Analysis of total resources expended (Combined unrestricted and restricted)

	2002										2001
	Fund raising	Expenditure of Trading company	Training and Service development	Regional Services & Projects	Branches	Hotels	Public Policy & Information	Publications	Support costs	Management & Admin.	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Staff Pay (note 5)	174	28	257	1,638	-	1,072	463	170	176	75	4,083
Staff recruitment & training	-	-	8	81	-	11	9	5	13	-	261
Staff travelling	3	2	46	171	-	11	26	1	5	1	58
Volunteers expenses	3	1	58	51	-	-	2	-	1	-	264
Committee expenses	-	-	-	14	-	-	-	-	-	23	37
Postage and telephone	4	-	29	72	-	24	1,017	9	35	-	1,190
Office printing and stationery	-	8	13	40	-	22	29	4	(5)	1	123
Premises costs	-	-	4	65	-	96	-	-	21	-	100
Equipment costs	-	-	11	30	-	69	15	4	9	-	114
Advertising	19	-	3	9	-	1	1,061	-	-	-	37
Professional fees inc. audit	27	4	5	46	-	13	45	12	39	54	237
Database and IT outsourcing	41	-	1	31	-	8	1	32	(12)	-	123
Insurance	-	-	-	1	-	30	-	-	41	-	10
Publications Production	-	-	1	-	-	-	-	318	-	-	140
Direct mail, legacy, events & other	286	-	-	-	-	-	-	-	-	-	281
Purchases for resale	-	46	-	-	-	-	-	-	-	-	51
Catering	-	-	1	1	-	170	1	1	3	-	171
Other hotel direct costs	-	-	-	-	-	147	-	-	-	-	137
Branch expenses (note 4)	-	-	-	-	2,627	-	-	-	-	-	2,144
Miscellaneous	54	4	61	144	-	85	161	2	43	5	534
Depreciation	-	-	4	1	36	49	4	4	98	-	246
Loan interest	-	-	-	-	-	-	-	-	22	-	30
	611	93	502	2,395	2,663	1,808	2,834	562	489	159	9,342
											12,116

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

7. Analysis of total resources expended (Combined unrestricted and restricted) (continued)

Total resources expended is arrived at after charging the following:

	2002	2001
	Total	Total
	£000	£000
Depreciation charge on tangible fixed assets (owned)	178	228
Depreciation charge on tangible fixed assets (leased)	18	18
Interest payable on bank loan	22	30
Interest payable on finance leases	3	3
Operating lease costs land & buildings	63	34
Auditors remuneration for audit services	28	30
Auditors remuneration for audit services under provision prior year	4	1
Auditors remuneration for other services	13	4

Trustees receive no remuneration for their services in that capacity. Fifteen trustees (2001 seventeen) have been reimbursed for travel expenses incurred carrying out their activities as trustees at a cost of £20,791(2001 £16,098)

Premiums of £6,300 (2001 £3,730) have been paid on a professional indemnity policy to protect the charity, trustees and employees from loss arising from neglect or defaults of the trustees or employees.

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

8. Tangible Fixed Assets Group and Charity

	Properties Freehold	Fixtures & Equipment	Motor Vehicles	Total	Leaseholds	Catering Units	Fixtures & Equipment	Motor Vehicles	Total	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost/Valuation										
At 1 January 2002	4,074	420	221	4,715	5	94	13	329	441	5,156
Additions	21	13	8	42	-	-	8	29	37	79
Disposals	-	-	-	-	-	-	-	(8)	(8)	(8)
Write off nil book values	-	(44)	(84)	(128)	-	-	-	-	-	(128)
At 31 December 2002	4,095	389	145	4,629	5	94	21	350	470	5,099
Depreciation										
At 1 January 2002	125	333	205	663	5	69	13	287	374	1,037
Charge for year	63	79	18	160	-	3	3	30	36	196
Disposals	-	-	-	-	-	-	-	(8)	(8)	(8)
Write off nil book values	-	(44)	(84)	(128)	-	-	-	-	-	(128)
At 31 December 2002	188	368	139	695	5	72	16	309	402	1,097
Net Book Value										
At 31 December 2002	3,907	21	6	3,934	-	22	5	41	68	4,002
At 31 December 2001	3,949	87	16	4,052	-	25	-	42	67	4,119

Valuation of freehold properties

Hotels were valued in 1999 by Christie and Co chartered surveyor, valuer and agent on a resale basis.

Patterson Lodge was valued in 1999 by Meadows Chartered Surveyors on an open market value basis.

The Patterson Lodge building is leased for 20 years from February 1995 to Arthritis Care Abbeyfield (Devon) Society Limited which pays rental income which is used to fund repairs and improvements. The surplus funds are held in a designated reserve. (see note 15).

The London Office was a directors valuation based on the market value of a similar property in the same street.

The trustees believe there has been no permanent diminution in value since this valuation.

Fixed asset given as security for Loan

There is a fixed charge of the London Office, NW1 securing the outstanding mortgage of £385,833.

Fixed assets held under finance lease

Included in fixtures and equipment are assets with a Net book value of £nil which are held under finance leases. (2001: £18,202)

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

9. Fixed Asset Investments

	Unrestricted		Restricted		Total 2002		Total 2001	
	Market Value	Cost	Market Value	Cost	Market Value	Cost	Market Value	Cost
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Quoted Investments at market value								
UK government securities	120	119	60	95	180	214	241	235
Other listed stocks and shares	661	799	1,101	1,024	1,762	1,823	2,172	2,135
	<u>781</u>	<u>918</u>	<u>1,161</u>	<u>1,119</u>	<u>1,942</u>	<u>2,037</u>	<u>2,413</u>	<u>2,370</u>
National savings, bank deposits and building society accounts.	134		141		275		253	
Total for Group	<u>915</u>		<u>1,302</u>		<u>2,217</u>		<u>2,666</u>	
Total for Charity	<u>915</u>		<u>1,302</u>		<u>2,217</u>		<u>2,665</u>	

The charity owns 100% of the issued share capital with a nominal value of £252 in its subsidiary undertaking.

Movement in quoted investments

	Unrestricted		Restricted		Total 2002	
	£'000	£'000	£'000	£'000	£'000	£'000
Market value as at 31st December 2001		1,186		1,227		2,413
Less: Disposals at opening book value						
Proceeds	1,050		592		1,642	
Loss/(Gain) on sale	<u>117</u>		<u>(20)</u>		<u>97</u>	
		1,167		572		1,739
Add:						
Acquisitions at cost	858		619		1,477	
Net losses on revaluation	<u>(96)</u>		<u>(113)</u>		<u>(209)</u>	
		762		506		1,268
Market valuation as at 31st December 2002	<u>781</u>		<u>1,161</u>		<u>1,942</u>	

10. Debtors

	2002		2001	
	Group	Charity	Group	Charity
	£'000	£'000	£'000	£'000
Trade debtors	57	47	73	4
Accrued Legacies	449	449	396	396
Tax recoverable	80	80	13	13
Other debtors	16	16	20	20
Amount due from subsidiary undertaking	-	33	-	71
Accrued income	35	35	127	127
Total	<u>637</u>	<u>660</u>	<u>629</u>	<u>631</u>

The figure for accrued income represents grants to be received for work already carried out. The figure for tax recoverable is the tax due for immediate repayment.

11. Cash at bank and in hand

	2002		2001	
	Group	Charity	Group	Charity
	£'000	£'000	£'000	£'000
Held by:-				
Local committees, branches and groups	4,208	4,208	4,398	4,398
Central office	559	559	525	525
Subsidiary undertaking	<u>15</u>	<u>-</u>	<u>16</u>	<u>-</u>
Total	<u>4,782</u>	<u>4,767</u>	<u>4,939</u>	<u>4,923</u>

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

12. Creditors: amounts falling due within one year

	2002		2001	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Trade creditors	437	434	351	346
Other creditors	179	179	206	201
Bank loan repayable within one year	41	41	42	42
Obligations under finance leases	15	15	14	14
Accruals	110	110	108	97
Total	782	779	721	700

13. Creditors: amounts falling due after more than one year

	2002		2001	
	Group £'000	Charity £'000	Group £'000	Charity £'000
Group and Charity				
Bank loan:	345	345	383	383
Obligations under finance leases	—	—	15	15
	345	345	398	398

The bank loan is repayable over the remaining 9 years of the original 20 year loan and secured by a legal mortgage over the property at 18 Stephenson Way, London. Interest is payable at 1.5% over base rate.

14. Restricted Funds

Central & Regional funds:

Central and Regional funds hold donations, grants and other income given for specific purposes. The balances represent amounts which had not been spent at the year end. Full details of funds can be found in appendix A. Fund balances are supported by current assets.

Local committee, branch and group funds

Local committee, branch and group funds are raised and controlled locally for services to people with arthritis in the local area. They are held as restricted funds with the approval of the Charity Commission. Fund balances are supported by cash, investments and fixed assets.

	Balance 1/1/02 £'000	Incoming Resources £'000	Resources Expenditure £'000	Transfers £'000	Balance 31/12/02 £'000
Central & Regional funds:					
Training and Service development	17	602	378	—	241
Regional projects	302	445	572	—	175
Hotels	116	53	78	—	91
Public Policy and Information	6	2,482	2,460	—	28
	441	3,582	3,488	—	535
Local committee, branch and group funds	5,905	2,337	2,663	—	5,579
	6,346	5,919	6,151	—	6,114

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

15. Unrestricted Funds

	Balance 1/1/02	Movement in Funds			Balance 31/12/02
	£'000	New Designations £'000	Utilised/ Realised £'000	Transfers £'000	£'000
Designated					
Capital asset reserve	3,653	–	65	–	3,588
Staff provident fund	7	–	7	6	6
Patterson Lodge fund	14	4	–	–	18
Legacy reserve	532	–	–	(532)	–
Orton Rigg Extension fund	343	12	–	–	355
Total Designated funds	4,549	16	72	(526)	3,967
General Funds	368	5,463	5,893	526	464
Charity Unrestricted funds	4,917	5,479	5,965	–	4,431

Capital asset reserve

The capital asset reserve, being the net book value of unrestricted tangible fixed assets less the long term creditor per note 13, 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.

Staff provident fund

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.

The balance represents the final payment due, which was made in March 2003

Patterson Lodge fund

The Patterson Lodge fund represents annual rentals received from the Arthritis Care Abbeyfield (Devon) Society Ltd that the Trustees have agreed will be used exclusively for repairs/improvements to the property.

Legacy Reserve

The Legacy Reserve was established to assist the Trustees in budgeting on the basis of a seven year average for legacy income. The designated legacy reserve was transferred back to general funds as it was not adding value to the budgeting and planning process. The trustees maintain the policy of using a seven-year rolling average to budget for legacies

Orton Rigg Extension Fund

This fund comprises the net proceeds plus interest from the sale of Waring Bowen House together with other funds allocated for the extension of the Orton Rigg hotel in Poole, Dorset.

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

16. Analysis of Liquid Reserves

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Investments	915	1,302	2,217
Current assets : Stock and debtors	627	44	671
Cash & bank	82	4,700	4,782
Current liabilities	(782)	–	(782)
Liquid Reserves	<u>842</u>	<u>6,046</u>	<u>6,888</u>
Unrealised (losses) gains included above:			
On tangible fixed assets	–	–	–
On investment assets (see below)	(136)	42	(94)
	<u>(136)</u>	<u>42</u>	<u>(94)</u>
Reconciliation of movements in unrealised gains on investment assets:			
Unrealised gains at 1 January 2002	(128)	171	43
Deduct in respect of disposals in year	88	(16)	72
	<u>(40)</u>	<u>155</u>	<u>115</u>
Add: Net (losses)/gains arising on revaluations in year	(96)	(113)	(209)
Unrealised gains at 31 December 2002	<u>(136)</u>	<u>42</u>	<u>(94)</u>

There is a surplus of £842K of liquid resources available for the core work of the charity made up of the excess of unrestricted investments and current assets over current liabilities.

Apart from designations, the charity now has £464K of general funds.

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

17. Retirement Benefits.

a) SSAP 24 Pension Costs

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

The Open Section of the scheme is contracted-out of the state scheme, whereas the closed Section is contracted-in.

The scheme provides benefits based on 1/60th of final pensionable pay multiplied by pensionable service in completed months and years and is fully funded.

The last formal valuation of the scheme was performed as at 30th September 2000 by a professionally qualified actuary. A valuation is due to be made as at 30 September 2003.

The employer has paid contributions to the scheme at the rate of 13% of pensionable salaries over the accounting period. Members have contributed at the rate of 5% of pensionable salaries throughout the accounting period.

Contributions to the scheme are charged so as to spread the cost of pensions over the employees' working lives with the charity.

Pension costs have been recognised in these accounts in line with SSAP24. The pension charge for the year was:

	£'000	
2002	274	being 13% of members' pensionable pay
2001	231	being 10.9% of members' pensionable pay

The employers contribution was increased to 13% from the 1st of January to meet the fund deficit over a period of five years.

b) FRS17 Retirement Benefits

The valuation used for FRS 17 has been based on the most recent actuarial valuation at 30th September 2000 updated to take account the requirements of FRS17.

Financial Assumptions

The financial assumptions used to calculate Scheme liabilities under FRS17 are as follows:

	at 31/12/02	at 31/12/01
	% pa	% pa
Inflation	2.3	2.5
Rate of increase in salaries	4.3	4.5
Rate of Increase in pension payments	2.3	2.5
Discount rate	5.6	5.8

Scheme assets and expected rate of return

The assets in the Scheme and the expected rate of return were:

	at 31/12/02		at 31/12/01	
	Fair Value	Expected Rate of Return	Fair Value	Expected Rate of Return
	£000	%pa	£000	%pa
Equities	1,721	8.60	1,856	7.80
Government bonds	607	4.50	510	5.00
Cash	120	4.00	132	4.00
Total market value of assets	2,448	7.36	2,498	7.00
Present value of scheme liabilities	(3,012)		(2,721)	
Deficit in the scheme and net pension liability	(564)		(223)	

Analysis of movement in deficit

Deficit at beginning of year	(223)
Contributions paid by company	277
Current service costs	(356)
Other finance income	17
Loss in the year	(279)
Deficit at end of year	(564)

Under the provisions of FRS17 the charity is not required to incorporate the pension scheme deficit into the balance sheets of the company and the group at 31st December 2002.

The trustees have reviewed the cost implications of maintaining the current pension scheme. Indicative figures to address the above deficit is a 1 1/2% increase in contributions costing approximately £30K per annum until 31 December 2014, based on the average working lives of scheme members.

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

18. Finance Leases

The company has obligations under finance leases as follows.

	2002	2001
Fixtures and Equipment	£'000	£'000
Within one year	15	14
Between 2 and 5 years	–	15

19. Operating Leases

The company has annual obligations under operating leases as follows.

	2002	2001
Land and Buildings	£'000	£'000
Expiring in less than 1 year	40	6
Expiring between 2 and 5 years	28	5

The increase in obligations is due to regional & national offices transferring from short notice licenced accommodation to leased office accommodation.

20. Patterson Lodge

The Charity is a member holding one £1 share of the Arthritis Care Abbeyfield (Devon) Society Ltd, an Industrial and Provident Society registered on 20th January 1995 under the Industrial and Provident Societies Act 1965 to manage Patterson Lodge as sheltered accommodation for people who have arthritis. The Charity is not a member of the Committee of Management of the Society and as such does not exercise any measure of control. On this basis the Trustees do not consider the Society to represent an associated undertaking and therefore have not included the financial statements of the Society (available for inspection at the Registry of Friendly Societies) in the consolidated financial statements of the Group.

21. Statutory grants and training contracts received

During the year the following discretionary statutory grants were received nationally and are included in service areas under "Activities in furtherance of the charity's objects".

	2002
	£'000
Department of Health:-	
Challenging Arthritis Self Management Programme	43
Community Fund	
UK Committee Public	
Policy & Campaigning MF274830	198
North Anglia Project MF211087	12
Action for Children MF211363	10
East Midlands MF232854	21
London Project MF212620	28
Yorkshire MF214322	(2)
Wales MF232519	32
Northern Ireland MF271693	61
All England MF10005945	177
Aberdeen Council	2
Blackburn & Darwen Primary Care Trust	10
Borders Primary Care Trust	11
Bridge House Estates	15
Carmarthenshire Local Health Group	1
Ceredigion Local Health Group	1
Conwy County Voluntary Council	6
Conwy NHS Trust	6
East Ayrshire Council	1
East Lindsey District Council	1
Subtotal carried forward	634

ARTHRITIS CARE

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 31 December 2002

21. Statutory grants and training contracts received (continued)

	2002 £'000
Subtotal brought forward	634
East Riding Health Authority	5
ELWa	4
Falkirk Council	2
Fife Primary Health Care Trust	2
Forth Valley Health Board	5
Foyle Health & Social Services Trust	2
Glasgow Primary Care Trust	5
Greater Derby Primary Care Trust	8
Inverclyde Council	2
Kennet & North Wiltshire PCT	15
Leven Valley Primary Care Trust	2
Merthyr Tydfil Voluntary Action	7
Mid Surrey Primary Care Trust	14
Norfolk Social Services	1
North East Fife LHCC	3
North Hertfordshire & Stevenage Primary Care Trust	2
Northern Health and Social Services Board	10
Northern Ireland Department of Social Development	17
Nottingham County Council	2
Pembrokeshire Association of Voluntary Organisations	1
Powys Association of Voluntary Organisations	2
Renfrewshire Council	2
Rhondda Cynon Taff Community & Voluntary Action Council	3
Scottish Executive Section 10 (1)	13
Scottish Executive Section Information Technology	4
Scottish Executive Section Volunteering	5
South East Belfast Health and Social Services Trust	3
South East Hertfordshire Primary Care Trust	10
South Wiltshire PCT	9
Tameside Primary Care Trust	2
Walsall West HAZ	2
Welwyn & Hatfield Primary Care Trust	5
West Lothian Council	2
West Lothian NHS	2
West Wiltshire PCT	9
Worcester Social Services	9
	<u>825</u>

Total statutory grants and training contracts received 2001 was £903,829.

A full list can be seen in the Annual Report and Accounts 2001.

Further analysis of grant awards are detailed in Appendix A.

National Lottery Community Fund Grants to Branches

The total figure for grants to branches was £52,060. These were received by branches during the period 1 November 2001 to 31 October 2002. The grants to individual branches are included in Appendix B

Appendix A

Restricted Central & Regional Funds

Project	Balance at 31/12/01	Incoming Resources	Resources Expended	Balance at 31/12/02
Training and service development				
Challenging Arthritis	(17,757)	304,837	308,898	(21,818)
Nottingham Prevention		6,347	–	6,347
Norfolk Carers		1,300	2,187	(887)
Coventry DASH		2,500	–	2,500
Kiddminster DASH		2,500	547	1,953
Leicester DASH		2,500	–	2,500
Nottingham DASH		2,500	486	2,014
Norwich DASH		2,500	–	2,500
Ipswich DASH		2,500	335	2,165
Greater Derby		7,558	–	7,558
Bourne		626	126	500
Healthy Coastal Communities		2,000	–	2,000
Age Concern Peterborough		750	209	541
North East		3,342	–	3,342
North East Burscough		500	–	500
Dumfries & Galloway		71,129	–	71,129
Wiltshire Community Foundation		770	11	759
DASH		14,200	–	14,200
Pain Cycle Carmarthern		1,400	2,098	(698)
Pain Cycle Ceredigion		1,285	–	1,285
CA Rhondda		5,306	5,970	(664)
CA leaders Recruitment		3,603	–	3,603
CA & Pain Cycle Conwy		5,800	2,793	3,007
Powys		1,750	–	1,750
Policy & Campaigns		4,000	–	4,000
Carmarthenshire		7,485	–	7,485
Pembrokeshire		1,000	1,005	(5)
Conwy & Denbyshire		5,600	–	5,600
LSE12		50	–	50
CA Medicor Foundation		15,000	–	15,000
Tameside		2,000	270	1,730
Blackburn & Darwen		10,232	–	10,232
Sefton & Haiventree		5	–	5
Quality of Life Walsall		2,000	–	2,000
East Surrey		14,359	4,266	10,093
Worcester		9,000	–	9,000
Hull & East Riding		4,766	2,335	2,431
London		15,000	–	15,000
Nottingham		2,074	3,583	(1,509)
Northern Ireland CVS		16,886	–	16,886
South East Cheshire		–	189	(189)
Shropshire Prevention		42	–	42
South East Hertfordshire		10,261	–	10,261
Welwyn & Hatfield		4,692	–	4,692
North Herts & Stevenage		1,500	–	1,500
Self help Central England	13,751	11,620	25,371	–
Communications	20,998	–	15,499	5,499
CHAT Alliance	–	16,908	1,462	15,446
	<u>16,992</u>	<u>601,983</u>	<u>377,640</u>	<u>241,335</u>

Appendix A

Restricted Central & Regional Funds (continued)

Project	Balance at 31/12/01	Incoming Resources	Resources Expended	Balance at 31/12/02
Regional & national project				
East Midlands NLCB	3,899	20,711	24,610	-
London Project	23,763	27,843	47,359	4,247
Yourkshire NLCB	12,679	(2,446)	10,233	-
Northern Ireland NLCB	8,021	-	8,021	-
Yorkshire ALC	(6,843)	-	(6,843)	-
Northern Ireland ALC	3,070	-	-	3,070
Positive Futures - Scotland	5,000	-	-	5,000
Positive Futures - Northern Ireland	10,000	4,163	4,105	10,058
Ulster Garden Villiages Youth Project	-	10,000	7,701	2,299
Positive Futures - South East	10,812	22,690	21,294	12,208
TIS - NI-Community involvement	16,268	60,957	55,416	21,809
Empowering People in Wales NLCB	31,184	32,060	59,518	3,726
England Central Office Administration	5,754	3,182	13,531	(4,595)
England North Office Administration	11,628	120	5,065	6,683
N Ireland Office Equipment	(2,240)	2,650	319	91
N Ireland Office Administration	13,678	1,212	5,357	9,533
Scotland Office Move	25,421	39,876	55,865	9,432
England South East Office Equipment	1,670	214	1,769	115
England South East Office Administration	7,108	1,542	7,880	770
England South West Office Administration	17,128	-	2,988	14,140
Wales Office Equipment	529	-	529	-
Wales Office Administration	15,448	442	1,087	14,803
All England Infrastructure	44,784	176,925	165,180	56,529
Scotland Office Administration 1	1,500	-	1,500	-
Scotland Office Administration 2	(844)	15,319	14,512	(37)
UK Office Administration	16,879	-	16,879	-
Positive Future Workshops	1,439	-	1,439	-
Action for children	18,185	10,222	28,407	-
Young Arthritis Care Childrens project	1,426	-	1,426	-
Parents of children	7,584	-	7,584	-
Personal Development in the South East	-	9,504	4,382	5,122
Young Arthritis Care in the South East	(2,178)	7,493	5,315	-
	<u>302,752</u>	<u>444,679</u>	<u>572,428</u>	<u>175,003</u>

Appendix A

Restricted Central & Regional Funds (continued)

Project	Balance at 31/12/01	Incoming Resources	Resources Expended	Balance at 31/12/02
Hotels				
Di Oliver Fund	(797)	4,850	3,803	250
<i>Transport Funds</i>	-	-	-	-
Burnlea	21	-	-	21
New Mayfair	10,447	-	8,000	2,447
Orton Rigg	9,523	-	-	9,523
Lovat Lodge	-	511	-	511
<i>Building Funds</i>				
Burnlea	21,946	8,743	26,238	4,451
Lovat Lodge	11,700	-	1,590	10,110
New Mayfair	(6,245)	-	(6,245)	-
Orton Rigg	40,524	8,000	8,031	40,493
Central Hotel Funds	5,642	4,266	8,188	1,720
Orton Rigg Extension	2,550	-	-	2,550
<i>Amenity Funds</i>				
Burnlea	3,688	3,803	4,557	2,934
Lovat Lodge	4,758	6,344	7,220	3,882
New Mayfair	9,954	9,982	11,038	8,898
Orton Rigg	1,907	6,972	5,735	3,144
	<u>115,618</u>	<u>53,471</u>	<u>78,155</u>	<u>90,934</u>
Public policy and information				
Public Policy & Campaigning	6,768	198,196	192,508	12,456
Website Development	(21,035)	16,875	(4,160)	-
Health Education campaign	-	2,229,679	2,229,679	-
Volunteer Information Outreach	-	-	10,471	(10,471)
Policy & Campaigns Volunteers	-	-	4,011	(4,011)
Information Project - Scotland	-	11,500	-	11,500
Mobile Information Project South East	-	25,745	6,902	18,843
Young Persons Helpline	20,000	-	20,000	-
	<u>5,733</u>	<u>2,481,995</u>	<u>2,459,411</u>	<u>28,317</u>
Total	<u>441,095</u>	<u>3,582,128</u>	<u>3,487,634</u>	<u>535,589</u>

Appendix B

Branch Community Fund and other Grants

Branch	£
Ayr	2,000
Badenoch	1,468
Banbridge	1,448
Bathgate	1,250
Bedford	9,318
Bexley and District	115
Bradford Mid-Way support group	3,067
Bridgnorth and District self-help group	275
Bristol North	250
Bristol West	290
Chandlers Ford and Eastleigh	88
Chessington and Hook	750
Chippenham	500
Clydach	25
Clydebank	743
Coatbridge	800
Cumbernauld	1,050
Derby	1,003
East Kilbride	550
East Midlands Arthritis self-help group	4,531
Folkestone	904
Forest of Dean	1,448
Heysham	400
Hinckley and District self-help group	1,527
Hull (Kingston upon Hull)	1,800
Hyndburn and District	970
Isle of Sheppey	750
Ivel	500
Lincoln	310
Lisnaskea	510
Manchester South	200
North Shropshire	350
Pontypool and District	250
Reigate and District support group	500
Rutherglen and District	235
Skelmersdale	2,000
South Shields	3,800
Southport and District	850
Telford and Wrekin	4,250
Walton-on-the-Naze	350
Wrightington self-help group	125
Ystrad Mynach	510
	52,060

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