

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

Arthritis Care

Report and financial statements
For the year ended 31 December 2016



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Arthritis Care

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Arthritis Care

Reference and administrative details

For the year ended 31 December 2016

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 2016. 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

Edward House
283 West Campbell Street
Glasgow
G2 4TT

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) (resigned 6 February 2017)
Peter Anscombe	(Interim Chair - from 9 February 2017)
Gordon Blyth N	(term ended 10 September 2016)
Dr Tina Crimes	(resigned 21 November 2016)
Dr Ursula Davies	
Jane Howells N	
Marie Mitchell N	
John Nicholls N	
Robert Pickles	
Clare Reid	
Neil Spence	
Prof Martijn Steultjens	(co-opted 10 September 2016)
Dr Ian Walters	
Debbie Weekes	
Dr Louise Wilson N	(from 25 May 2016)

N = National Trustee

Arthritis Care

Reference and administrative details

For the year ended 31 December 2016

Principal staff	Judi Rhys Chief Executive
Patron	Sadly our patron, the 6 th Duke of Westminster KG CB CVO OBE TD CD DL passed away on 9 August 2016. We are grateful for the outstanding contribution that His Grace made to the work of Arthritis Care over many years.
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 2016.

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 2016 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 created Nation election Manifestos for Northern Ireland, Scotland and Wales.

We secured our first Statement of Opinion of the new Welsh Assembly recognising the impact of arthritis in Wales, supported by over a third of Assembly Members. The Welsh Assembly confirmed that they will be developing a new arthritis action plan in 2017 – the main call from our manifesto.

A motion submitted to the Scottish Parliament by Jackie Baillie MSP for Dumbarton, 'looks forward to engaging with the charity...for people living with arthritis in Scotland'.

We have been active members of ARMA (Arthritis and Musculoskeletal Alliance), the Fit for Work UK Coalition, Care & Support Alliance, and Disability Benefits Consortium, and we joined the Chronic Pain Policy Coalition. We have worked alongside these coalitions and other charities to campaign against cuts to benefits and for better funding of health and social care in England.

Information

Our website had 668,000 users in 2016 (an 8% increase from 2015). 2016 saw a 33% rise in users visiting our online community compared to 2015.

We distributed over 111,000 information booklets in 2016 (42% increase from 2015) and there were over 53,000 website downloads of our information booklets.

Our booklet, 'My Child has Arthritis' was highly commended at the BMA (British Medical Association) Patient Information Awards.

We produced a set of eight benefits factsheets (including new ones for Universal Credit and PIP), which help people to find out what help they are entitled to.

Services

Our staff and volunteers delivered individual and group support services to nearly 30,000 people (up 11% on 2015). 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.

The NHS acknowledged that over the past two years, our Living Well with Arthritis service in West Berkshire helped 544 people make informed decisions about surgery and saved the four Clinical Commissioning Groups £2.6m.

We supported over 400 young people and their families living with juvenile idiopathic arthritis across the UK. We now have Young People and Families Co-ordinators embedded within a quarter of the specialist treatment centres in the UK, offering support in clinic as well as a programme of family events, workshops and residential activity weekends.

We piloted the Young Person's Outcome Star in our England service in 2016 and asked young people to self-report on levels of confidence. Of those young people reporting a score of 3 or lower, 57% moved along their journey towards feeling very confident. The percentage reporting a score of 4 or 5 (confident/very confident) increased from 53% to 80% after the weekend.

We have successfully secured Scottish Government Funding for our Young People and Families service for five years to embed our young people's work within specialist centres in Scotland.

We significantly increased our reach in Wales by 73% through developing new services in mid and north Wales.

We expanded our "Staying Connected in Later Life" service working alongside our Nairn branch in Scotland. In Northern Ireland we delivered training to older carers.

We secured the Helplines Partnership accreditation for another three years with their assessment report highlighting the quality of service, skills of staff and highly effective management.

Regular evaluation follow up calls to people using the Helpline revealed that 100% felt listened to and 75% had both a better understanding of their condition after the call and felt they had more choices/options around managing their condition. Furthermore, two-thirds reported making changes, since the call as a result of the information given.

Volunteering

In 2016 our volunteers provided 43,557 hours of their time (6,222 days), the equivalent of 28 full time staff.

We have established 31 additional Arthritis Care Groups reaching over 400 new people. We have spoken to or met face to face over 80 Branches (out of 126). We have 8,200 members in total – 4,900 branch and 3,300 postal.

We recruited a Chair and members for a new Volunteer Council in England. Over 150 volunteers attended volunteer forum events across the four nations.

FINANCIAL REVIEW

Overview

At the operating level a surplus of £70k was achieved in 2016 compared with a £235k deficit for 2015. There were two significant increases in income; a 22% increase in legacy income from £2,522k to £3,089k and a 19% increase in income derived from charitable activity from £790k to £942k. This more than offset the overall 9% increase in expenditure from £4,927k to £5,375k most of which related to additional fundraising costs resulting from a planned direct marketing initiative.

There was a surplus of £257k generated from unrestricted activity but an outflow of restricted funds of £187k.

All other income sources totalled £1,256k; an 8% decrease from 2015. This is largely due to a reduction in individual donations which reduced by £127k to £652k.

Expenditure in 2016 was £5,375k; an increase of £448k (9%) from 2015. The amount spent delivering our charitable activities totalled £4,084k, only £10k more than in 2015. The increase in overall expenditure related to investment in a planned fundraising direct marketing initiative, as mentioned above.

PRINCIPAL FUNDING SOURCES

Donations and Legacies

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

In 2016 legacy income amounted to £3,089k compared to £2,522k in 2015. Trusts and corporate donations at £380k increased slightly in 2016 by £3k from 2015. Individual donations reduced by £127k (16%) to £652k.

Income from charitable activities

Incoming resources from information, services and volunteering saw a significant increase from 2015 by 19% to £942k. This includes funds from statutory bodies for training as well as membership and subscriptions. The increase was mainly due to a higher level of restricted income received in 2016 for services projects.

Balance sheet

The Charity remains in a strong position with total net assets at the end of 2016 of £4,437k; this is mostly represented by unrestricted funds of £3,712k, with restricted funds totalling £725k.

Investments increased by £158k to £1,632k as a result of unrealised gains.

The pension liability required to be increased by £645k to £1,132k. This was as a result of a net actuarial loss of £1,160k (£2,960k actuarial increase in the obligations offset by £1,800k actuarial gains in assets) and payments made to reduce the deficit during the year of £515k. These payments were a combination of £463k (a recovery plan agreed with the Pension Fund Trustees in December 2013) and a further £52k, being the final part of a buy out exercise started in 2015 for members aged 55 and over undertaken in order to reduce our long-term liability. Additional payments were made to the scheme of £72k actuarial costs and £16k employers pension contribution for current employees still in the scheme.

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 2016, the UBS portfolio produced a total return of 6.86% versus the composite benchmark of 15.13%.

Basis of Accounting

The key accounting policies remain unchanged. This includes the treatment of legacy income which was amended in 2015 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 2017 budget this amounts to between £1,779k and £2,490k. This decision has been made taking into account the prudent legacy accounting policy adopted as described in the paragraph above.

	£,000
Total funds	4,437
Less: restricted funds	<u>(725)</u>
Total unrestricted funds after pension liability	3,712
Less: fixed asset and fair value designated funds	(165)
Less: community and branch funds	<u>(1,149)</u>
Unrestricted, general funds (free reserves)	<u><u>2,398</u></u>

The purpose of the designated funds is detailed in note 17 to the financial statements. 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.

The level of free reserves is within the charity's reserves policy of five to seven months of 2017 budgeted expenditure. 46% of this balance is held in investments with the remaining 54% held in net current assets in order to both manage cashflow and deliver a return for the charity. The Board continues to monitor this position.

PLANS FOR FUTURE PERIODS

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

In 2017 this Strategic Plan comes to an end. We have already seen a considerable increase in impact during the lifetime of this Plan. We are helping almost 2,000 more people each year through our Living Well with Arthritis services and over 600 people annually are now consistently benefiting through our Young People and Families programme. We have developed our range of 14 easy to read booklets and over 40 factsheets. Demand for our printed booklets rose by almost 25% from 2014 to 2016 and in 2015 we launched a new website making it easier to access and digest information. Today 85% of the 668,000 users visiting the site are in search of arthritis health information – mostly on pain management, diet and exercise, and medication. In 2016 60,000 booklets were downloaded and since 2014 we have refocussed our social media channels. Our online community now plays a valuable role in signposting people to information and other services provided by Arthritis Care. There is no other comparable online community in the UK where people with all types of arthritis can get and give support. The community has grown rapidly in the last year and today we have 8,600 members and over 20,000 users.

The scale of change has been considerable and has been made possible by a period of rapid growth and expansion. In 2017 we plan to enter a period of consolidation. This will be a chance to build on what has been achieved as we reflect on the next strategic choices. We want to keep our organisational sense and feel and we are committed to finding the right balance between what we maintain and what new initiatives are supported.

We will maintain investment in key areas including consolidation of Young People and Families service that fulfils existing grant applications. We will continue to strengthen our relationships and support to Branches and Groups helping maintain and publicise our local peer led support. Our Helpline will continue with its new extended opening hours of 9.30am – 5pm and continue to expand the roles for volunteers within the service.

We will continue to raise awareness and change attitudes towards arthritis so that people can look to the future with confidence. In England, our focus will be to improve access to healthcare for people with all types of arthritis in the community, including support with self-management and provision of services. In Scotland, we will continue to focus on health and social care integration and highlight the impact of social security changes and employability issues, in line with a new Arthritis Care Scotland report. In Wales, we will raise awareness and understanding of arthritis and its impact on individuals and continue to campaign for the Welsh Government to develop a new national arthritis and MSK strategy / action plan. In Northern Ireland, we will press for improved diagnosis of Osteo and other non-inflammatory forms of arthritis within primary care, reduced waiting times for rheumatology and orthopaedic appointments.

We will also continue to develop the delivery of digital services within Arthritis Care and ensure that people can access the support and information services they need in the way that is right for them.

Alongside this we will review, evaluate and question to ensure we are making the best possible use of our resources. We will review our pilot Staying Connected in Later Life services in Northern Ireland and Scotland. We will also assess the independent evaluation of the Northern Ireland service to assess the value and viability of further development across the UK.

We will review how we organise and tier our information so that people can access information at their own pace, be more accessible for people with sight impairment and provide materials in different formats. We will look to develop the website and further improve its usability so that supporters, volunteers and campaigners can engage with us. The number of people using the online community is already a quarter of the size of that of the website, it is an important place where people can support each other and we know that further development will increase the numbers of people who use it.

In our influencing work we will explore the potential for us to collaborate with others on a wide range of policy issues which are of common interest, including access to health and social care, quality of health services and the stigma of living with arthritis.

Indeed the focus on collaborative working opportunities will guide all of our work in the future. As Arthritis Care enters a new strategic phase we recognise the onus is on all of us in the charitable sector to explore and create joint working and partnership opportunities that will maximise the impact and reach we can have on those living with arthritis.

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 review. 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 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.

Board of Trustees

Following the full implementation of our new Articles of Association in 2015, throughout 2016 we have continued to explore opportunities to ensure we are following good governance at all stages of our work, locally and nationally.

We completed the second stage of our governance review which focussed on how we more effectively bridge the gap between the Trustee Board and our network of local Branches. During 2016 we reviewed the role of our Regional Committees in England and established an England Volunteer Council along with a network of England Volunteer Forums. We will continue to hold National Volunteer Conferences in Scotland, Wales and Northern Ireland.

We also completed our review of the financial governance of our local Branches and agreed to introduce an umbrella bank account system in 2017.

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.

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 and financial statements.

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

In 2016, all Trustees were provided with updates to the 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, 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.

Arthritis Care

Trustees' annual report

For the year ended 31 December 2016

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;

Arthritis Care

Trustees' annual report

For the year ended 31 December 2016

- 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 adequate 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.

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

The audit for 2016 was put out to tender in 2016 seeking an appointment of 5 years but with a review after 3 years. The Audit and Risk committee submitted a recommendation for approval to the Trustees that Sayer Vincent LLP be re-appointed. A resolution to appoint Sayer Vincent LLP as auditors was proposed and accepted by the members at the Annual General Meeting on 10 September 2016. A resolution to re-appoint auditors will be proposed for acceptance by the members at the annual general meeting on 16 September 2017.

The report of the Trustees which includes the strategic report was approved by the Trustees on 24 May 2017 and signed on their behalf by



Peter Anscombe, Interim Chair of Trustees

Independent auditor's report

To the members of

Arthritis Care

Independent auditor's report to the members of Arthritis Care.

Opinion

We have audited the financial statements of Arthritis Care (the 'charitable company') for the year ended 31 December 2016 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

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 2016 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 requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended)

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- The trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the trustees' annual report, including the strategic report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- The information given in the trustees' annual report, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements
- The trustees' annual report, including the strategic report, has been prepared in accordance with applicable legal requirements

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report, including the strategic report.

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

- Adequate accounting records have not been kept, 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

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual 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

Independent auditor's report

To the members of

Arthritis Care

satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

This report is made solely to the charitable company's members 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 those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control

Independent auditor's report

To the members of

Arthritis Care

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Judith Miller (Senior statutory auditor)

2 June 2017

for and on behalf of Sayer Vincent LLP, Statutory Auditor

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

Sayer Vincent LLP is eligible to act as 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 2016

	Note	Unrestricted £'000	Restricted £'000	2016 Total £'000	Unrestricted £'000	Restricted £'000	2015 Total £'000
Income from:							
Donations and legacies	2	3,955	166	4,121	3,459	219	3,678
Charitable activities	3						
Campaigning and Raising Awareness		-	-	-	-	-	-
Information		-	36	36	3	16	19
Services		190	628	818	152	499	651
Volunteering		88	-	88	120	-	120
Other trading activities		134	-	134	113	-	113
Investments	4	54	-	54	57	-	57
Other		36	-	36	31	-	31
Total income		4,457	830	5,287	3,935	734	4,669
Expenditure on:	5						
Raising funds		1,291	-	1,291	853	-	853
Charitable activities							
Campaigning and Raising Awareness		146	-	146	107	-	107
Information		914	50	964	561	135	696
Services		1,260	847	2,107	1,442	783	2,225
Volunteering		781	86	867	914	132	1,046
Total expenditure		4,392	983	5,375	3,877	1,050	4,927
Net income / (expenditure) before net gains / (losses) on investments		65	(153)	(88)	58	(316)	(258)
Net gains / (losses) on investments		192	(34)	158	16	7	23
Transfers between funds		-	-	-	-	-	-
Net income / (expenditure) before other recognised gains and losses		257	(187)	70	74	(309)	(235)
Actuarial (losses) / gains on defined benefit pension schemes		(1,160)	-	(1,160)	273	-	273
Net movement in funds		(903)	(187)	(1,090)	347	(309)	38
Reconciliation of funds:							
Total funds brought forward		4,615	912	5,527	4,268	1,221	5,489
Total funds carried forward		3,712	725	4,437	4,615	912	5,527

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 17 to the financial statements.

Arthritis Care

Balance sheet

Company no. 529321

As at 31 December 2016

	Note	£'000	2016 £'000	£'000	2015 £'000
Fixed assets:					
Tangible assets	11		115		51
Investments	12		1,632		1,504
			<u>1,747</u>		<u>1,555</u>
Current assets:					
Debtors	13	122		314	
Short term deposits		2,044		2,588	
Cash at bank and in hand		1,944		1,953	
			<u>4,110</u>	<u>4,855</u>	
Liabilities:					
Creditors: amounts falling due within one year	14	(288)		(396)	
Net current assets			<u>3,822</u>		<u>4,459</u>
Net assets excluding pension liability			<u>5,569</u>		<u>6,014</u>
Defined benefit pension scheme liability	22		(1,132)		(487)
Total net assets			<u><u>4,437</u></u>		<u><u>5,527</u></u>
The funds of the charity:	17				
Restricted income funds			725		912
Unrestricted income funds:					
Designated funds		1,314		1,369	
General funds		2,398		3,246	
			<u>3,712</u>	<u>4,615</u>	
Total unrestricted funds			<u>3,712</u>	<u>4,615</u>	
Total charity funds			<u><u>4,437</u></u>	<u><u>5,527</u></u>	

Approved by the trustees on 24 May 2017 and signed on their behalf by



Peter Anscombe
Interim Chair of Trustees

Arthritis Care

Statement of cash flows

For the year ended 31 December 2016

	2016 £'000	2015 £'000
Cash flows from operating activities		
Net cash (used in) operating activities (note 18)	(537)	(951)
Cash flows from investing activities:		
Dividends and interest from investments	54	57
Purchase of fixed assets	(100)	-
Movement in investment cash holdings	5	58
Proceeds from sale of investments	1,641	587
Purchase of investments	(1,616)	(424)
Net cash (used in) / provided by investing activities	(16)	278
Cash flows from financing activities:		
Repayments of borrowing	-	-
Cash inflows from new borrowing	-	-
Receipt of endowment	-	-
Net cash provided by / (used in) financing activities	-	-
Change in cash and cash equivalents in the year	(553)	(673)
Cash and cash equivalents at the beginning of the year	4,541	5,214
Change in cash and cash equivalents due to exchange rate movements	-	-
Cash and cash equivalents at the end of the year (including short term deposits)	3,988	4,541

1 Accounting policies

a) Statutory information

Arthritis Care is a charitable company limited by guarantee and is incorporated in the United Kingdom. The registered office address and principal place of business is Floor 4, Linen Court, 10 East Road, London, N1 6AD.

b) 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) (August 2014) 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.

c) 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 2016.

The charity also has a wholly owned subsidiary, Arthritis Care (Trading) Limited, a company incorporated and registered in England. The company was dormant in this and the previous financial year and therefore consolidated accounts have not been prepared as the difference between parent and group is immaterial. Called up share capital is £252 (2015: £252).

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.

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 material (see note 2).

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

1 Accounting policies (continued)

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 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.

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 and charged from the month of purchase. Assets are reviewed for impairment if circumstances indicate their carrying value may exceed their net realisable value and value in use.

1 Accounting policies (continued)

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 terms of the lease
● Fixtures and equipment	3 years
● Motor vehicle	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.

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 above / below the present value of the scheme liabilities is recognised as an asset/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	2016 Total £'000	2015 Total £'000
Individual donations	650	2	652	779
Trust and Corporate	219	161	380	377
Legacies	3,086	3	3,089	2,522
	<u>3,955</u>	<u>166</u>	<u>4,121</u>	<u>3,678</u>

Legacies valued at £32,150 were receivable as at 31 December 2016 (2015: £208,531) and are included in debtors.

A contingent asset of £1,156,751 has not been included in relation to legacies which have been notified to the charity as at 31 December 2016 (2015: £1,577,723) but the criteria for income recognition has not been met.

3 Income from charitable activities

	Unrestricted £'000	Restricted £'000	2016 Total £'000	2015 Total £'000
Information Income				
Scotland Office *	-	34	34	16
Other income from information	-	2	2	3
Sub-total for information	<u>-</u>	<u>36</u>	<u>36</u>	<u>19</u>
Services Income				
Newbury & District CCG, Wokingham CCG, North West				
Reading CCG, South Reading CCG	63	-	63	49
Belfast Health and Social Care Trust	21	-	21	69
Health and Social Care Volunteering Fund *	66	-	66	187
Northern Ireland SE Local Commissioning Group	14	-	14	-
NHS Highland Argyll & Bute CHP	-	150	150	-
Charities Aid Foundation	16	113	129	72
Children in Need	-	60	60	107
Big Lottery Fund	-	170	170	83
Health & Social Care Alliance	-	113	113	-
Other income from services	10	22	32	84
Sub-total for services	<u>190</u>	<u>628</u>	<u>818</u>	<u>651</u>
Volunteering income				
Other income from volunteering	88	-	88	120
Sub-total for volunteering	<u>88</u>	<u>-</u>	<u>88</u>	<u>120</u>
Total income from charitable activities	<u>278</u>	<u>664</u>	<u>942</u>	<u>790</u>

* These are grants received from governments

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2016

4 Income from investments

	Unrestricted £'000	Restricted £'000	2016 Total £'000	2015 Total £'000
Dividend Income	25	–	25	22
Bank deposit interest	20	–	20	27
Income from investment held by voluntary run branches	9	–	9	8
	<u>54</u>	<u>–</u>	<u>54</u>	<u>57</u>

Arthritis Care

Notes to the financial statements

For the year ended 31 December 2016

5 Analysis of expenditure

	Cost of raising funds £'000	Charitable activities				Governance costs £'000	Support costs £'000	2016 Total £'000	2015 Total £'000
		Campaigning and Raising Awareness £'000	Information £'000	Services £'000	Volunteering £'000				
Staff costs (Note 7)	330	26	306	666	1	187	1,338	2,854	2,513
Staff recruitment & training	7	-	5	14	-	-	26	52	49
Trustees and staff expenses	13	7	37	62	5	14	34	172	217
Volunteers expenses	-	-	11	41	1	1	2	56	70
Premises & equipment	1	-	5	36	-	1	312	355	297
Insurance	-	-	-	-	-	-	14	14	15
Postage & telephone	18	1	6	12	-	-	46	83	73
Office printing & stationery	59	1	8	9	-	2	37	116	67
Advertising	58	-	2	31	-	-	-	91	36
Courses costs	3	-	1	110	1	-	13	128	109
Publications production	8	-	79	1	-	-	2	90	33
Direct mail, legacy, events	168	8	75	10	-	-	18	279	307
Professional fees (incl audit)	7	4	28	22	2	24	35	122	171
Database & IT outsourcing	86	-	62	-	-	-	202	350	232
Depreciation	-	-	-	-	-	-	36	36	37
Branch expenses	-	-	-	-	517	-	-	517	498
Other Costs	20	2	3	6	-	1	28	60	203
	778	49	628	1,020	527	230	2,143	5,375	4,927
Support costs	431	92	270	980	285	85	(2,143)	-	-
Governance costs	82	5	66	107	55	(315)	-	-	-
Total expenditure 2016	1,291	146	964	2,107	867	-	-	5,375	4,927
Total expenditure 2015	853	107	696	2,225	1,046	-	-	4,927	

Of the total expenditure, £4,392k was unrestricted (2015: £3,877k) and £983k was restricted (2015: £1,050k).

6 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	2016 £'000	2015 £'000
Depreciation (note 11)	36	37
Operating lease rentals:		
Property	187	169
Other	7	7
Auditors' remuneration (excluding VAT):		
Audit	15	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:

	2016 £'000	2015 £'000
Salaries and wages	2,379	1,992
Redundancy and termination costs	25	60
Social security costs	218	180
Employer's contribution to defined contribution pension schemes	129	106
Operating costs of defined benefit pension schemes	72	142
Payroll costs	4	4
Payments to agencies or similar for temporary assistance	14	20
Other forms of employee benefits (Life Assurance)	13	9
	2,854	2,513

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

	2016 No.	2015 No.
£60,000 – £69,999	-	-
£70,000 – £79,999	-	-
£80,000 – £89,999	-	-
£90,000 – £99,999	1	1

The total employee benefits including pension contributions of the key management personnel were £420,621 (2015: £403,839).

The charity trustees were not paid or received any other benefits from employment with the charity in the year (2015: £nil). No charity trustee received payment for professional or other services supplied to the charity (2015: £nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £13,466 (2015: £14,231) incurred by 13 (2015: 13) members relating to attendance at meetings of the trustees. Excluded from this are £796 expenses for one trustee in relation to volunteer activities and not relating to trustee responsibilities.

8 Staff numbers

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

	2016 No.	2015 No.
Raising funds	11.0	7.4
Campaigning and Raising Awareness	1.0	1.3
Information	7.5	5.0
Services	63.4	53.3
Volunteering	3.8	4.4
Support	7.9	9.5
Governance	3.1	2.5
	97.7	83.4

9 Related party transactions

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

10 Taxation

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

11 Tangible fixed assets

	Leasehold Improvements £'000	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At the start of the year	140	50	50	240
Additions in year	75	25	–	100
Disposals in year	–	–	–	–
At the end of the year	215	75	50	340
Depreciation				
At the start of the year	94	45	50	189
Charge for the year	31	5	–	36
Eliminated on disposal	–	–	–	–
At the end of the year	125	50	50	225
Net book value				
At the end of the year	90	25	–	115
At the start of the year	46	5	–	51

All of the above assets are used for charitable purposes.

12 Listed investments

	2016 £'000	2015 £'000
Fair value at the start of the year	1,471	1,611
Additions at cost	1,616	424
Disposal proceeds	(1,641)	(587)
Net gain on change in fair value	158	23
	<u>1,604</u>	<u>1,471</u>
Cash held by investment broker pending reinvestment	28	33
Fair value at the end of the year	<u>1,632</u>	<u>1,504</u>
Historic cost at the end of the year	<u>1,582</u>	<u>1,425</u>
Investments comprise:		
	2016 £'000	2015 £'000
UK Common investment funds	761	1,150
Listed Shares	843	228
Held in UK based hedge funds	–	93
Cash	28	33
	<u>1,632</u>	<u>1,504</u>

13 Debtors

	2016 £'000	2015 £'000
Trade debtors	32	6
Legacy debtors	32	209
Other debtors	5	18
Prepayments	26	26
Accrued income	27	55
	<u>122</u>	<u>314</u>

With the exception of listed investments, both assets and liabilities, are measured at amortised cost. The carrying values of these are shown above and also in note 14 below.

14 Creditors: amounts falling due within one year

	2016 £'000	2015 £'000
Trade creditors	125	218
Taxation and social security	61	55
Other creditors	21	30
Accruals	60	72
Deferred income	21	21
	<u>288</u>	<u>396</u>

15 Deferred income

	2016 £'000	2015 £'000
Balance at the beginning of the year	21	23
Amount released to income in the year	(21)	(23)
Amount deferred in the year	21	21
Balance at the end of the year	21	21

16 Analysis of net assets between funds

Current year

	General unrestricted £'000	Designated £'000	Restricted £'000	Total funds £'000
Tangible fixed assets	-	115	-	115
Investments	1,112	340	180	1,632
Net current assets	2,418	859	545	3,822
Net assets at 31 December 2016 (before pension liability)	3,530	1,314	725	5,569
Defined benefit pension liability	-	(1,132)	-	(1,132)
Net assets at 31 December 2016 after pension liability	2,398	1,314	725	4,437

Prior year

	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
Net assets at 31 December 2015 (before pension liability)	3,246	1,856	912	6,014
Defined benefit pension liability	-	487	-	(487)
Net assets at 31 December 2015 after pension liability	3,246	2,343	912	5,527

17 Movements in funds

Current year

	At the start of the 2016 £'000	Incoming resources & gains £'000	Outgoing resources & losses £'000	Transfers £'000	At the end of the 2016 £'000
Restricted funds:					
Central & regional funds					
Information	32	43	(47)	(7)	21
Services	238	767	(847)	235	393
Legacies and Other Income	38	-	(3)	8	43
Local Committee and Branch Funds	604	(14)	(86)	(236)	268
Total restricted funds	912	796	(983)	-	725
Unrestricted funds:					
Designated funds:					
Fixed Assets Reserve	51	-	64	-	115
Fair Value Investment Reserve	79	-	(29)	-	50
Local Community and Branch Funds	1,239	364	(454)	-	1,149
Total designated funds	1,824	364	(419)	-	1,314
Total general funds	3,246	3,125	(3,973)	-	2,398
Total unrestricted funds	4,615	3,489	(4,392)	-	3,712
Total funds	5,527	4,285	(5,375)	-	4,437

Prior year

	At the start of 2015 £'000	Income & gains £'000	Expenditure & losses £'000	Transfers £'000	At the end of the 2015
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
Local Community and Branch Funds	1,274	440	(423)	(52)	1,239
Total designated funds	2,945	440	(596)	(933)	1,856
Total general funds	2,691	3,784	(3,281)	52	3,246
Total unrestricted funds	4,268	4,224	(3,877)	-	4,615
Total funds	5,489	4,965	(4,927)	-	5,527

17 Movements in funds (continued)

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

GOUT Survey – Astra Zeneca

Gout awareness project disease study

Pfizer

Living Well with Arthritis Event

Scottish Government Section 10 – Scotland Office Running Costs

Services

BBC Children in Need – England

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

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

Big Lottery – Get Active for Arthritis (Wales)

To enable people with arthritis in North and Mid-Wales to lead healthier, active and more fulfilling lives

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 Alliance Scotland – Joint Potential Project

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

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

Living Well with Arthritis Services 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

Long Term Conditions Alliance Scotland – Walking Project

To train people with arthritis and other long term conditions to lead walking groups

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

NHS Highland – Argyll & Bute CHP

To provide self management workshops and Tai Chi sessions within Argyll and Bute

Paths for All

Stepping Out – Walking towards better health

Portsmouth NHS Chat 4 Change

Telephone support programmes for people with arthritis in Portsmouth

Restricted funds (continued)

Scotland Working Well with Arthritis Project funded primarily by Arthritis Care Aberdeen branch

Support to remain or return to work for people with rheumatoid arthritis and other inflammatory conditions

Tayside Health and Arts Trust – YPFS

Sessional worker to research, identify and establish a user group database of younger adults in Dundee with Arthritis/MSK

The Belfast Cathedral Sitout

Support residential weekend for young people with arthritis and a self-management programme for people of all ages living with pain

The Ireland Funds

Bringing together isolated teenagers with arthritis for a residential weekend

Ulster Garden Villages

Development of Living Well with Arthritis services across Northern Ireland

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.

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.

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

	2016 £'000	2015 £'000
Net income / (expenditure) for the reporting period (as per the statement of financial activities)	70	(235)
Add back net pension service costs net of finance cost	(515)	(608)
Depreciation charges	36	37
(Gains)/losses on investments	(158)	(23)
Dividends and interest from investments	(54)	(57)
Decrease/(increase) in debtors	192	(114)
(Decrease)/increase in creditors	(108)	49
Net cash (used in) operating activities	(537)	(951)

19 Analysis of cash and cash equivalents

	At 1 January 2016 £'000	Cash flows £'000	Other changes £'000	At 31 December 2016 £'000
Cash at bank and in hand	1,891	(9)	–	1,882
Bank deposits and building society accounts	62	–	–	62
Notice deposits (less than three months)	2,588	(544)	–	2,044
Total cash and cash equivalents	4,541	(553)	–	3,988

20 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	
	2016 £'000	2015 £'000
Less than one year	115	157
One to five years	46	103
Over five years	–	–
	161	260

21 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.

22 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 £72,000 per annum in respect of the cost of meeting the expenses of the scheme and levies to the Pension Protection Fund.

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

	2016 £'000	2015 £'000
Present value of funded obligations	(12,821)	(9,996)
Fair value of plan assets	<u>11,689</u>	<u>9,509</u>
Net liability	<u>(1,132)</u>	<u>(487)</u>

Defined Benefit Costs Recognised in Other recognised gains and losses

	2016 £'000	2015 £'000
Return in plan assets (excluding amounts included in net interest cost) – gain / (loss)	1,800	(202)
Experience gains and losses arising on the plan liabilities – (loss) / gain	(85)	37
Effects of the demographic and financial assumptions underlying the present value of the plan liabilities – (loss) / gain	(2,875)	438
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – gain / (loss)	–	–
Total amount recognised in other recognised gains and losses – (loss) / gain	<u>(1,160)</u>	<u>273</u>
Actual return on plan assets	<u>2,162</u>	<u>140</u>

22 Retirement benefits (cont)

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

	2016 £'000	2015 £'000
Opening defined benefit obligation	9,996	11,015
Service cost	80	80
Interest cost	370	380
Actuarial losses / (gains)	2,960	(475)
Benefits paid, death in service insurance, premiums and expenses	(585)	(1,004)
Closing defined benefit obligation	<u>12,821</u>	<u>9,996</u>

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

	2016 £'000	2015 £'000
Opening fair value of plan assets	9,509	9,647
Interest Income	362	342
Actuarial gains / (losses)	1,800	(202)
Contributions by employer	603	726
Benefits paid, death in service insurance, premiums and expenses	(585)	(1,004)
	<u>11,689</u>	<u>9,509</u>

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

	2016 £'000	2015 £'000
(Deficit) in scheme at beginning of year	(487)	(1,368)
Current service cost	(80)	(80)
Interest cost	(370)	(380)
Interest Income	362	342
Contributions by employer	603	726
Actuarial (loss) / gain	(1,160)	273
	<u>(1,132)</u>	<u>(487)</u>

22 Retirement benefits (cont.)

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

	2016 %	2015 %
Equities	53%	56%
Bonds	41%	40%
Property	5%	6%
Cash	1%	(2)%

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

	2016 %	2015 %
Discount rate at the end of the year	2.70%	3.8%
Future salary increases	4.35%	4.1%
Future pension increases	2.70%	3.8%
Inflation assumption (RPI)	3.35%	3.1%
Inflation assumption (CPI)	2.35%	2.1%

Amounts for the current and previous year are as follows:

	2016 £'000	2015 £'000
Defined benefit obligation	(12,821)	(9,996)
Plan assets	11,689	9,509
(Deficit)	(1,132)	(487)
Experience adjustments on plan liabilities	-	37

Arthritis Care

Appendix A: Restricted central and regional funds

As at 31 December 2016

Project	Opening balance at 1 January 2014 £'000	Income £'000	Expenditure £'000	Transfers £'000	Closing balance at 31 December £'000
Information					
Arthritis Watch	5	-	5	-	-
Gout Survey (Astra Zeneca)	7	-	-	-	7
Living Well with Arthritis Event	-	9	9	-	-
Scotland Office – Scottish Government Section 10	-	34	34	-	-
Miscellaneous	13	-	(1)	-	14
Information total	25	43	47	-	21
Services					
Charities Aid Foundation – Living Well with Arthritis	10	112	116	-	6
Living Well with Arthritis (HSCVF funding)	84	150	195	-	39
Living Well with Arthritis (other funding)	50	91	111	-	30
Chat 4 Change – Portsmouth NHS	6	-	6	-	-
England Young People & Families	26	36	39	-	23
Big Lottery – Staying Connected (Northern Ireland)	26	82	98	-	10
HSCB (North) Challenging Arthritis (Northern Ireland)	-	15	13	-	2
Belfast Cathedral Sitout	-	2	1	-	1
Long Term Conditions Alliance Scotland – Walking Project	2	-	2	-	-
Joint Activity Project (Glasgow North branch)	16	7	9	-	14
Children in Need (Northern Ireland)	6	24	28	-	2
Children in Need (Northern Ireland) small grant	-	10	4	-	6
Ulster Garden Villages LWwA	-	15	13	-	2
Scotland Argyll & Bute CHP	(1)	13	1	-	11
Arthritis Champions Hwel-Dda Health Board-Wales	3	-	-	-	3
North Wales Youth Champions	(3)	2	(1)	-	-
Big Lottery Fund – Get active for Arthritis Wales	-	88	57	-	31
Wales Young People & Families Activities	8	(2)	4	-	2
Paths for all – Scotland	3	9	12	-	-
Scotland Joint Working – working well with arthritis	33	-	77	236	192
Young people project – Scotland	(21)	110	61	-	28
Miscellaneous	(11)	3	1	-	(9)
Services total	237	767	847	236	393
Representing and Campaigning	-	-	-	-	-
Representation and Campaigning total	-	-	-	-	-
Other					
Legacies and other income determined as restricted	46	(3)	-	-	43
Other Total	46	(3)	-	-	43
Restricted project total	308	807	894	236	457