

Company no 529321
Charity no 206563
OSCR no SC038693

Arthritis Care
Report and Financial Statements
31 December 2011



sayer vincent

auditors and advisors

Arthritis Care

Reference and administrative details of the charity, its trustees and advisors

For the year ended 31 December 2011

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 31 December 2011. The statements appear in the format required by the Statement of Recommended Practice for Accounting and Reporting by Charities (revised March 2005), the Charities and Trustee Investments (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006. The report and statements also comply with the Charities Act 2011.

Trustees and officers

Patron

Duke of Westminster

President

Jane Asher

Chair

Rosemary Blair

Vice chair

Ann Heaton

Hon Treasurer

Samantha Peters (resigned December 2011)

David Walter (appointed December 2011)

Trustees

Gordon Anderson (appointed February 2011)

Peter Anscombe (appointed July 2011)

Gordon Blyth

Chrystal Carmichael

Susan Cheetham (appointed June 2011)

Edward Copisarow (appointed December 2011)

William Eckhardt (appointed September 2011)

Ann Frye

Steven Goodall (resigned April 2011)

Richard Hull

David Humphreys

Christine Knight

Kathleen Peat (resigned June 2011)

Robert Pickles

Terry Salter (resigned June 2011)

Karen Willson

Chief executive

Neil Betteridge (resigned September 2011)

Susie Parsons (appointed interim CEO October 2011 – March 2012)

Judith Brodie (appointed permanent CEO March 2012)

Company secretary

John Powell (resigned October 2011)

Robin Brady (appointed October 2011, resigned April 2012)

Judith Brodie (appointed April 2012)

Professional advisers

External auditors

Sayer Vincent

8 Angel Gate

City Road

London EC1V 2SJ

Internal auditors (contract ended December 2011)

Parkhill Audit & Consultancy Services

135 Greenford Road

Sudbury Hill

Harrow, HA1 3QN

Bankers

National Westminster Bank (Royal Bank of Scotland Group)

Corporate Banking London

9th Floor, 280 Bishops Gate

London

EC2M 4RB

Solicitors

Russell-Cooke Solicitors

2 Putney Hill

London

SW15 6AB

Investment advisers

UBS AG

1 Curzon Street

London

W1J 5UB

Arthritis Care

Reference and administrative details of the charity, its trustees and advisors

For the year ended 31 December 2011

Principal places of business

Head Office
18 Stephenson Way
London
NW1 2HD
Tel 020 7380 6500

Central England*
Unit 7, Carlton Business Centre
Station Road
Carlton
Nottingham
NG4 3AT
Tel: 0115 952 5522

North England*
Suite 1, Belle Vue Business Centre
Eim Tree Street
Wakefield
WS1 5EQ
Tel 01924 882 150

South England**
18 Stephenson Way
London
NW1 2HD
Tel. 020 7380 6509

Northern Ireland
Unit 4 McCune Building
1 Shore Road
Belfast
BT15 3PG
Tel 028 9078 2940

Scotland
Unit 25A, Anniesland Business Park
242 Netherton Road
Glasgow
G13 1EU
Tel 0141 954 7776

Wales
Arthritis Care in Wales /
Gofal Arthritis yng Nghymru
One Casplan Point
Pierhead Street
Cardiff Bay
CF10 4DQ
Tel 029 204 44155

** closed on 30 April 2012.*

***18 Stephenson Way became the England
Office on 30 April 2012*

Arthritis Care

Report of the trustees

For the year ended 31 December 2011

The trustees present their report and the audited financial statements for the year ended 31 December 2011

Reference and administrative information set out on page 2 forms part of this report. The financial statements comply with current statutory requirements, the memorandum and articles of association and the Statement of Recommended Practice for Accounting and Reporting by Charities (Issued in March 2005)

Our vision

Arthritis Care is working for an inclusive society in which the needs of people living with arthritis are fully recognised, respected and met.

Our mission

To provide immediate practical support and campaign for a better deal for people living with arthritis

Our strategic objectives

- To provide excellent services which help people living with arthritis with self-management of their condition
- To influence public policy and service provision to secure a better deal for people living with arthritis.
- To engage people living with arthritis in the work of Arthritis Care
- To develop Arthritis Care as an efficient and effective organisation that is fit for purpose.

Making a difference

In our efforts to deliver on our mission to provide practical support for people with arthritis and campaign for a better deal for people living with arthritis, 2011 has been a busy and successful year, despite the severe financial challenges that faced the charity

Campaigning.

Highlights from our work campaigning across the UK include.

- People living with arthritis in Northern Ireland will have better access to specialist drugs, thanks to successful lobbying by Arthritis Care and other health charities. Health Minister Edwin Poots, who gave Arthritis Care's Professional Lecture at Stormont in September, has now announced that part of the health funding allocation from the Northern Ireland Executive will purchase important specialist drugs
- The Northern Ireland Executive published for consultation its draft Programme for Government 2011 – 2015 'Building a better future'. The document contained five commitments in relation to DHSSPS including "Enrol people who have a long-term (chronic) condition, and who want to be enrolled, in a dedicated chronic condition management programme" which is both a tribute to successful lobbying by Arthritis Care in Northern Ireland and offers opportunities for development of self-management programmes for people living with arthritis.
- Arthritis Care is working with the Hardest Hit Campaign to defend welfare benefits. As the Welfare Reform Bill reached a critical stage in the House of Lords, disabled people, their families and friends took to the streets to protest on 22 October 2011, one year on from the launch of the Government's Comprehensive Spending Review. There were 11 Hardest Hit rallies across the UK attended in total by around 6,000 people. In addition a smaller rally took place in Belfast on 20 October. The events secured extensive media attention and the solid engagement of politicians. In total there were around 350 pieces of coverage as well as massive social media interest on facebook and twitter.
- As part of our ArthritisWatch project, Arthritis Care is running two surveys focusing on RA services. Aimed at people with RA as well as clinicians and commissioners, the surveys are

Arthritis Care

Report of the trustees

For the year ended 31 December 2011

designed to determine whether services have improved, remained static or are at risk under the current climate.

- Building on the success of the OA Nation Report published by Arthritis Care in 2004, which is still widely quoted among health care professionals, research has now been commissioned from YouGov to gather information from 2,000 people with osteoarthritis who will complete an online questionnaire by the end of December 2011. This will enable Arthritis Care to find out what has changed and where we still need to focus our energies. The research, which is being funded by Pfizer, Napp Pharmaceuticals, Genzyme and AstraZeneca, will be published in May 2012.
- Arthritis Care was represented at the Pain Summit which was a joint initiative of the Chronic Pain Policy Coalition, the British Pain Society, the Faculty of Pain Medicine and the Royal College of General Practitioners. It brought together policymakers, commissioners, healthcare professionals and patient groups to raise awareness of the prevalence and implications of acute and chronic pain across the UK and to highlight the challenges in developing services for people living with pain. The Summit also aimed to identify key actions which could improve the quality of services and treatment for people with pain, as well as begin to develop consensus around appropriate interventions and service models for these individuals. Jo Cumming, our Helpline Manager, spoke about *The experience of navigating health services* and also took part in a panel discussion on *Delivering services for people living with pain*.
- Arthritis Care Wales' involvement in the Work Foundation IA Expert Summit held at the National Assembly for Wales and hosted by Mick Antoniw AM and member of the Health & Social Care Committee. This breakfast meeting was chaired by Steve Bevan, Director of the Centre for Workforce Effectiveness at The Work Foundation and was attended by a range of allied health professionals with the purpose of examining any barriers, issues and concerns to full implementation of the Welsh Government's 'Health, Work and Wellbeing Action Plan 2011-2015' for IA patients. Feedback from this event will be submitted to the Health Minister and the Director for Public Health.

Providing immediate and practical support for people with arthritis.

Some of the year's significant achievements include:

- We launched our year-long Fit to Move Campaign which will include awareness and fundraising events at gyms, sports and leisure centres and in individual homes across the UK.
- Arthritis Care in Scotland undertook a feasibility study for a Joint Activity programme based on the FIT (fitness, information and therapies) programme in Northern Ireland, which enables people living with arthritis to improve their quality of life and be fitter, healthier and happier as well as build capacity within the local branches (thanks to a grant of £10k from the Investing In Ideas Big Lottery Fund). Arthritis Care in Scotland also established the Rheum for Teen Support pilot project, providing peer support for 14-18 year olds going through the transition from paediatric to adult services. Clients will be matched with trained volunteers who have been through this process and will also be included in the Joint Potential project (supported by a grant of £38,916 from the Scottish Government Innovation Fund).
- Arthritis Care in England will be providing information points in London libraries for people living with arthritis (supported by £97k over three years from the City Bridge Trust).
- Arthritis Care Gateshead Branch was recognised as the best Voluntary Group in Gateshead for 2011. The award was presented at a ceremony at the Civic Centre and highlights the hard work and dedication of many of Arthritis Care's branches in getting our messages and activities across to a broader audience.
- Our Helpline Manager Jo Cumming appeared on the Daybreak TV programme with Dr Hillary with three live spots in which she answered questions from viewers. She promoted our Fit to Move campaign and particularly invited people to contact us for our Healthy Eating booklet. As a result there was a big increase in both calls to the helpline and website hits following the programme.
- A free web-based peer support resource for people with arthritis in Scotland was launched on Wednesday, 9 November 2011 at the Scottish Parliament. The resource has been developed by

Arthritis Care

Report of the trustees

For the year ended 31 December 2011

Arthritis Care in Scotland in partnership with the Scottish Government and the event was supported by Bill Kidd MSP, with Nicola Sturgeon, Deputy First Minister and Cabinet Secretary for Health, Wellbeing and Cities Strategy, as special guest

- Arthritis Care will be piloting a new telephone buddying service and new self-management modules for people living with arthritis thanks to a successful joint bid with the National Rheumatoid Arthritis Society to the Neighbourhood Services Initiative (NSI) run by the Charities Aid Foundation (CAF) to support the development of locally based services for people with arthritis. This funding will also support current initiatives such as Arthritis Watch and the Pain Monster courses.
- "More Than Mobility", which supplies mobility scooters, wheelchairs, adjustable beds and a range of other mobility aids, has chosen Arthritis Care as one of its 2011/2012 Charities. They will be working with Arthritis Care to help raise donations and to provide information and support to their customers who have arthritis both at a local level in their Northampton and Plymouth stores and through their national website at www.morethanmobility.com

Making a difference on such a scale during a tough economic climate has not been easy and this success has been taken into account when the trustees considered the restructuring that has taken place in the first quarter of 2012 to ensure the financial sustainability of the organisation

Public benefit

In setting our objectives and planning our activities, our trustees have given careful consideration to the Charity Commission's and OSCR's general guidance on public benefit and, in particular, their guidance on fee-charging (and in OSCR's case their guidance on the public benefit test), which particularly affects our network of branches and groups. Arthritis Care is committed to enabling as many people as possible to benefit through our activities and our network of branches and groups and our campaigning activities

Detailed guidance has been issued to all branches and groups to enable them to provide the best possible benefit to people with arthritis in their community. In addition Arthritis Care runs self-management courses across the UK to enable people with arthritis to better manage their pain through self-care. Our information booklets and helplines provide access to high quality advice and literature for people living with arthritis and their carers and families

At the end of 2011 we undertook a Social Return on Investment evaluation of some of our training courses in Northern Ireland to determine projected impact over a five year period. This report will be launched in the second quarter of 2012 and will form a basis for future evidence gathering to further support our public benefit impact.

ACHIEVEMENTS AND PERFORMANCE

FINANCIAL REVIEW

Review of the year

Overall performance

2011 was a challenging year financially for the charity. The total net movement of funds in the year was a reduction of £1.797 million compared to an increase of £938,000 reported in 2010. Even after taking into account pension fund actuarial gains (£1.036 million in 2010) and losses (£1.001 million in 2011) and unrealised gains (£112,000 in 2010) and losses (£28,000 in 2011) on assets, net outgoing resources deteriorated from £210,000 in 2010 to £768,000 in 2011.

Incoming resources were down £932,000 mainly due to legacy income being some £1 million short of last year's unexpectedly good performance. This was offset to a degree by resources expended being

Arthritis Care

Report of the trustees

For the year ended 31 December 2011

down on the previous year by £449,000, which continued the recent trend of coming in below that budgeted and prior year due in part to a tight grip being kept on central costs. However, with £75,000 less being generated by net realised gains on investment assets, this resulted in the overall £558,000 worsening of performance on investments and property in 2011 compared to 2010.

It was this continued deterioration in financial performance that prompted some significant changes to be planned during the latter part of 2011 and implemented in 2012, in particular to align the cost base with anticipated levels of income so as to ensure that the charity can continue to support people with arthritis on a sustainable basis into the future

Basis of Accounting

The key accounting policies remain unchanged. However, as reported in last year's report, the implementation of the correct categorisation of branch funds between restricted and unrestricted funds, as confirmed by both our external auditors and legal advisors, commenced from 1st January 2011. From that date only income received through the charity's national and local network that is clearly identified as being restricted is being treated as such. As a part of the transitional arrangements branch expenditure is in turn being funded from the respective branches' accumulated 'restrictive' reserves until they have been exhausted. Whilst discussions continue with individual branches over the use of these balances, the newly generated unrestricted fund balances will be held as a designated reserve.

Principal funding sources

Voluntary income and fundraising

Following a significant rise in voluntary income last year due largely to an unexpected upsurge in legacy receipts, disappointingly this year the charity experienced a reversion to something close to 2009's position (2011: £3,171,000 / 2010: £4,066,000 / 2009: £3,229,000). Legacy income was just under £1 million (28%) down on prior year (£2,448,000 v £3,423,000) while other categories of voluntary income rose overall by some 12% (£723,000 v £643,000).

Income from charitable activities

The balance of the charity's incoming resources (just over 30% in 2011) came from the provision of charitable activities which were closely aligned to the prior year's performance (£1,478,000 in 2011 v £1,469,000 in 2010).

The Arthritis Care network of voluntary run branches raised in total £757,000, a sum slightly down on the previous year (2010: £809,000), against related expenditure of £801,000 (2010: £979,000) (see note 5a). The net outflow of resources is consistent with the charity's reserves policy which is for branches to utilise reserves accounting for more than two years' running costs.

Resources expended

Total resources expended continue to fall year-on-year, this year by £449,000 to £5,553,000 (2010: £6,002,000) demonstrating the charity's continuing endeavours to cut its cost-base.

Balance sheet

The balance sheet markedly weakened this year with total net worth falling by very nearly £1.8 million (£2,965,000 v £4,762,000) due to the combination of the just under £0.8 million operating loss and the just over £1 million revaluation (albeit "on paper" only) of the charity's defined benefit pension fund which was in sharp contrast to the just over £1 million value added last year as a result of the FRS17 actuarial valuation.

Arthritis Care

Report of the trustees

For the year ended 31 December 2011

Investment policy and returns

Investment decisions for the centrally-administered investments are taken by professional fund managers, UBS, 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.

For the six months to 31st December 2011, the portfolio produced a total return of negative 4.38% and over twelve months negative 2.54%, versus the composite benchmark which fell by 1.49% and appreciated by 1.23% respectively. The key contributor to under performance versus the benchmark has been UBS's negative view on the government bond market.

Reserves policy

The trustees review regularly the charity's requirement for *general reserves* having taken into account both appropriate designations of unrestricted reserves for specific purposes and also its ability to manage over the long term any deficit in the pension fund. The need to replenish the general reserves after a period of losses is recognised. However, the target level will be reviewed during 2012 in the light of the new streamlined operation, an assessment of risks to the level of both incoming and outgoing resources, and working capital requirements, particularly taking into account the timing differences between legacy notifications and legacy receipts

As at 31st December 2011 *designated reserves* totalling £1,594 million were held as follows

- i) £845,000 as a contingency reserves intended as funds to wind down the organisation should that decision be ever given. It is intended to fund from this reserve redundancy costs estimated at £250,000 being incurred in 2012 as a result of the introduction of the new business model for the charity.
- ii) £719,000 of net unrestricted funds generated by branches pending the outcome of discussions with branches on the use of these and branch 'restricted' funds.
- iii) £30,000 as a nominal amount towards the provision of training programmes during the coming year

In addition to the balance of reserves held within the local branch and group network and allocated by them for specific purposes (£2,214m), *restricted funds* are held where future expenditure is still to be incurred against specific grants or donations of a restricted nature (£202,000) and with respect to the Patterson bequest (£556,000). Due to the very prescriptive nature of the original bequest, Arthritis Care applied to the Charity Commission at the end of 2011 for a scheme to allow these funds to be used within a broader area of Devon following consultation with relevant stakeholders.

The *pension reserve* with respect to the now closed defined benefit scheme has a deficit at 31st December 2011 of £2,812 million compared to £1,992 million as at 31st December 2010. The next full triennial revaluation of the scheme is due to take place in September 2012. This long term liability is being managed currently by additional contributions by the charity of £253,000 per annum. This level and the possibility of a one-off lump sum contribution will be reviewed in the light of the existing level of deficit and the result of the new triennial revaluation.

Arthritis Care

Report of the trustees

For the year ended 31 December 2011

Thus the reserves position of the charity as at 31st December 2011 can be summarised as follows.

	£000's
Total Reserves	2,965
less Restricted Funds	(2,972)
Total Unrestricted Funds	(7)
less Designated Funds	(1,594)
add back Pension Reserve	2,812
General Funds	1,211

At first sight this is a weak position – particularly bearing in mind that 18 Stephenson Way, valued at £1 39m is part of that general reserve fund figure. However as the building is now on the market at £2.250 million we anticipate the “free reserves” moving to a reasonably positive position in the next few months. We are, however, very conscious of the need to plan carefully for the use of these funds.

All the above will inform the trustees' review of its reserves policy planned for 2012.

Ongoing operations

Having approved a budget for 2012 with a modest surplus based on a carefully reviewed assessment of future income streams and after including approximately a quarter's costs of now discontinued operations, and in view of the anticipated injection of cash and addition to general reserves resulting from the disposal of 18 Stephenson Way, the trustees are able to look forward over the next year to seeing the changes we have instituted providing a solid basis for the future of the charity.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Structure

Arthritis Care is a charitable company limited by guarantee and was set up in 1947. The guarantee of each member is limited to £1. It is governed by a memorandum and articles of association, which were last amended on 9 July 2009.

Governance

Recruitment and appointment of new trustees

The composition of the board of trustees, which meets as a whole at least four times a year, 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. In addition, five trustees can be directly elected by the membership to serve for three years.

On a three year basis, the board elects from its membership a trustee to serve as chair of the charity (ex-officio) and a vice-chair. The honorary officer position of treasurer is filled by a recommendation of the board to the membership at the annual general meeting and serves for three years. The Articles of Association provide that there can be two Treasurers should this be determined to be in the organisation's interest. The board also has the power to co-opt two others to serve as trustees for three years. There are presently two co-opted trustees. The majority of the current board are individuals with personal experience of arthritis.

Arthritis Care

Report of the trustees

For the year ended 31 December 2011

Induction and training of trustees

On appointment each trustee completes a register of interests and receives appropriate induction. Further training needs are met both individually and as an entire trustee board through the regular holding of board development days and trustees attending training days provided by external training providers. The board recognises the importance of both risk management and health and safety by their appointment of a trustee champion for each area.

Board effectiveness

The board have set up a number of sub-committees to review and monitor the work of the charity. This includes the nominations panel, remuneration committee, and audit and finance committee. Smaller working groups of trustees can be set up at the agreement of the board to tackle specific and time-limited governance or strategic matters.

Every two years the board reviews its performance, undertaking a self-assessment process to determine how effectively it believes it is performing and agreeing development and training needs as a result of this process.

Mindful of the recent changes taking place within the organisation, the trustees have decided to implement a governance review of the organisation in the second half of 2012 in order to ensure that the governance of the organisation reflects the reduced size of the organisation and can respond flexibly to the needs and priorities of Arthritis Care.

Operational management

At the end of 2011 a significant change programme was implemented to respond to the trustees' desire to reduce the overall cost base of the organisation. This reduced structure has been put in place in response to financial pressures, whilst continuing to anticipate the organisation's need to provide support to people affected by arthritis. This resulted in a significant redundancy programme and reduction in the number of offices across England.

Arthritis Care's revised operational structure has changed significantly and now comprises four national directorates (Northern Ireland, Scotland, Wales and England) and central support services that include fundraising, supporter services and communication, and back office functions such as finance and human resources.

Risk management

It is our policy proactively to identify, understand and manage the risks inherent in our services and associated with our plans and strategies, so as to encourage responsible, informed risk taking. To assist us to effectively manage this process, the Audit and Finance committee, together with the senior management team regularly review the risks identified in the charity's regularly monitored, embedded risk register and monitor any activity to mitigate or plan for risks that arises from the register on a quarterly basis.

The principal risks facing the charity are financial, and the new chief executive will be working with the Board on a long-term and sustainable funding plan for Arthritis Care.

Volunteers and staff

The charity is grateful for the unstinting efforts of its appointed and elected volunteers and staff who are involved in service provision and fundraising. In 2011 nearly 3,000 volunteers were actively involved in delivering information, training and running our network of local voluntary branches.

In addition to the current range of volunteering opportunities in running branches and committees, providing information and self management and peer support and training in local communities, moderating on-line fora, acting as spokespeople and campaigners and raising funds and profile for the charity, it is planned to develop new volunteering roles as part of the wider service redevelopment.

Arthritis Care

Report of the trustees

For the year ended 31 December 2011

Employee Involvement and employment of disabled people

The charity continues to ensure that it reviews existing personnel policies and develops new processes in accordance with legislative changes and current good practice with particular emphasis on recruiting, retaining and supporting disabled people in the workplace. An equality and diversity working group will be established during the coming year to drive forward a number of related initiatives and the charity will be looking to undertake an employee survey to seek the views of the workforce on employment related matters.

The charity's Joint Negotiating Committee comprising trade union representatives together with members of the senior management team meets routinely throughout the year to formally consider and agree a range of employment related opportunities and initiatives.

Relationships with related parties

Arthritis Care (Trading) Ltd

The charity's wholly owned trading subsidiary is non-operating and was in a dormant state at the year end.

THE FUTURE

The board of trustees, the senior management team, the staff and the volunteers are all united in their commitment to the charity retaining its relevance in today's ever-changing world by fully meeting its charitable objectives and to this end continue to strive to secure delivery in an efficient, effective and sustainable manner.

In the business plan for 2012 we have set out key areas of activity that we will deliver during the year:

- **Helplines and information:** these two services have now been merged into one beneficiary-focused team that will continue to deliver high levels of service and support. The helplines and the information for people with arthritis that we produce are two key ways that our beneficiaries come into contact with us. We will review how we disseminate information, including *Arthritis News* as this publication has become unsustainable in its present form. We will survey our readers to find out what is important to them and identify ways to provide news and information in a format that matters to them and is financially sustainable.
- **Engaging people with arthritis:** we will continue to support local branches and local support groups, in particular by building on the success of the FIT (fitness, information and therapies) programme in Northern Ireland. This is developing the branch network, enhancing skills within the branch and leaving a sustainable impact in the local community where they operate.
- **Children, young people and families:** Arthritis Care will provide services for children (under 12), young people (12 to 18) and their families in an area of work that is growing in importance. During 2012 this work will be undertaken in Northern Ireland, the south of England and Scotland, with plans to roll these services out across the UK from 2013 onwards.
- **Training courses:** Self-management courses for adults are provided by Arthritis Care in all four countries of the UK. In Scotland Arthritis Care will develop a new modular approach to providing self-management support.
- **Self-care or self-management remains at the heart of our business model and is also the preferred end-point for most commissioning strategies in the NHS for services commissioned from a non-traditional provider (such as Arthritis Care) because it means care and support is being delivered more cost-effectively than through traditional (NHS) providers.** Tailoring current information, training and helpline services and making use of trained volunteers and the branch network to provide peer-support and a personal programme of care could provide a low-cost response to the personalisation agenda. Further development of the business potential of this model will take place during 2012, with pilot programmes to demonstrate the business case and develop the inputs necessary. The Nairn project in Scotland will provide valuable learning for the whole organisation. This will provide enhanced, holistic community outreach services for people living

Arthritis Care

Report of the trustees

For the year ended 31 December 2011

with arthritis in conjunction with primary care practitioners and allied health professionals, including complementary therapies and diet and exercise advice.

- Policy and campaigning Policy and campaigning work will be done in partnership with relevant organisations such as the Arthritis and Musculoskeletal Alliance (ARMA), National Voices and the Disability Benefits Consortium

The charity's financial position provides significant challenges and opportunities to review and revamp the way Arthritis Care delivers its services:

- The Fundraising Strategy will aim to decrease Arthritis Care's dependence on legacy income by increasing the proportion of income derived from other sources in 2012. Legacies will, however, continue to provide a very important source of revenue, particularly as income from other sources will take time to flow through
- Further embedding fundraising across all aspects of the organisation.
- Supporting our staff based in the nations and regions to perform to the best of their ability in their new, re-focused roles, while also engaging with our dedicated volunteers across the nations and regions to help us deliver services in a manner consistent with our self-help philosophy
- Constantly searching for improvement and efficiencies (for example, outsourcing where appropriate, pulling together disparate publication processes to achieve greater economies of scale, greater emphasis on electronic media to deliver the message whilst retaining the essential 'human touch' etc) to optimise the effectiveness of delivery of the services provided by the charity
- Working in partnership with other organisations where it adds value and makes sense to do so

STATEMENT OF RESPONSIBILITIES OF THE TRUSTEES

The trustees (who are also directors of Arthritis Care for the purposes of company law) are responsible for preparing the trustees' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to

- select suitable accounting policies and then apply them consistently,
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Arthritis Care

Report of the trustees

For the year ended 31 December 2011

In so far as the trustees are aware,

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

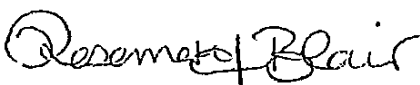
The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions

Members of the charity guarantee to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The trustees are members of the charity but this entitles them only to voting rights. The trustees have no beneficial interest in the charity

Re-appointment of auditors

A resolution to re-appoint Sayer Vincent as auditors was proposed and accepted by the members at the annual general meeting on 25 June 2011. A resolution to reappoint them for 2012/13 will be considered at the annual general meeting on 23 June 2012.

Approved by the trustees on 2 May 2012 and signed on their behalf by



Rosemary Blair, Chair of Trustees

Independent auditors' report

To the members of

Arthritis Care

We have audited the financial statements of Arthritis Care for the year ended 31 December 2011 which comprise the statement of financial activities, balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members and trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members and trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As explained more fully in the Statement of trustees' responsibilities set out in the trustees' report, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

/ We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the trustees, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the trustees' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2011 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Independent auditors' report

To the members of

Arthritis Care

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion

- the charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Pamela Craig (Senior statutory auditor)

11 May 2012

for and on behalf of Sayer Vincent, Statutory Auditors

Sayer Vincent, 8 Angel Gate, City Road, LONDON EC1V 2SJ

Sayer Vincent is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006

Arthritis Care

Statement of Financial Activities (Incorporating an income and expenditure account)

For the year ended 31 December 2011

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	2011 Total £'000	2010 Total £'000
Incoming resources					
Incoming resources from generated funds					
Voluntary Income legacies	2	2,448	-	2,448	3,423
Voluntary Income - other	2(a)	701	22	723	643
Activities for generating funds	3	99	-	99	139
Investment Income	4	50	-	50	54
Total incoming resources from generated funds		3,298	22	3,320	4,259
Incoming resources from charitable activities					
Information		205	211	416	321
Training		223	159	382	441
Voluntary run branch activities		680	-	680	707
Total incoming resources from charitable activities	5	1,108	370	1,478	1,469
Other incoming resources		-	5	5	7
Total incoming resources		4,406	397	4,803	5,735
Resources expended					
Costs of generating funds					
Fundraising and trading costs	8	1,271	-	1,271	1,029
Resources expended on charitable activities					
Representation and Campaigning		237	-	237	219
Information		1,518	119	1,637	1,800
Training		405	258	663	960
Voluntary run branch activities	5(a)	634	801	1,435	1,734
Governance costs		310	-	310	260
		3,104	1,178	4,282	4,973
Total resources expended	8	4,375	1,178	5,553	6,002
Net outgoing resources before transfers		31	(781)	(750)	(267)
Transfer between funds		90	(90)	-	-
Net outgoing resources before other recognised gains and losses		121	(871)	(750)	(267)
Net realised gains/(losses) on Investment assets		(18)	1	(18)	57
Net incoming/(outgoing) resources plus realised gains/(losses) on Investments and property		102	(870)	(768)	(210)
Net unrealised gains/(losses) on investment assets	10	(34)	6	(28)	112
Actuarial gains/(losses) on defined benefit pension	14	(1,001)	-	(1,001)	1,036
Net movement in funds		(933)	(864)	(1,797)	938
Fund balances at start of year		926	3,836	4,762	3,824
Fund balances at end of year		(7)	2,972	2,965	4,762

There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Notes 15 & 16 to the financial statements.

Arthritis Care

Company no. 529321

Balance sheet

As at 31 December 2011

	<i>Notes</i>	2011 £'000	2010 £'000
Fixed assets			
Tangible	9	1,393	1,423
Investments	10	<u>2,487</u>	<u>2,674</u>
		<u>3,880</u>	<u>4,097</u>
Current assets			
Debtors and prepayments	11	1,278	1,565
Cash at bank and in hand	12	<u>986</u>	<u>1,343</u>
		2,264	2,908
Creditors: amounts falling due within one year	13	<u>(367)</u>	<u>(251)</u>
Net current assets		<u>1,897</u>	<u>2,657</u>
Net assets excluding pension liability		5,777	6,754
Pension liability	14	<u>(2,812)</u>	<u>(1,992)</u>
Net assets including pension liability		<u>2,965</u>	<u>4,762</u>
Funds			
Restricted funds	15	<u>2,972</u>	<u>3,836</u>
Unrestricted funds	16		
Designated funds		1,694	875
General funds		<u>1,211</u>	<u>2,043</u>
Unrestricted funds excluding pension liability		2,805	2,918
Pension reserve	16	<u>(2,812)</u>	<u>(1,992)</u>
Total unrestricted reserve		<u>(7)</u>	<u>926</u>
Total funds		<u>2,965</u>	<u>4,762</u>

Approved by the trustees on 2 May 2012 and signed on its behalf by



Rosemary Blair (Chair)



David Walter (Treasurer)

Arthritis Care

Cashflow Statement

For the year ended 31 December 2011

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	2011 Total £'000	Unrestricted Funds £'000	Restricted Funds £'000	2010 Total £'000
Net cash (outflow) from operating activities	A	358	(875)	(517)	44	(438)	(394)
Returns on investments and servicing of finance	B	14	-	14	(1)	26	25
Capital expenditure and investing activities	C	(4)	150	146	(30)	38	8
Increase/(decrease) in cash	D & E	368	(725)	(357)	13	(374)	(361)

NOTES TO THE CASHFLOW STATEMENT

A Reconciliation of operating losses to net cash outflow from operating activities

	Unrestricted Funds £'000	Restricted Funds £'000	2011 Total £'000	Unrestricted Funds £'000	Restricted Funds £'000	2010 Total £'000
Net (outgoing) resources	121	(871)	(750)	142	(409)	(267)
Add back net pension service cost net of finance cost	(181)	-	(181)	125	-	125
Investment income	(50)	-	(50)	(28)	(26)	(54)
Servicing of finance	36	-	36	29	-	29
Depreciation	29	1	30	76	4	80
Profit on Sale of Fixed Assets	-	(5)	(5)	-	(7)	(7)
Decrease in debtors	287	-	287	(130)	-	(130)
Increase/(Decrease) in creditors	116	-	116	(170)	-	(170)
Net cash (outflow) from operating activities	358	(875)	(517)	44	(438)	(394)

B Returns on Investments and servicing of finance

Interest and dividends received	50	-	50	28	26	54
Interest paid	(36)	-	(36)	(29)	-	(29)
Net cash inflow from returns on investment and servicing of finance	14	-	14	(1)	26	25

Arthritis Care

Cashflow Statement

For the year ended 31 December 2011

C Capital expenditure and investing activities

	Unrestricted Funds £'000	Restricted Funds £'000	2011 Total £'000	Unrestricted Funds £'000	Restricted Funds £'000	2010 Total £'000
Purchase of tangible fixed assets	-	-	-	(4)	-	(4)
Net proceeds of sale of tangible fixed assets	-	5	5	-	7	7
Purchase of investments	(425)	(52)	(477)	(716)	(318)	(1,034)
Net (increase)/decrease of bank deposits, building society accounts and bonds	(23)	-	(23)	(64)	13	(51)
Proceeds from sale of investments	444	197	641	754	336	1,090
Net cash Inflow/(outflow) from capital expenditure and investing activities	(4)	150	146	(30)	38	8

D Reconciliation of net cash flow to movement in net cash funds

Increase/(decrease) in cash in the period	368	(725)	(357)	13	(374)	(361)
Net cash funds as at 1 January 2011	(1,136)	2,479	1,343	(1,149)	2,853	1,704
Net cash funds as at 31 December 2011	(768)	1,754	986	(1,136)	2,479	1,343

E Analysis of changes in net cash funds

	At 1 January 2011 £'000	Cash Flow £'000	At 31 December 2011 £'000	At 1 January 2010 £'000	Cash Flow £'000	At 31 December 2010 £'000
Restricted funds:						
Held by branches	1,736	(740)	996	1,978	(242)	1,736
Held centrally	743	15	758	875	(132)	743
	<u>2,479</u>	<u>(725)</u>	<u>1,754</u>	<u>2,853</u>	<u>(374)</u>	<u>2,479</u>
Unrestricted funds:						
Held by branches	-	719	719	-	-	-
Held centrally	(1,136)	(351)	(1,487)	(1,100)	(36)	(1,136)
Bank loan - repayable within one year	-	-	-	(49)	49	-
	<u>(1,136)</u>	<u>368</u>	<u>(768)</u>	<u>(1,149)</u>	<u>13</u>	<u>(1,136)</u>
Net cash funds	<u>1,343</u>	<u>(357)</u>	<u>986</u>	<u>1,704</u>	<u>(361)</u>	<u>1,343</u>

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

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 which are included at market valuation and freehold properties which are included at valuation. The financial statements have been prepared in accordance with Companies Act 2006, the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" published in March 2005 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 and regional services. The local committee, branch and group figures have been compiled from returns by local treasurers made up to 31 October 2011.

(c) Company Status

The charity is a company limited by guarantee and does not have 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) Funding 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 16.

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 on the basis of our forecast of legacies notified to the charity by the year-end and which can be valued with reasonable certainty.
- (ii) Grants awarded, including grants for equipment are included in the financial statements at the time the grants are received or the conditions of the grants have been met.
- (iii) Training income is recognised on the basis of the contract and in the case of work in progress at year end on the basis of proportion delivered.
- (iv) All income is included in full in the Statement of Financial Activities when receivable and measurable with accuracy. Income is deferred if it has been received but relates to a specific future period or is dependent upon conditions to be fulfilled by the charity.

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

1. Accounting policies (continued)

(f) Depreciation of tangible fixed assets

Tangible 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

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

Freehold land and buildings are stated at valuation (see note 9 for further details)

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

(g) Investments

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.

(h) Pension Costs

Throughout 2010, the charity operated a defined benefit pension scheme on behalf of its employees. The assets of the scheme are held separate from those of the charity in an independently administered scheme. The Charity has adopted the full requirements of Financial Reporting Standard 17 - Accounting for Retirement Benefits (FRS17). Current or past service costs and gains, as determined by the scheme's actuary, are charged to the statement of financial activities. Pension finance costs or income are included within total resources expended or incoming resources as applicable. Actuarial gains and losses arising are recognised within 'gains and losses' on the Statement of Financial Activities.

In addition, the deficit on the scheme, representing the shortfall of the value of the scheme assets below the present value of the scheme liabilities is recognised as a liability on the balance sheet to the extent that the employer charity is able to recover a surplus, or has a legal or constructive obligation for the liability. A corresponding pension reserve is included within total unrestricted funds.

At the end of 2010, the charity closed the defined benefits pension scheme, replacing it with a defined contributions arrangement.

The charitable company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the charitable company in an independently administered fund. The pension cost charged to the SoFA represents contributions payable under the scheme by the charitable company to the fund. The charitable company has no liability under the scheme other than for the payment of those contributions.

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

1. Accounting policies (continued)

(i) 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 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) Governance costs are the costs associated with the governance of the charity which relate to the general running of the charity as opposed to those costs associated with fundraising or charitable activity. Included within this category are costs associated with the strategic as opposed to day-to-day management of the charity's activities and statutory compliance costs.

(iii) Support costs, which comprise general management, payroll administration, budgeting and accounting, information technology, human resources, facilities management and financing, are allocated across the categories of charitable expenditure, governance costs and the cost of generating funds. The basis of the allocation is as follows:

Cost allocation includes an element of judgment. The charity considered the cost benefit of detailed calculations and the record keeping in deciding a basis for allocating support costs. The staff hours and therefore staff costs were deemed to be the most directly representative of how indirect costs are incurred.

Support costs are allocated in two stages. Firstly, the costs are allocated on estimate of actual time spent on voluntary branch activities and governance. The balance is then allocated across all activities on the ratio of staff costs.

(j) Operating leases

Rentals payable under operating leases, where substantially all risks and rewards of ownership remain with the lessor, are charged to the Statement of Financial Activities on a straight line basis over the duration of the lease.

(k) Corporation Tax

The charitable company is exempt from corporation tax as all its income is charitable and is applied for charitable purposes.

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

2. Voluntary Income - legacies

	Unrestricted £'000	Restricted £'000	2011 Total £'000	Unrestricted £'000	Restricted £'000	2010 Total £'000
Accrued legacies 1 January	(1,486)	-	(1,486)	(1,321)	-	(1,321)
Legacies received during year	2,808	-	2,808	3,206	52	3,258
Legacies accrued 31 December	1,126	-	1,126	1,486	-	1,486
	<u>2,448</u>	<u>-</u>	<u>2,448</u>	<u>3,371</u>	<u>52</u>	<u>3,423</u>

Legacies valued at £1,250,845 were receivable as at 31 December 2011 and due in 2012. We estimate we can forecast 90% of the value of these legacies with sufficient accuracy to include them in the accounts.

2(a). Voluntary Income - other

	Unrestricted £'000	Restricted £'000	2011 Total £'000	Unrestricted £'000	Restricted £'000	2010 Total £'000
Individual donations	600	-	600	532	-	532
Trusts and Corporate	91	-	91	69	-	69
Other donations	10	22	32	21	21	42
	<u>701</u>	<u>22</u>	<u>723</u>	<u>622</u>	<u>21</u>	<u>643</u>

3. Activities for generating funds

	Unrestricted £'000	Restricted £'000	2011 Total £'000	Unrestricted £'000	Restricted £'000	2010 Total £'000
Events	99	-	99	139	-	139
	<u>99</u>	<u>-</u>	<u>99</u>	<u>139</u>	<u>-</u>	<u>139</u>

4. Investment Income

	Unrestricted £'000	Restricted £'000	2011 Total £'000	Unrestricted £'000	Restricted £'000	2010 Total £'000
Dividend Income	25	-	25	28	-	28
Income from investment held by voluntary run branches	25	-	25	-	26	26
	<u>50</u>	<u>-</u>	<u>50</u>	<u>28</u>	<u>26</u>	<u>54</u>

Arthritis Care

Notes to the financial statements

For the year ended 31 December

5. Incoming Resources from Charitable Activities

	Information £'000	Training £'000	Voluntary run branch activities (note (5a)) £'000	2011 Total £'000	2010 £'000
Advertising	41	-	-	41	44
Publication Sales	3	2	-	5	7
Membership and subscription	133	-	-	133	125
Grants and Contracts	239	380	-	619	586
Donations	-	-	680	680	707
	<u>416</u>	<u>382</u>	<u>680</u>	<u>1,478</u>	<u>1,469</u>

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

5(a). Branches

	2011 £'000	2010 £'000
Income		
Membership	39	24
Branch Donations	680	707
Legacies	13	52
Investment Income	25	26
Total incoming resources	757	809
Expenditure		
Welfare	800	975
Depreciation	1	4
Total resources expended	801	979
Net resources expended	(44)	(170)
Transfers to Central	(129)	(114)
Profit on Sale of Fixed Assets	5	-
Net realised gains on investment assets	1	18
Net Income and expenditure for the year	(167)	(266)
Net unrealised gains/(loss) on investment assets	6	56
Net movement in funds	(161)	(210)
Cost of supporting the voluntary run branch network	634	755
Total expenditure of voluntary run branch activities	1,435	1,734

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

6 Staff Costs

	2011 £'000	2010 £'000
Gross pay	2,266	2,376
Social security costs	218	186
Pension costs: defined contributions scheme	117	227
Pension costs: defined benefits scheme	72	125
Payments to agencies or similar for temporary help	35	100
Compensation and redundancy	-	61
	<u>2,708</u>	<u>3,075</u>

Three employees were paid emoluments between £60,000 to £70,000 (2010 - 2).
All three employees earning over £60,000 participated in pension scheme costing £12,439 (2010. One employee costing £11,238)

The average number of persons employed during the year was.

		Total	Central	Regions
Number of employees	2011	103	41	62
Number of employees	2010	108	42	66
Full time Equivalent	2011	78	37	41
Full time Equivalent	2010	<u>83</u>	<u>38</u>	<u>45</u>

Staff costs note consultation took place during December 2011 and January 2012 on a new business model and business plan for Arthritis Care with an associated staffing reduction of some 40%. This resulted in redundancy costs estimated at £250k being incurred in 2012

7. Trading subsidiary

The Charity has a wholly owned subsidiary, Arthritis Care (Trading) Limited, a company incorporated and registered in England. The company is currently dormant.

Called up share capital is £252 (2010: £252)

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

8. Resources expended on charitable activities

	Costs of Generating Funds £'000	Representation and Campaigning £'000	Information £'000	Training £'000	Voluntary Run Branch Activities £'000	Governance £'000	Support costs £'000	2011 Total £'000	2010 Total £'000
Staff Costs (note 6)	271	91	649	73	99	8	1,517	2,708	3,075
Staff recruitment & training	-	-	3	-	-	17	13	33	39
Trustees and staff expenses	11	16	22	30	15	39	104	237	216
Volunteers expenses	1	2	9	36	8	1	27	84	75
Premises & equipment	-	-	-	2	8	-	166	176	185
Insurance	-	-	-	-	-	-	30	30	48
Postage & telephone	3	2	8	9	2	3	78	105	92
Office printing & stationery	7	1	3	8	9	10	54	92	70
Advertising	2	-	1	7	2	-	3	15	24
Courses costs	-	-	-	56	-	-	7	63	69
Publications production	41	-	73	-	60	7	1	182	199
Direct mail, legacy, events	42	-	2	10	22	1	7	84	142
Professional fees (incl audit)	192	-	14	7	-	85	251	549	382
Database & IT outsourcing	58	1	22	-	85	-	86	252	219
Depreciation	-	-	-	-	1	-	29	30	80
Branch expenses (note 5a)	-	-	-	-	800	-	-	800	975
Other Costs	23	5	-	2	8	2	73	113	112
	651	118	806	240	1,119	173	2,446	5,553	6,002
Support Costs	620	119	831	423	316	137	(2,446)	-	-
Total resources expended	1,271	237	1,637	663	1,435	310	-	5,553	6,002

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

8. Resources expended on charitable activities (continued)

	Unrestricted £'000	Restricted £'000	2011 Total £'000	Unrestricted £'000	Restricted £'000	2,010 Total £'000
Depreciation charge on tangible fixed assets (owned)	29	1	30	76	4	80
Interest payable on bank loan		-	-	1	-	1
Operating lease costs land & buildings	36	-	36	28	-	28
Auditors remuneration for audit services	25	-	25	25	-	25
Auditors remuneration for non- audit services	3	-	3	2	-	2

Trustees receive no remuneration for their services in that capacity 13 trustees (2010 13) have been reimbursed for travel expenses incurred carrying out their activities as trustees at a cost of £19,517 (2010 £19,285)

Premiums of £8,010 were paid in the year (2010 £14,778) 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 2011

9. Tangible fixed assets

	Unrestricted			Restricted		
	Properties Freehold £'000	Fixtures & Equipment £'000	Total £'000	Motor Vehicles £'000	Total £'000	Total £'000
Cost						
At the start of the year	1,740	500	2,240	60	60	2,300
Disposals in year	-	(256)	(256)	(10)	(10)	(266)
At the end of the year	1,740	244	1,984	50	50	2,034
Depreciation						
At the start of the year	321	497	818	59	59	877
Charge for the year	29	-	29	1	1	30
Disposals in year	-	(256)	(256)	(10)	(10)	(266)
At the end of the year	350	241	591	50	50	641
Net book value						
At the end of the year	1,390	3	1,393	-	-	1,393
At the start of the year	1,419	3	1,422	1	1	1,423

Valuation of freehold properties

Freehold properties were valued in 1999 and the transitional arrangements under FRS15 have been adopted.

The London Office, valued at £1,740,000, was based on the market value of a similar property in the same street and the trustees believe there has been no permanent diminution in value since this valuation. As part of the 2012 business plan and change programme, the trustees approved the sale of 18 Stephenson Way to go ahead in the first half of 2012. Realising the capital tied up in the charity's principle asset was an important element of the change plan put in place as a response to the difficult financial position that the organisation was in. The property was subsequently revalued for sale at £2.25m.

National Westminster Bank plc holds a charge over the building, related to the overdraft facility, the bank provides to Arthritis Care.

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

10. Fixed Asset Investments

	Unrestricted £'000	Restricted £'000	2011 Total £'000	Unrestricted £'000	Restricted £'000	2010 Total £'000
Market value*						
Listed stocks and shares	1,155	1,218	2,373	1,227	1,356	2,583
Bank deposits and building society accounts	114	-	114	91	-	91
Total	1,269	1,218	2,487	1,318	1,356	2,674

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

Movement in quoted investments

	Unrestricted £'000	Restricted £'000	2011 Total £'000	Unrestricted £'000	Restricted £'000	2010 Total £'000
Market value as at 1 January 2011	1,227	1,356	2,583	1,162	1,307	2,469
Less Disposals proceeds	444	197	641	754	336	1,090
(Gain) / Loss on sale	19	(1)	18	(46)	(11)	(57)
	463	196	659	708	325	1,033
Add						
Acquisitions at cost	425	52	477	716	318	1,034
Gift of shares	-	-	-	1	-	1
Net gains/(losses) on revaluation	(34)	6	(28)	56	56	112
	391	58	449	773	374	1,147
Market valuation as at 31 December 2011	1,155	1,218	2,373	1,227	1,356	2,583

	Market Value	%
D I PORTIFILIO - DEUTSCHE BANK	480,146	20.23%
CHARIFUND	300,990	12.68%
INVESCO PERPETUAL UK INV SER INC FUND	91,983	3.88%
LLOYDS TSB O/S FM LLOYDS GILT	91,091	3.84%
ARTEMIS INCOME FUND UNITS CL R	86,427	3.64%
JO HAMBRO CAO MGMT UK UMB FUND UK	81,356	3.43%
CF WALKER CRISPS UK GROWTH FUND	71,136	3.00%
M&G INV FUND 3 RECOV FUND	66,787	2.81%
FIDILITY INV FUND SSF	64,106	2.70%
ISHARES II PLC FTSE ALL ST GILT FD	59,238	2.50%
ISHARES S&P 500 SHS (GBP)	58,698	2.47%
DEXION ABSOLUTE	54,600	2.30%
ALL OTHER FUNDS INDIVIDUALLY LESS THAN £50,000	866,442	36.51%

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

11. Debtors

	2011 £'000	2010 £'000
Trade debtors	43	31
Legacies receivable	1,126	1,486
Other debtors	44	11
Accrued income	65	37
Total	1,278	1,565

12. Cash at bank and in hand

	Unrestricted £'000	Restricted £'000	2011 Total £'000
Held by:			
Local committees, branches and groups	719	996	1,715
Central office	(1,487)	758	(729)
Total	(768)	1,754	986

	Unrestricted £'000	Restricted £'000	2010 £'000
Held by			
Local committees, branches and groups	-	1,736	1,736
Central office	(1,136)	743	(393)
Total	(1,136)	2,479	1,343

Cash and Bank

Arthritis Care has a cash pooling arrangement for all unrestricted and restricted balances held at the Natwest Bank (RBS). All balances are utilised to minimise finance cost. Cash pooling does not affect the delivery of restricted projects.

13. Creditors: amounts falling due within one year

	2011 Unrestricted Charity £'000	2010 Unrestricted Charity £'000
Trade creditors	166	157
Statutory creditors	91	81
Other creditors	81	13
Accruals	39	-
Total	367	251

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

14. Retirement benefits

Throughout 2010, the charity operated 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 average pensionable pay multiplied by pensionable service in completed months and years and is fully funded. The most recent formal valuation of the scheme was performed as at 30 September 2009.

In December 2009 the board took the strategic decision to change the pension scheme from defined benefit to defined contribution. The formal staff consultation relating to this decision was undertaken in 2010 and following this, the defined benefit scheme was closed at the end of 2010 and replaced by a defined contributions scheme from 1 January 2011.

The employee benefit obligations recognised in the balance sheet are as follows:

	2011 £'000	2010 £'000
Present value of funded obligations	(9,152)	(8,286)
Fair value of plan assets	6,340	6,294
Net liability	<u>(2,812)</u>	<u>(1,992)</u>

Amounts recognised in net incoming/(outgoing) resources are as follows:

	2011 £'000	2010 £'000
Current service cost	72	296
Interest on obligation	443	485
Expected return on plan assets	(443)	(414)
Total	<u>72</u>	<u>367</u>
Actual return on plan assets	<u>13</u>	<u>662</u>

Changes in the present value of the defined benefit obligation are as follows:

	2011 £'000	2010 £'000
Opening defined benefit obligation	8,286	8,422
Service cost	72	296
Interest cost	443	485
Contributions by employees	-	107
Actuarial losses / (gains)	571	(788)
Benefits paid, death in service insurance, premiums and expenses	(220)	(238)
Closing defined benefit obligation	<u>9,152</u>	<u>8,286</u>

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

14. Retirement benefits (continued)

Changes in the fair value of plan assets are as follows.

	2011 £'000	2010 £'000
Opening fair value of plan assets	6,294	5,519
Expected return	443	414
Actuarial gains and (losses)	(430)	248
Contributions by employer	253	242
Contributions by employees	-	107
Benefits paid, death in service insurance, premiums and expenses	(220)	(236)
	<u>6,340</u>	<u>6,294</u>

The movement in the surplus/(deficit) during the year is as follows:

	2011 £'000	2010 £'000
(Deficit) in scheme at beginning of year	(1,992)	(2,903)
Current service cost	(72)	(296)
Contributions by employer	253	242
Other finance income	-	(71)
Actuarial (loss)/gain	(1,001)	1,036
	<u>(2,812)</u>	<u>(1,992)</u>

The major categories of plan assets as a percentage of total plan assets are as follows.

	2011 %	2010 %
Equities	64%	65%
Bonds	29%	28%
Property	6%	6%
Cash	<u>1%</u>	<u>1%</u>

Principal actuarial assumptions at the balance sheet date (expressed as weighted averages):

	2011 %	2010 %
Discount rate at the end of the year	5%	5%
Future salary increases	4%	5%
Future pension increases	4%	3%
Inflation assumption (RPI)	3%	3%
Inflation assumption (CPI)	<u>2%</u>	<u>3%</u>

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

14. Retirement benefits (continued)

Amounts for the current and previous four periods are as follows

	2011 £'000	2010 £'000	2009 £'000	2008 £'000	2007 £'000
Defined benefit obligation	(9,152)	(8,286)	(8,422)	(5,561)	(6,383)
Plan assets	6,340	6,294	5,519	4,621	5,471
(Deficit)	(2,812)	(1,992)	(2,903)	(940)	(912)
Experience adjustments on plan liabilities	60	556	(18)	(15)	5
Experience adjustments on plan assets	(430)	248	380	(1,601)	(145)

15. Restricted funds

Central and 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. Fund balances are supported by current assets.

Local committee branches and group funds

Local committee, branch and group funds are raised and controlled locally for services to people with arthritis in the local area. Fund balances are supported by cash, investments and fixed assets.

Transfer between funds

The transfer from restricted to unrestricted funds is the net transfer of funds between branches and UK head office to support the Charity's activities and delivery of specific projects throughout the year.

	1 January 2011 £'000	Incoming Resources £'000	Resources expended £'000	Transfers £'000	31 December 2011 £'000
Central & regional funds					
Information	55	206	(114)	3	150
Training	132	163	(247)	4	52
Infrastructure Projects	-	22	(15)	(7)	-
Patterson Bequest	556	-	-	-	556
Restricted Funds	743	391	(376)	-	758
Local committee branch & group funds	3,093	13	(802)	(90)	2,214
Total restricted funds	3,836	404	(1,178)	(90)	2,972

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

15. Restricted Funds (continued)

Restricted projects and purpose of funds

Information

Bank Workers Charity Project

Partnership funding services to people with arthritis in the banking community

Big Lottery Fund - joint activity feasibility study

Big Lottery Fund - funding for a feasibility study for Joint Activity which is a community based project to support people with arthritis to become confident and effective self managers

Big Lottery Fund - reaching communities

Information provision in hospitals and libraries - England

CAF - Global Advocacy Development Fund

2012 - first year of five years funding - mixed for Young Persons & Family including adult services and new development

Connect Scotland Scottish Government Health Grant

Connect Scotland is an interactive peer support resource

DH S64 Community Health Information Libraries

Department of Health funded provision of information on Musculo Skeletal condition and self management through public libraries

NI-Let's Talk - Pfizer UK & UGV

To deliver a series of Health Information Events & Talking Book presentations in areas of high social and economic deprivation

Northern Ireland - information point-DHSSPS

To provide an information outreach service at Primary Care level

Scotland information outreach

Big Lottery Fund - funding of core elements for information outreach project

Wales firewall project

Welsh Council for Voluntary Action funded project Facilitating the involvement & representation of people with arthritis at local level

Wales volunteering

Wales volunteer support

Training

Anglia Co-op - Central England

General donation to support people with arthritis in Cambridgeshire

Anglia Co-op - South England

General donation to support people with arthritis in Oxfordshire

Big Lottery-Get Fit For Arthritis (Northern Ireland)

To enable people with arthritis to be fitter, healthier and happier

Challenging arthritis - Central England

Challenging arthritis - N England training

Challenging arthritis - South England

Challenging arthritis - Scotland

To deliver challenging arthritis courses

Challenging pain - North England

Challenging pain Hwel-Dda Health Board-Wales

Challenging pain rural communities project Devon

To deliver Challenging Pain workshops

DHSS&PS NI Children's Fund

To deliver a programme of support for children and young people with arthritis

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

15. Restricted Funds (continued)

Training

HSCB (North) Challenging Arthritis (Northern Ireland)

To provide Challenging Arthritis courses in H&SCB north area

NIPFW-NI Positive Future Workshop

To deliver workshops for young people with arthritis

Scotland branch match funding

Arthritis Care's match funding for the Big Lottery Fund information outreach project

Scotland self management contracts-CYC

To delivery of Challenging Your Condition courses

Infrastructure project

Scotland Office -Scottish Government Community Care Grant

Core funding for Scotland office

Other

Patterson bequest

Proceeds of sale - awaiting response to application fro Scheme from Charaty commission for 'change of use'.

16. Unrestricted Funds

	1 January 2011 £'000	New designations £'000	Movement in funds utilised / realised £'000	Transfers £'000	31 December 2011 £'000
Designated					
Contingency Reserve	845	-	-	-	845
Training and information programmes	30	-	-	-	30
Local committee branch and group funds	-	757	1	(39)	719
Total designated funds	875	757	1	(39)	1,594
General funds	2,043	3,649	(4,610)	129	1,211
Pension reserve	(1,992)	-	(820)	-	(2,812)
Total unrestricted funds	926	4,406	(5,429)	90	(7)

Designated reserves are set at levels which correspond to the organisation's policy on reserves. The policy and reserves levels are reviewed on a regular basis.

Contingency reserve

The fund is set at a level of reserves required to discharge liabilities in the event of closure. The redundancy costs being incurred in 2012 as a result of staff restructuring will be paid out of this fund

Training and information programmes

This reserve supports continuing internally funded projects that straddle the financial year end.

Local committee branch and group funds

This reserve represents the net unrestricted funds generated by branches pending the outcome of discussion with branches on the use of branch reserves

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

17. Analysis of Net Assets between Funds (excluding pension liability)

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Fund balances at 31 December are represented by			
Tangible fixed assets	1,393	-	1,393
Investments	1,269	1,218	2,487
Current assets:			
Debtors	1,278	-	1,278
Cash & bank	(768)	1,754	986
Current liabilities	(367)	-	(367)
Net Assets	2,805	2,972	5,777
Unrealised gains included above:			
On investment assets (see below)	20	6	26

Reconciliation of movements in unrealised gains on Investment assets:

	Unrestricted Funds £'000	Restricted Funds £'000	Total Funds £'000
Unrealised gains at 1 January 2011	56	56	112
Deduct in respect of disposals in year	(9)	(5)	(14)
	47	51	98
Add Net gains arising on revaluations in year	(81)	(45)	(126)
Unrealised gains at 31 December 2011	(34)	6	(28)

18. Operating leases

The annual commitments at the year end under operating leases expiring as follows

	2011 Land and buildings £'000	2010 Land and buildings £'000
2 - 5 Years	36	28
	36	28

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2011

Appendix A: Restricted central and regional funds

Project	Opening balance at 1 January 2011 £	Income £	Expenditure & Transfers £	Closing balance at 31 December 2011 £
Information				
CAF - Global Advocacy Development Fund	-	120,000	-	120,000
Northern Ireland - Information point-DHSSPS	1,246	-	1,246	-
DH S64 Community Health Information Libraries	6,059	-	6,059	-
Scotland Information outreach	3,809	-	3,809	-
Big Lottery Fund - reaching communities	5,078	-	5,078	-
Big Lottery Fund - joint activity feasibility study	-	9,950	-	9,950
Wales volunteering	1,992	-	996	996
Wales firewall project	8,187	5,154	13,341	-
Ni-Let's Talk - Pfizer UK & UGV	1,457	1,230	2,687	-
Connect Scotland Scottish Government Health Grant	27,000	27,000	37,542	16,458
Bank Workers Charity Project	(185)	42,501	42,316	-
CHK Trust- Training Publications	4,000	-	1,368	2,634
Infrastructure project reallocation	(3,600)	7,742	4,142	-
Information total	55,043	213,577	118,582	150,038
Training				
NIPFW-NI Positive Future Workshop	3,195	-	-	3,195
Challenging arthritis - Central England	14,414	-	7,604	6,810
Challenging arthritis - N England training	4,772	1,500	2,772	3,500
Big Lottery-Get Fit For Arthritis (Northern Ireland)	10,660	70,070	71,221	9,509
HSCB (North) Challenging Arthritis (Northern Ireland)	9,164	11,399	16,976	3,587
DHSS&PS NI Children's Fund	(4,656)	12,569	7,913	-
Scotland Challenging arthritis	49,433	58,255	90,774	16,914
Scotland branch match funding	5,794	-	5,794	-
Challenging arthritis - South England	37,959	-	37,959	-
Anglia Co-op - Central England	-	4,000	611	3,389
Anglia Co-op - South England	-	4,000	1,775	2,225
North England Challenging Pain	-	900	-	900
Scotland self management contracts-CYC	(6,695)	-	(6,695)	-
Challenging pain Hvel-Dda Health Board-Wales	1,317	599	-	1,916
Challenging pain rural communities project Devon	10,011	-	10,011	-
Infrastructure project reallocation	(3,241)	14,258	11,017	-
Training total	132,127	177,550	257,732	51,945
Infrastructure projects				
Scotland Office -Scottish Government Community Care Grant	(6,841)	22,000	15,169	-
Reallocated representation & campaigning	-	-	-	-
Reallocated to information	3,600	(7,742)	(4,142)	-
Reallocation to training	3,241	(14,258)	(11,017)	-
Infrastructure project total	-	-	-	-
Patterson bequest	556,346	-	-	556,346
Restricted project total	743,516	391,127	376,314	758,329