

Company number: 529321
Charity number: 206563
OSCR no. SC038693

Arthritis Care

Report and financial statements
For the year ended 31 December 2015

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Arthritis Care

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Arthritis Care

Reference and administrative details

For the year ended 31 December 2015

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 2015. The statements appear in the format required by the Statement of Recommended Practice for Accounting and Reporting by Charities (revised effective 1 January 2015), 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.

Company number 529321

Charity number 206563

Registered office and operational address

Floor 4, Linen Court
10 East Road
London
N1 6AD

Wales

Arthritis Care Wales /
Gofal Arthritis Cymru
One Caspian Point
Pierhead Street
Cardiff Bay
CF10 4DQ

Northern Ireland

Unit 4 McCune Building
1 Shore Road
Belfast
BT15 3PG

Scotland

Unit 25A, Anniesland Business
Park
242 Netherton Road
Glasgow
G13 1EU

Trustees

Trustees, who are also directors under company law, who served during the year and up to the date of this report were as follows:

Gordon Anderson	(Chair)
Peter Anscombe	
Gordon Blyth N	
Susan Cheetham	(resigned 8 May 2015)
Dr Tina Crimes	(from 8 July 2015)
Dr Ursula Davies	
William Eckhardt	(resigned 1 June 2015)
Jane Howells N	(from 8 July 2015)
Marie Mitchell N	
John Nicholls N	(from 8 July 2015)
Robert Pickles	
Clare Reid	(from 20 May 2015)
Neil Spence	
Dr Ian Walters	(from 20 May 2015)
Debbie Weekes	

N = National Trustee

Arthritis Care

Reference and administrative details

For the year ended 31 December 2015

Principal staff	Judi Rhys Chief Executive
Patron	Duke of Westminster KG CB CVO OBE TD CD DL
President	Jane Asher
Bankers	National Westminster Bank (Royal Bank of Scotland Group) Corporate Banking London 9th Floor, 280 Bishopsgate London EC2M 4RB
Solicitors	Russell-Cooke Solicitors 2 Putney Hill London SW15 6AB Wilsons Solicitors LLP Alexandra House St Johns Street Salisbury SP1 2SB
Investment advisers	UBS AG 1 Curzon Street London W1J 5UB
Auditors	Sayer Vincent LLP Chartered Accountants and Statutory Auditors Invicta House 108-114 Golden Lane LONDON EC1Y 0TL

The Trustees present their report and the audited financial statements for the year ended 31 December 2015.

Reference and administrative information set out on pages 1 and 2 forms part of this report. The financial statements comply with current statutory requirements, the Articles of Association and the Statement of Recommended Practice – Accounting and Reporting by Charities SORP applicable to charities preparing their accounts in accordance with FRS 102.

OBJECTIVES AND ACTIVITIES

Our vision

Our vision is of a world where people with arthritis can lead full and active lives.

Our purpose

Our purpose is to empower people with arthritis through support and information, ensuring their voices are heard and their conditions more effectively managed.

Our impact goals

- 1 To increase the number of people with arthritis who are able to manage their pain on a daily basis.
- 2 To improve the health and wellbeing of people with arthritis and ensure more have the confidence to manage their condition.
- 3 To reduce the physical and emotional isolation felt by many people living with arthritis.
- 4 To ensure more people with arthritis can live an independent life, receiving the support they are entitled to.
- 5 To improve services and ensure the voice of people living with arthritis is heard and acted on.

STRATEGIC REPORT

Achievements and performance

We have made considerable progress during 2015 in implementing our Strategic Plan to have a greater impact on improving the lives of people living with arthritis across the UK.

Campaigning and raising awareness

- We hosted professional lectures at the Scottish Parliament and Stormont hosting over 150 guests including politicians and policy makers with an interest in health and those in the healthcare community. The events helped raise the profile of arthritis on the health agenda as well as the important role voluntary organisations such as Arthritis Care play in supporting people's health and well-being.
- We worked in partnership with coalitions including ARMA (Arthritis and Musculoskeletal Alliance), Disability Benefits Consortium, Care and Support Alliance and the Fit for Work Coalition to drive up awareness and understanding amongst politicians and policy makers of

Arthritis Care

Trustees' annual report

For the year ended 31 December 2015

the barriers facing people with arthritis in their everyday lives. This included influencing their thinking and decision making and securing political commitment to respond more effectively to people with arthritis.

- Some of our policy and campaigning highlights over the year include, in Northern Ireland, as part of the Keep Well campaign, ensuring free prescriptions remain in place for people living with long term conditions; having pain recognised as a chronic long term condition by the Department of Health, Social Services and Public Safety. In Wales, our Director continued to chair the Long Term Conditions Alliance Cymru and led on writing the Welsh Government's document *My Health in My Hands* – a public and patient guide to individual care plans for people living with long term conditions. In Scotland, we worked on the Scottish Metrics for the Assessment of Rheumatoid Arthritis (SMART) project led by the Scottish Society for Rheumatology. *This project is working to drive up clinical standards of care for people with rheumatoid arthritis across Scotland by improving the measures used to judge NHS performance.*

Information

- We successfully launched the new Arthritis Care website with new and updated information on different aspects of living with arthritis.
- We revised and updated our eight most popular information booklets including *Coping with Pain*, *Exercise and Arthritis* and *Working with Arthritis* as well as launching a new edition of *My Child has Arthritis*.
- We produced 27 new factsheets on a range of topics including different types of arthritis, therapies and guidance on welfare benefit entitlements.

Services

- Our staff and volunteers delivered individual and group support services to over 20,000 people across the UK. They hosted drop-ins at local venues including health centres, hospital clinics and community centres, offered individual support sessions in person and over the phone as well as running national Helpline services, local branches and support groups. We deliver some services specifically commissioned by the NHS.
- 75% of people learnt new ways to manage their arthritis. 100% of people found the experience of visiting an Arthritis Care drop-in helpful.
- We established 12 local Living Well with Arthritis services across England and Wales, local services in the five largest cities in Scotland as well as remote areas, and services reaching 21 towns and cities in Northern Ireland.
- We set up a new Young People and Families service in England with Youth Workers in Birmingham and London working alongside three specialist paediatric rheumatology clinics.
- We extended our service in Scotland to young people aged 10–18 and supported 30 young people in the first year. We ran 6 events where, on average, young people reported a 36% drop in feeling isolated and a 19% increase in their hopes for the future.
- In Northern Ireland, we have been piloting new groups for young people and parents on social media to reduce isolation as well as training volunteers as Social Media Co-ordinators.

Trustees' annual report

For the year ended 31 December 2015

- Our Staying Connected in Later Life service was highly commended by the World Health Organisation Belfast Healthy City Awards.
- We trained 11 new volunteers in our Staying Connected in Later Life service which supported 165 vulnerable older people in Northern Ireland.
- We secured funding to develop a pilot of Staying Connected in Later Life in Scotland.
- 2015 was a busy and positive year for the Helplines. Our enquiry rate remained constant at just over 7,000. We ran an evaluation of our Helpline service which revealed many examples of the tangible difference that calling the Helpline had made to people's ability to manage their arthritis. Examples from callers spoken to include that it gave them the confidence to talk to their doctor and get their medication reviewed which improved their health; confidence to talk to their employer and access support to enable their return to work; helped them apply and receive benefit entitlements that enhanced their independence and helped them seek help from their family and healthcare professionals to manage feelings of depression from their arthritis.

Volunteering

- In 2015 our volunteers provided 41,040 hours of their time (5,863 days) the equivalent of 27 full time staff.
- We supported volunteers running 135 local Arthritis Care Branches and Groups with nearly 5,000 members. People participating in the Branches and Groups report a number of benefits including increased involvement in community activities and reduced isolation, increased confidence in managing their arthritis and improved knowledge about local services.
- We provided information and support to over 4,000 postal members. This included providing the quarterly Inspire membership magazine.
- We developed new opportunities for people to volunteer with Arthritis Care and improved the training and support we give to our volunteers.
- 60 people participated in Steering Group meetings across the UK to help shape the future of volunteer-led Branches and Groups with a remit to help tackle isolation of people living with arthritis in local areas.

FINANCIAL REVIEW

Overview

A prior year adjustment has been made to the 2013 and 2014 balances as a result of changes in accounting due to the implementation of FRS 102 and SORP 2015. This almost exclusively is due to when legacy income is recognised but there is also a small adjustment to recognise holiday pay that is due to employees as at the end of the year (£29k), accrued at the end of 2013.

The overall funds of the Charity decreased by £1,768k at the end of 2013 and the net reduction in funds at the end of 2014 totalled £1,211k. This resulted in an adjusted balance of funds at 31st December 2014 of £5,489k (see note 24 in the financial statements).

At the operating level (i.e. net income / expenditure before transfers) a 'deficit' of £235k was incurred in 2015 compared with a £555k surplus for 2014. The two most significant reasons for the change were an 8% reduction in legacy income from £2,739k to £2,522k and a planned 24% increase in our service provision expenditure from £1,793k to £2,225k.

There was a surplus of £74k generated by unrestricted activity but an outflow of restricted funds of £309k.

All other income sources, excluding legacies, totalled £2,147k; a 6% decrease from 2014. This is largely due to restricted project income which reduced by £104k to £699k as a result of the completion of the Big Lottery funded Get Fit for Arthritis project in Northern Ireland.

Expenditure in 2015 was £4,927k; an increase of £398k (9%) from 2014. Some areas of activity (including the cost of raising funds) reduced but the major area of increase was the amount we spent on delivering our services as we began to increase our areas of delivery; in particular our Living Well with Arthritis and Young People and Families activities.

Principal funding sources

Donations and Legacies

Our main sources of voluntary income are legacies, individual donations, grant-making trusts and corporate donations and events.

In 2015 legacy income amounted to £2,522k compared to £2,739k in 2014. Accounting for legacies has been changed to bring it in line with the new SORP requirements and the 2014 figures have been restated on the same basis (see note 1f: accounting policies in the Financial Statements). Trusts and corporate donations increased in 2015 by £132k (54%) to a total of £377k. Individual donations also saw an increase of 3% in 2015 to £779k.

Income from charitable activities

Incoming resources from information, services and volunteering saw a significant reduction from 2014 by 27% to £790k. This includes funds from statutory bodies for training as well as membership and subscriptions. This was mainly due to restricted income received in 2014 for information and services projects being spent in 2015, reducing restricted reserves.

Balance sheet

The balance sheet has been restated as a result of the transition to FRS 102 and SORP 2015. The opening funds at the start of 2014 reduced from £6,780k to £5,012k (see note 24 in the Financial Statements). The Charity is in a strong position with total net assets at the end of 2015 of £5,527k; this is mostly represented by unrestricted funds of £4,615k, with restricted funds totalling £912k.

Investments reduced by £198k to £1,504k as a result of Branch investments being realised and transferred to their bank account.

The pension reserve reduced by £881k to £487k. This was mainly due to a combination of £463k contributions (a recovery plan agreed with the Pension Fund Trustees in December 2013), further contributions made totalling £263k and a net actuarial gain of £273k. The further contributions

made were part of a buy out exercise for members aged 55 and over undertaken in order to reduce our long-term liability.

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 the Charities Act 2011. 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 twelve months to 31st December 2015, the portfolio produced a total return of 1.71% versus the composite benchmark of 2.73%.

Basis of Accounting

One key accounting policy has changed and that relates to how and when legacy income is recognised; all other accounting policies remain unchanged.

Following a review of our legacy accounting in the light of the new SORP 2015 requirements, legacy income is recognised when the Charity is satisfied that the conditions of entitlement, probability and measurement have been met. Pecuniary legacies are accounted for when notified. Residuary legacies are accounted for when notification of impending distribution or estate accounts have been received.

Reserves policy

During the year the Trustees reviewed their requirements for designated and general reserves with particular reference to the 2012 publication by ACEVO, Charity Finance Group, the Institute of Fundraising, and Sayer Vincent, Beyond Reserves, and commended by The Charity Commission. The Trustees have determined a minimum level of 'free' general reserves should be held as a contingency to cover between five and seven months of operational expenditure. Based on the 2016 budget this amounts to between £2,000k and £2,880k. This decision has been made taking into account the prudent legacy accounting policy adopted as described in the paragraph above.

Total Unrestricted Reserves:	£4,615K
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Designated reserves set aside are as follows:

Fixed Asset Reserve	£51k	
Fair Value Investment Reserve	£79k	
Local Committee and Branch Funds	£1,239k	
Pension Liability Reserve	£487k	
Total		£1,856k

Free Reserves	<u>£2,759k</u>
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The purpose of the designated funds is detailed in note 18 to the financial Statements.

Trustees' annual report

For the year ended 31 December 2015

The Trustees are committed to investing from the balance of unrestricted reserves in delivering its three year strategy to maximise Arthritis Care's impact and improve its effectiveness as well as to minimise its long-term pensions deficit liability.

In addition, Restricted Funds are held where specific grants or donations are of a restricted nature and where Local Committee and Branch Funds previously reported as restricted have not yet been fully spent.

PLANS FOR FUTURE PERIODS

At the start of 2014 we published our new Strategic Plan setting out our aims for the next three years and embracing five new impact goals for the future which have at their heart significantly increasing the impact Arthritis Care has on the lives of people living with arthritis across its four charitable objectives.

Against this backdrop 2015 has been a year of considerable achievement and significance for Arthritis Care and a year of ongoing change and transformation. We are finishing the year with a defined core service offer across England, Northern Ireland, Scotland and Wales with a clear vision for increasing our impact and reach locally through a network of well supported Branches and Groups; with a realistic evidence-based fundraising strategy and with a new website that is already having an impact on our events fundraising.

In 2016 we want to build on this and our plans include the following activities:

Campaigning and Raising Awareness. Running targeted campaigns in the lead up to the 2016 elections for the Northern Ireland Assembly, Scottish Parliament and National Assembly for Wales; following the elections we will be actively approaching and briefing relevant newly elected representatives.

Information. Driving forward with our information review, ensuring that more than 100,000 booklets are either ordered or downloaded from our website.

We will ensure that more people are able to understand their arthritis and how it may affect them, the treatment and support available and how to self-manage their condition by promoting our range of information booklets in print and online. We will develop videos of people talking about their arthritis, their challenges and how they live well with arthritis.

Services. In 2016 we will continue to review and shape our menu of services under 'Living Well with Arthritis' in order to create a core UK concept. In doing so, we will focus our resources on interventions that have greatest impact and greatest appeal to funders. We will develop our understanding of the services and their impact within a framework of in-depth and light touch interventions. We will establish a UK Young People's and Families service and launch a UK programme of services building on strengthened relationships with adolescent rheumatology clinical teams. Our pilot 'Staying Connected in Later Life' will be expanded from Northern Ireland to Scotland to improve our learning of the service through its evaluation period.

Volunteering. Increasing levels of local reach and engagement through establishing 50 new Groups and a refreshed and supported Branch model.

To deliver this strategy Arthritis Care is committed to using our reserves and thereby invest significant resource in maximising our impact and improving our effectiveness. This would be done within the parameters set by the reserves policy of retaining free reserves that cover 5 to 7 months' running costs.

PRINCIPAL RISKS AND UNCERTAINTIES

The Trustees have overall responsibility for ensuring that the Charity has an appropriate system of controls, financial and otherwise. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

As part of the Charity's risk management process the Trustees acknowledge their responsibility for the Charity's system of internal control and reviewing its effectiveness. It is also recognised by the Trustees that such a system is designed to manage rather than eliminate the risk of failure to achieve the Charity's objectives and can only provide reasonable, not absolute, reassurance against material misstatement or loss.

Arthritis Care produces a comprehensive corporate risk register which is reviewed annually by the Trustee Board. Our Audit and Risk Committee – a sub Committee of the Trustee Board led by an independent Chair – reviews the corporate risk register at every meeting, paying particular attention to those risks with a higher risk scoring (based on impact and probability) and whether there has been a change in direction since the previous quarter. The Committee also question and analyse the existing controls and planned actions.

Our corporate risk register segments risk on the basis of nine headings: Impact and services; raising funds and diversifying our fundraising activities; joined up marketing and communications; branch and local engagement; staff and volunteer base; fit for purpose governance; evidence-based organisation/infrastructure; financials and external environment. Key risks to which we pay particular attention include adult and children's safeguarding and to our legacy income levels.

Alongside our corporate risk register, Arthritis Care also produces a dedicated risk register for our Branches. This approach reflects that this is a vital and important work stream and one in which there are a number of risks that must be managed and well supported. This register is also reviewed annually by the Audit and Risk Committee and the Trustees and segments risks on the basis of financial (including Annual Financial Return not returned) and reputation (including lack of alignment with Arthritis Care strategic impact goals, and lack of good governance).

STRUCTURE, GOVERNANCE AND MANAGEMENT

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 Articles of Association, which were comprehensively updated in 2014.

Public Benefit

The Trustees continue to give due regard to the public benefit provided by the Charity in relation to its charitable purpose as set out above and have given due consideration to the relevant guidance issued by the Charity Commission.

Trustees' annual report

For the year ended 31 December 2015

Board of Trustees

In 2015 we fully implemented the changes to our Articles of Association, including to the composition of our Board, as agreed at our AGM in 2014. As a result we successfully recruited four new Trustees, including new National Trustees in England and Wales (our National Trustees in Scotland and Northern Ireland were already in place). We therefore now have 13 Trustees including our four National Trustees.

All Trustees give their time voluntarily and receive no benefits from the Charity. Any expenses reclaimed from the Charity are set out in note 7 to the accounts.

The second stage of our governance review has focussed on how we more effectively bridge the gap between the Trustee Board and our network of local Branches. During 2015 we developed proposals to strengthen the relationship between the Board and our three National Committees. We have also agreed to establish an England Volunteer Council and a network of England Volunteer Forums. We will continue to hold National Volunteer Conferences in Scotland, Wales and Northern Ireland.

During 2015 we have also been working closely with Branches, reviewing how they are run and supported and this has included looking at their financial governance arrangements. As a result we have agreed a number of changes that will strengthen the network and the support it receives, along with how we manage the risks associated with local engagement.

Board effectiveness

The Board meets five times a year and works to a clear and pre-determined set of agendas that as standard items include reviewing the financial management accounts, delivery against Key Performance Indicators (KPIs), receiving a report from the Chief Executive, along with service and fundraising updates.

The Board has three formal sub Committees:

- Appointments – that leads on recruiting new Trustees (see below);
- Performance and remuneration – that leads on appraising the performance of the Chair and Trustee Board and in making recommendations on the Chief Executive's salary;
- Audit and Risk – that leads on overseeing the corporate risk register and the production of the annual report.

Arthritis Care is acutely aware of the importance of Board support and development.

In 2015, all Trustees were provided with a Trustee resource pack that includes critical information. In addition, all the Trustees have been offered access to Trustee training seminars and courses as well as induction meetings with relevant staff (and indeed local Branches). In September the Board and the Leadership team attended a joint away day when issues relating to strategy and joint working were considered.

Recruitment and appointment of new Trustees

Arthritis Care is committed to adopting a clear and open process to Trustee recruitment, including a clear and simple route for individual members to become Trustees.

All Trustees are recruited via promotion within the membership, active promotion via our website and through existing Trustee recruitment networks. All applications are reviewed by our Appointments Committee that assesses them against agreed criteria. The criteria include remaining driven by those with personal experience of arthritis and a demonstrable commitment to the work of Arthritis Care, along with detailing specific skills needed in, for example, communications and marketing, governance and finance.

The Board makes the initial appointment, with confirmation by members at the AGM.

Induction and training of Trustees

On appointment each Trustee completes a declaration 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.

Management

The Trustees exercise executive responsibility for the governance of the Charity and, through the Chair, supervise the management of the Charity by the Chief Executive and the leadership team. The Chair and Chief Executive also task the Board with decision-making on strategic management issues as appropriate.

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.

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.

Each member of staff:

- Has the opportunity to contribute to our Staff Forum meetings. Members are elected/co-opted members of staff who represent their colleagues at meetings with the Chief Executive and HR Manager. The Forum meets regularly to discuss any issues that may be of relevance to staff and to consult on any wider issues that might affect them.
- Has an individual performance development plan underpinned by regular meetings with their line manager which provide opportunities to share information and seek feedback.
- Is invited to contribute to, and sent copies of, Arthritis Care's monthly update which details our achievements across the organisation both internally and externally.

Remuneration Policy

Arthritis Care is committed to a pay strategy that enables the Charity to attract and retain appropriately qualified staff to lead, manage, support and deliver our strategic plan. Our Trustees have overall responsibility for determining pay within our organisation and for agreeing with the Chief Executive an annual increase for all staff. The Chief Executive, in consultation with the Leadership team, is responsible for determining how that increase is allocated to staff.

Trustees also have specific responsibility for setting the Chief Executive's pay and for reviewing that pay annually.

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.

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 including the strategic 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.

Trustees' annual report

For the year ended 31 December 2015

- 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 LLP as auditors was proposed and accepted by the members at the Annual General Meeting on 12 September 2015. Audit for 2016/17 will be put out to tender in 2016 and the Audit and Risk committee will submit a recommendation for approval to the Trustees. A resolution to appoint auditors will then be proposed for acceptance by the members at the annual general meeting on 10 September 2016.

The report of the Trustees which includes the strategic report was approved by the Trustees on 25 May 2016 and signed on their behalf by



Gordon Anderson, 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 2015, which comprise the Statement of financial activities, Balance sheet and Statement of cash flows, 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 report of the Trustees, 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 auditors 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 report of the Trustees including the Strategic Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditors' report

To the members of

Arthritis Care

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 2015 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.
- 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 (as amended)

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the report of the Trustees, including the Strategic 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;
- The financial statements are not in agreement with the accounting records and returns;
- Certain disclosures of Trustees' remuneration specified by law are not made;
- We have not received all the information and explanations we require for our audit.

Joanna Pittman (Senior statutory auditor)

6 June 2016

for and on behalf of Sayer Vincent LLP, Statutory Auditors

Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Sayer Vincent LLP is eligible to act as auditors 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 2015

				2015			Restated
	Note	Unrestricted £'000	Restricted £'000	Total £'000	Unrestricted £'000	Restricted £'000	2014 Total £'000
Income from:							
Donations and legacies	2	3,459	219	3,678	3,713	31	3,744
Charitable activities							
Campaigning and Raising Awareness	3	-	-	-	-	-	-
Information	3	3	16	19	-	139	139
Services	3	152	499	651	167	622	789
Volunteering	3	120	-	120	148	-	148
Other trading income - Events		113	-	113	149	3	152
Investments	4	57	-	57	44	13	57
Other		31	-	31	-	-	-
Total income		3,935	734	4,669	4,221	808	5,029
Expenditure on:							
Raising funds	5	853	-	853	901	-	901
Charitable activities							
Campaigning and Raising Awareness	5	107	-	107	164	3	167
Information	5	561	135	696	419	183	602
Services	5	1,442	783	2,225	1,072	721	1,793
Volunteering	5	914	132	1,046	847	219	1,066
Total expenditure		3,877	1,050	4,927	3,403	1,126	4,529
Net income / (expenditure) before net gains / (losses) on investments		58	(316)	(258)	818	(318)	500
Net gains on investments		16	7	23	33	22	55
Net income / (expenditure) before other recognised gains and losses	6	74	(309)	(235)	851	(296)	555
Actuarial gains / (losses) on defined benefit pension schemes	23	273	-	273	(78)	-	(78)
Net movement in funds		347	(309)	38	773	(296)	477
Reconciliation of funds:							
Total funds brought forward		4,268	1,221	5,489	3,495	1,517	5,012
Total funds carried forward		4,615	912	5,527	4,268	1,221	5,489

All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above. Movements in funds are disclosed in Note 18 to the financial statements.

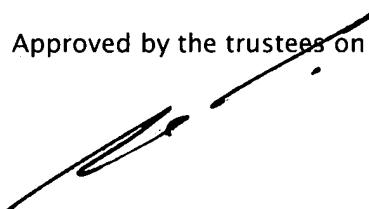
Arthritis Care

Balance sheet

As at 31 December 2015

	Note	£'000	2015 £'000	£'000	Restated 2014 £'000
Fixed assets:					
Tangible assets	12		51		88
Investments	13		1,504		1,702
			<u>1,555</u>		<u>1,790</u>
Current assets:					
Debtors	14	314		200	
Cash at bank and in hand		1,953		2,652	
Short term deposits		2,588		2,562	
		<u>4,855</u>		<u>5,414</u>	
Liabilities:					
Creditors: amounts falling due within one year	15	396		347	
				<u></u>	
Net current assets			<u>4,459</u>		<u>5,067</u>
Total assets less current liabilities			<u>6,014</u>		<u>6,857</u>
Defined benefit pension scheme (liability)	23		(487)		(1,368)
Total net assets			<u><u>5,527</u></u>		<u><u>5,489</u></u>
The funds of the charity:	18				
Restricted income funds			912		1,221
Unrestricted income funds:					
Designated funds		1,856		2,945	
General funds		2,759		1,323	
		<u></u>		<u></u>	
Total unrestricted funds			<u>4,615</u>		<u>4,268</u>
Total charity funds			<u><u>5,527</u></u>		<u><u>5,489</u></u>

Approved by the trustees on 25 May 2016 and signed on their behalf by


Gordon Anderson
Chair of Trustees


Neil Spence
Treasurer

Arthritis Care

Statement of cash flows

For the year ended 31 December 2015

	Note	2015 £'000	2014 £'000
Cash flows from operating activities	19		
Net cash (used in) / provided by operating activities		(950)	34
Cash flows from investing activities:			
Dividends, interest and rents from investments		57	57
Purchase of fixed assets		-	(9)
Movement in investment cash holdings		58	(29)
Proceeds from sale of investments		587	827
Purchase of investments		(425)	(221)
Net cash provided by / (used in) investing activities		277	625
Cash flows from financing activities:			
Change in cash and cash equivalents in the year		(673)	659
Cash and cash equivalents at the beginning of the year		5,214	4,555
Cash and cash equivalents at the end of the year (including short term deposits)		4,541	5,214

1 Accounting policies

a) Basis of preparation

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) – (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

b) Consolidation

The financial statements of the Charity include the assets, liabilities, funds and income and expenditure of all the Charity's local Committees and Branches, as well as its UK office and regional services. The local Committee, and Branch figures have been compiled from returns by local treasurers made up to 31 October 2015.

c) Reconciliation with previously Generally Accepted Accounting Practice (GAAP)

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 a restatement of comparative items was required. The transition date was 1st January 2014.

At the date of transition in applying the requirement to recognise liabilities arising from employee benefits, a liability was recognised for short-term compensated absence arising from employee entitlement to paid annual leave. The initial liability recognised at the date of transition was for the holiday entitlement carried forward and for the entitlement arising in the year which was due but not taken. The initial liability was for £29k. Legacy income and defined benefit pension costs and actuarial gains and losses have been restated in accordance with SORP 2015 and FRS 102. No other restatements were required.

In accordance with the requirements of FRS 102, a reconciliation of opening balances and net income / (expenditure) for the year is provided with the net income / (expenditure) under previous GAAP adjusted for the presentation of investment gains / (losses) as a component of reported income. This is provided in note 24.

d) Public benefit entity

The charitable company meets the definition of a public benefit entity under FRS 102.

e) Going concern

The Trustees consider that there are no material uncertainties about the charitable company's ability to continue as a going concern.

The Trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

f) Income

Income is recognised when the Charity has entitlement to the funds, any performance conditions attached to the income have been met, it is probable that the income will be received and that the amount can be measured reliably.

Income from government and other grants, whether 'capital' grants or 'revenue' grants, is recognised when the Charity has entitlement to the funds, any performance conditions attached to the grants have been met, it is probable that the income will be received and the amount can be measured reliably and is not deferred.

1 Accounting policies (continued)

Legacy income is included in the financial statements when the Charity is satisfied that the conditions of entitlement, probability and measurement have been met. Pecuniary legacies are accounted for when notified. Residuary legacies are accounted for when notification of impending distribution or estate accounts have been received. This is a prudent approach that meets the SORP 2015 requirements. Where legacies have been notified to the Charity or the Charity is aware of the granting of probate and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if

Income received in advance of the provision of a specified service is deferred until the criteria for income recognition are met.

g) Interest receivable

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the Charity; this is normally upon notification of the interest paid or payable by the bank.

h) Fund accounting

Restricted funds are to be used for specific purposes as laid down by the donor. Expenditure which meets these criteria is charged to the fund.

Unrestricted funds are donations and other incoming resources received or generated for the charitable purposes.

Designated funds are unrestricted funds earmarked by the Trustees for particular purposes.

i) Expenditure and irrecoverable VAT

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Expenditure is classified under the following activity headings:

- Costs of raising funds relate to the costs incurred by the charitable company in inducing third parties to make voluntary contributions to it, as well as the cost of any activities with a fundraising purpose
- Expenditure on charitable activities includes the costs of delivering services, providing information, representation and campaigning and volunteering undertaken to further the purposes of the charity and their associated support costs
- Other expenditure represents those items not falling into any other heading.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

j) Allocation of support costs

Resources expended are allocated to the particular activity where the cost relates directly to that activity. However, the cost of overall direction and administration of each activity, comprising the salary and overhead costs of the central function, is apportioned on the following basis which is an estimate, based on a number of factors outlined below.

- Support costs incurred in the nation offices are apportioned on the basis of the direct costs of their charitable activities.
- Support costs incurred in Strategy and Engagement are equally split between the three direct activities the department is involved in.
- Corporate Services costs have been apportioned in different ways. Head office premises costs are apportioned by the number of head office staff; IT, pension and payroll overhead costs are apportioned by total staff numbers. The balance of Corporate Services costs and the Chief Executive Office costs have then been apportioned by the total costs of each charitable activity once the other allocations have been applied.
- Governance costs are apportioned in the same way as the balance of Corporate Services costs and the Chief Executive Office costs as described above.

Where information about the aims, objectives and projects of the charity is provided to potential beneficiaries, the costs associated with this publicity are allocated to charitable expenditure.

1 Accounting policies (continued)

k) Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

l) Tangible fixed assets

Items of equipment are capitalised where the purchase price exceeds £3,000. Depreciation costs are allocated to activities on the basis of the use of the related assets in those activities. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

Where fixed assets have been revalued, any excess between the revalued amount and the historic cost of the asset will be shown as a revaluation reserve in the balance sheet.

Depreciation is provided at rates calculated to write down the cost of each asset to its estimated residual value over its expected useful life. The depreciation rates in use are as follows:

- | | |
|--------------------------|----------------------------|
| ● Leasehold improvements | over the term of the lease |
| ● Fixtures and equipment | 3 years |
| ● Motor vehicles | 4 years |

m) Listed investments

Investments are a form of basic financial instrument and are initially recognised at their transaction value and subsequently measured at their fair value as at the balance sheet date using the closing quoted market price. Any change in fair value will be recognised in the statement of financial activities and any excess of fair value over the historic cost of the investments will be shown as a fair value reserve in the balance sheet. Investment gains and losses, whether realised or unrealised, are combined and shown in the heading "Net gains/(losses) on investments" in the statement of financial activities. The charity does not acquire put options, derivatives or other complex financial instruments.

n) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

o) Cash at bank and in hand

Cash at bank and cash in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account. Cash balances exclude any funds held on behalf of service users.

p) Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

1 Accounting policies (continued)

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

q) Pensions

Until the end of 2010, the charity operated a defined benefit pension scheme on behalf of its employees. Since then the scheme has been closed to new members. The assets of the scheme are held separately from those of the charity in an independently administered scheme. The Charity has adopted the full requirements of FRS 102 section 28.

In addition, the surplus / deficit on the scheme, representing the excess / 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.

Since the end of 2010 the Charity has operated 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.

2 Income from donations and legacies

	Unrestricted £'000	Restricted £'000	2015 Total £'000	2014 Total £'000
Individual donations	757	22	779	760
Trust and Corporate	215	162	377	245
Legacies	2,487	35	2,522	2,739
	<u>3,459</u>	<u>219</u>	<u>3,678</u>	<u>3,744</u>

Legacies valued at £208,531 were receivable as at 31 December 2015 (2014: £90,729) and are included in debtors.

A contingent asset of £1,577,723 has not been included in relation to legacies which have been notified to the charity as at 31 December 2015 (2014: £1,614,785) but the criteria for income recognition has not been met.

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2015

3 Income from charitable activities

	Unrestricted £'000	Restricted £'000	2015 Total £'000	2014 Total £'000
Information Income				
Scotland Office *	-	16	16	22
Other income from information	3	-	3	117
Sub-total for information	3	16	19	139
Services Income				
Newbury & District CCG, Wokingham CCG, North West	49	-	49	55
Reading CCG, South Reading CCG	69	-	69	87
Belfast Health and Social Care Trust	-	187	187	116
Health and Social Care Volunteering Fund *	-	72	72	72
Charities Aid Foundation	-	107	107	27
Children in Need	-	83	83	184
Big Lottery Fund	-	-	-	25
Westminster Foundation	34	50	84	223
Other income from services	34	50	84	223
Sub-total for services	152	499	651	789
Volunteering Income				
Other income from Volunteering	120	-	120	148
Sub-total for Volunteering	120	-	120	148
Total income from charitable activities	275	515	790	1,076

* These are grants received from governments

4 Income from investments

	Unrestricted £'000	Restricted £'000	2015 Total £'000	2014 Total £'000
Dividend Income	22	-	22	21
Bank deposit interest	27	-	27	21
Income from investment held by voluntary run branches	8	-	8	15
	57	-	57	57

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2015

5 Analysis of expenditure

	Cost of raising funds £'000	Charitable activities				Governance costs £'000	Support costs £'000	2015 Total £'000	2014 Total £'000
		Campaigning and Raising Awareness £'000	Information £'000	Services £'000	Volunteering £'000				
Staff costs (Note 7)	255	21	202	494	18	147	1,376	2,513	2,186
Staff recruitment & training	20	-	-	9	-	-	20	49	37
Trustees and staff expenses	10	3	-	95	43	18	48	217	198
Volunteers expenses	-	-	-	63	6	-	1	70	95
Premises & equipment	-	1	-	14	1	-	281	297	315
Insurance	-	-	-	-	-	-	15	15	17
Postage & telephone	4	1	1	20	1	-	46	73	79
Office printing & stationery	1	2	5	17	2	4	36	67	75
Advertising	6	1	1	26	-	-	2	36	35
Courses costs	-	-	-	107	1	-	1	109	100
Publications production	(1)	-	21	7	1	-	5	33	33
Direct mail, legacy, events	167	-	96	7	16	-	21	307	131
Professional fees (incl audit)	6	6	6	18	20	21	94	171	164
Database & IT outsourcing	-	-	148	4	-	-	80	232	295
Depreciation	-	-	-	-	-	-	37	37	36
Branch expenses	-	-	-	-	498	-	-	498	662
Other Costs	43	4	2	5	5	7	137	203	71
	511	39	482	886	612	197	2,200	4,927	4,529
Support costs	257	62	135	1,195	334	217	(2,200)	-	-
Governance costs	85	6	79	144	100	(414)	-	-	-
Total expenditure 2015	853	107	696	2,225	1,046	-	-	4,927	4,529
Total expenditure 2014	901	167	602	1,793	1,066	-	-	4,529	

Of the total expenditure, £3,877k was unrestricted (2014: £3,403k) and £1,050k was restricted (2014: £1,126k).

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2015

6 Net incoming resources for the year

This is stated after charging / crediting:

	2015 £'000	2014 £'000
Depreciation	37	37
Operating lease rentals:		
Property	169	169
Other	7	6
Auditors' remuneration (excluding VAT):		
Audit	18	18
Other services	1	-

7 Analysis of staff costs, trustee remuneration and expenses, and the cost of key management personnel

Staff costs were as follows:

	2015 £'000	2014 £'000
Salaries and wages	1,992	1,710
Redundancy and termination costs	60	45
Social security costs	180	149
Employer's contribution to defined contribution pension schemes	106	75
Operating costs of defined benefit pension schemes	142	181
Payroll costs	4	6
Payments to agencies or similar for temporary assistance	20	6
Other forms of employee benefits (Life Assurance)	9	14
	<u>2,513</u>	<u>2,186</u>

The following number of employees received employee benefits (excluding employer pension costs) during the year between:

	2015 No.	2014 No.
£60,000 – £69,999	-	-
£70,000 – £79,999	-	-
£80,000 – £89,999	-	1
£90,000 – £99,999	1	-

The total employee benefits including pension contributions of the key management personnel were £403,839 (2014: £356,519).

The Charity Trustees were not paid or received any other benefits from employment with the charity in the year (2014: £nil). No Charity Trustee received payment for professional or other services supplied to the Charity (2014: £nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £14,231 (2014: £12,546) incurred by 13 (2014: 8) members relating to attendance at meetings of the Trustees and Trustee training.

8 Staff numbers

The average number of employees (head count based on number of staff employed) during the year was as follows:

	2015 No.	2014 No.
Raising funds	7.4	7.0
Campaigning and Raising Awareness	1.3	2.2
Information	5.0	4.8
Services	53.3	58.2
Volunteering	4.4	3.0
Support	9.5	7.5
Governance	2.5	2.5
	<u>83.4</u>	<u>85.2</u>

9 Related party transactions

There are no related party transactions to disclose for 2015 (2014: none).

There are no donations from related parties which are outside the normal course of business and no restricted donations from related parties.

10 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 (2014: £252).

11 Taxation

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 2015

12 Tangible fixed assets

	Leasehold Improvements £'000	Fixtures and Equipment £'000	Motor Vehicles £'000	Total £'000
Cost or valuation				
At the start and end of the year	140	50	50	240
Depreciation				
At the start of the year	66	36	50	152
Charge for the year	28	9	-	37
At the end of the year	94	45	50	189
Net book value				
At the end of the year	46	5	-	51
At the start of the year	74	14	-	88

All the above assets are used for charitable purposes.

13 Listed investments

	2015 £'000	2014 £'000
Fair value at the start of the year	1,611	2,162
Additions at cost	425	221
Disposal proceeds	(587)	(827)
Net gain on change in fair value	22	55
	1,471	1,611
Cash held by investment broker pending reinvestment	33	91
Fair value at the end of the year	1,504	1,702
Historic cost at the end of the year	1,425	1,487
Investments comprise:		
	2015 £'000	2014 £'000
UK Common investment funds	1,150	1,389
Shares listed on the London Stock Exchange	228	210
Held in UK based hedge funds	93	11
Cash	33	91
	1,504	1,702

For the year ended 31 December 2015

Investments representing over 5% by value of the portfolio comprise:

	2015 £'000	2014 £'000
ISHARES II PLC FTSE ALL ST GILT FD	81	121
JO HAMBRO CAP MGMT UK UMB FUND UK	173	122
THREADNEEDLE INV UK EQTYINC FD CL Z NET	121	82
ARTEMIS INCOME FUND UNITS CL R	86	85
CHARIFUND - EQUITIES INVESTMENT FUND FOR CHARITIES	151	149

14 Debtors

	2015 £'000	2014 £'000
Trade debtors	6	22
Legacies receivable	209	91
Other debtors	18	48
Prepayments	26	18
Accrued income	55	21
	314	200

15 Creditors: amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	218	135
Taxation and social security	55	46
Other creditors	30	26
Accruals	72	117
Deferred income	21	23
	396	347

There were no bank loans in either 2015 or 2014.

16 Deferred income

Deferred income comprises a £20,388 Big Lottery grant for a Northern Ireland project plus £720 contract income from NHS Highlands both received in December 2015 relating to 2016 projects.

	2015 £'000	2014 £'000
Balance at the beginning of the year	23	-
Amount released to income in the year	(23)	-
Amount deferred in the year	21	23
Balance at the end of the year	21	23

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2015

17 Analysis of net assets between funds

	General unrestricted £'000	Designated £'000	Restricted £'000	Total funds £'000
Tangible fixed assets	–	51	–	51
Investments	981	333	190	1,504
Net current assets	2,265	1,472	722	4,459
Defined benefit pension (liability)	(487)	–	–	(487)
Net assets at the end of the year	2,759	1,856	912	5,527

18 Movements in funds

	At the start of the year £'000	Incoming resources & gains £'000	Outgoing resources & losses £'000	Transfers £'000	At the end of the year £'000
Restricted funds:					
Central & regional funds					
Information	128	37	(135)	2	32
Services	386	635	(783)	–	238
Legacies and Other Income	54	26	(41)	(1)	38
Local Committee and Branch Funds	653	43	(91)	(1)	604
Total restricted funds	1,221	741	(1,050)	–	912
Unrestricted funds:					
Designated funds:					
Fixed Assets Reserve	88	–	(37)	–	51
Fair Value Investment Reserve	215	–	(136)	–	79
Pension Deficit Reserve	1,368	–	–	(881)	487
Local Committee and Branch Funds	1,274	440	(423)	(52)	1,239
Total designated funds	2,945	440	(596)	(933)	1,856
General funds	2,691	3,784	(3,281)	52	3,246
less: Pension reserve	(1,368)	–	–	881	(487)
Total general funds	1,323	3,784	(3,281)	933	2,759
Total unrestricted funds	4,268	4,224	(3,877)	–	4,615
Total funds	5,489	4,965	(4,927)	–	5,527

Purposes of 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.

Information

City Bridge Trust – information points in London libraries

Information Points in London Libraries for people with arthritis and their carers

GOUT Survey – Astra Zeneca

Gout awareness project disease study

New Website project

Funding from Arthritis Care Aberdeen branch to create a new Arthritis Care website

Scotland Office

Core grant received under Section 10 of the Social Work (Scotland) Act 1968

to support the Scotland Office core costs (to support Arthritis Care to have an office base in Scotland)

Services

BBC Children in Need – Northern Ireland

To provide a range of support for children with arthritis and to develop online support

BBC Children in Need – Scotland

To provide a range of support for children and teenagers with arthritis

Belfast Health & Social Care Trust

To deliver Challenging Pain programmes across the Trust area

Belfast Strategic Partnership – to provide a self-management course for older people and support for their carers

Big Lottery – Get Fit For Arthritis (Northern Ireland)

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

Big Lottery – Staying Connected (Northern Ireland)

Supporting isolated older people with arthritis/long-term conditions to manage their condition

Charities Aid Foundation

2015 – fourth of five years funding to deliver Living Well with Arthritis in Wales, Northern Ireland and England

England Young People & Families trust funding

To provide information and support for young people with arthritis and their families

Health and Social Care Board (North) Challenging Arthritis (Northern Ireland)

To provide Challenging Arthritis courses in H&SCB north area

Health and Social Care Volunteering Fund

Training Arthritis Champions to support people with arthritis in three areas of North West England to more confidently manage their condition and improve their use of primary care services

Joint activity project

A community based project to support people with arthritis to become confident and effective self managers

LWwA (Living Well with Arthritis) – trust and grant funds

Development of Living Well with Arthritis services across England and Wales

Oakdale Trust and J Davies Testimonial Fund

To support young people with juvenile arthritis in Wales

Paths for All

Stepping Out – Walking towards better health

Portsmouth NHS Chat 4 Change

Telephone support programmes for people with arthritis in Portsmouth

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2015

Restricted funds (continued)

- Scotland Joint Working Project funded primarily by Arthritis Care Aberdeen branch
 - Support to remain or return to work for people with rheumatoid arthritis and other inflammatory conditions
- Sports Wales Community Chest
 - To run weekly Tai Chi sessions
- The Ireland Funds
 - Bringing together isolated teenagers with arthritis for a residential weekend
- Wales Council for Voluntary Action – GwirVol Youth Volunteers Grant
 - To recruit Community Youth Champion Volunteers to provide support in North Wales

Local Committee and Branch Funds

Local Committee, and Branch funds are raised and controlled locally for services to people with arthritis in the local area. Fund balances are supported by cash and investments.

Purposes of designated funds

Fixed Asset Reserve

This fund has been set up to reflect the unrestricted funds invested in tangible fixed assets and reflects the net book value of these assets recorded in the accounts.

Fair Value Investment Reserve

This fund has been set up to reflect the difference between the fair value of investments held at the end of the year and their historic cost.

Pension Deficit Reserve

This fund has been set up to match the net liability on the defined benefit pension scheme administered by the Pensions Trust.

Local Committee and Branch Funds

This reserve represents the net funds generated by Branches pending the outcome of discussion with Branches on the use of Branch reserves.

19 Reconciliation of net income / (expenditure) to net cash flow from operating activities

	2015 £'000	2014 £'000
Net (expenditure) / income for the reporting period (as per the statement of financial activities)	(235)	555
Add back net pension service costs net of finance cost	(607)	(384)
Depreciation charges	37	37
(Gains) on investments	(23)	(55)
Dividends, interest and rent from investments	(57)	(57)
(Increase) in debtors	(114)	(23)
Increase/(decrease) in creditors	49	(39)
Net cash (used in) / provided by operating activities	(950)	34

20 Analysis of cash and cash equivalents	At 1 January 2015 £'000	Cash flows £'000	At 31 December 2015 £'000
Cash in hand	2,652	(699)	1,953
Bank deposits and building society accounts	62	–	62
Notice deposits (less than three months)	2,500	26	2,526
Total cash and cash equivalents	5,214	(673)	4,541

21 Operating lease commitments

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

	Land and buildings	
	2015 £'000	2014 £'000
Less than one year	157	157
One to five years	103	261
Over five years	–	–

22 Legal status of the charity

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is limited to £1.

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2015

23 Retirement benefits

The employer operates a defined benefit (final salary / CARE) funded pension scheme in the UK. This is a separate Trustee administered fund holding the pension scheme assets to meet long term pension liabilities. A full actuarial valuation was carried out at 30 September 2012 and updated to 31 December 2015 by a qualified actuary, independent of the scheme's sponsoring employer. The major assumptions used by the actuary are shown below.

This most recent actuarial valuation showed a deficit of £1,889,000. The employer had originally agreed with the Trustee that it would aim to eliminate the deficit over a period of 7 years and 8 months from 1 December 2013 by the payment of a one off lump sum of £535,000 payable by 31 December 2013, and annual contributions of £462,528. With this level of annual contributions continuing and with the latest deficit, the Trustee estimates that the deficit would be extinguished by 30 June 2019. In addition, the employer has agreed with the Trustee that it will pay £72,464 per annum in respect of the cost of meeting the expenses of the scheme and levies to the Pension Protection Fund, in 2016 this will be £70,600 per annum.

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

	2015 £'000	2014 £'000
Present value of funded obligations	(9,996)	(11,015)
Fair value of plan assets	<u>9,509</u>	<u>9,647</u>
Net liability	<u>(487)</u>	<u>(1,368)</u>

Defined Benefit Costs Recognised in Other recognised gains and losses

	2015 £'000	2014 £'000
Return in plan assets (excluding amounts included in net interest cost) – (loss) / gain	(202)	968
Experience gains and losses arising on the plan liabilities – gain (loss)	37	52
Effects of the demographic and financial assumptions underlying the present value of the plan liabilities – gain (loss)	<u>438</u>	<u>(1,098)</u>
Total amount recognised in other recognised gains and losses – gain (loss)	<u>273</u>	<u>(78)</u>
Actual return on plan assets	<u>140</u>	<u>1,348</u>

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2015

23 Retirement benefits (cont.)

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

	2015 £'000	2014 £'000
Opening defined benefit obligation	11,015	9,905
Service cost	80	84
Interest cost	380	447
Actuarial (gains)/ losses	(475)	1,046
Benefits paid, death in service insurance, premiums and expenses	(1,004)	(467)
Closing defined benefit obligation	<u>9,996</u>	<u>11,015</u>

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

	2015 £'000	2014 £'000
Opening fair value of plan assets	9,647	8,231
Interest Income	342	380
Actuarial gains (losses)	(202)	968
Contributions by employer	726	535
Benefits paid, death in service insurance, premiums and expenses	(1,004)	(467)
	<u>9,509</u>	<u>9,647</u>

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

	2015 £'000	2014 £'000
(Deficit) in scheme at beginning of year	(1,368)	(1,674)
Current service cost	(80)	(84)
Interest cost	(380)	(447)
Interest Income	342	380
Contributions by employer	726	535
Actuarial (loss) / gain	273	(78)
	<u>(487)</u>	<u>(1,368)</u>

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2015

23 Retirement benefits (cont.)

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

	2015 %	2014 %
Equities	56%	49%
Bonds	40%	44%
Property	6%	6%
Cash	(2%)	1%

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

	2015 %	2014 %
Discount rate at the end of the year	3.8%	3.6%
Future salary increases	4.1%	4.1%
Future pension increases	3.8%	3.8%
Inflation assumption (RPI)	3.1%	3.1%
Inflation assumption (CPI)	2.1%	2.1%

Amounts for the current and previous year are as follows:

	2015 £'000	2014 £'000
Defined benefit obligation	(9,996)	(11,015)
Plan assets	9,509	9,647
(Deficit)	(487)	(1,368)
Experience adjustments on plan liabilities	37	52

24 Impact of transition to FRS 102 and SORP 2015

Reserves position	Unrestricted	Restricted	Total	Unrestricted	Restricted	Total
	31 December 2014			1 January 2014		
	£'000	£'000	£'000	£'000	£'000	£'000
Funds previously reported	5,441	1,259	6,700	5,263	1,517	6,780
Adjustments on transition						
Holiday pay provision	(29)	-	(29)	(29)	-	(29)
Deferred income recognition (legacies)	(1,144)	(38)	(1,182)	(1,739)	-	(1,739)
Funds restated on transition	4,268	1,221	5,489	3,495	1,517	5,012

Impact on income and expenditure	Unrestricted	Restricted	Total
	31 December 2014		
	£'000	£'000	£'000
Net income / (expenditure) as previously reported	178	(258)	(80)
Adjustments on transition			
Deferred income recognition (legacies)	595	(38)	557
Pension Trust costs	(108)	-	(108)
Actuarial gains / (losses) on defined benefit pension schemes	108	-	108
Net income / (expenditure) as restated	773	(296)	477

The adjustment of deferred income recognition is as a result of adopting a more prudent approach to recognition of legacy income which is consistent with SORP 2015 guidelines.