

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

Arthritis Care

Report and financial statements

For the 10 months period ended 31 October 2017

THURSDAY



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Arthritis Care

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Arthritis Care

Reference and administrative details

For the period ended 31 October 2017

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 period ended 31 October 2017. 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	(Chair – from 29 August 2017; Interim Chair – 9 February to 28 August 2017)
Dr Ursula Davies	(Resigned 1 November 2017)
Jane Howells N	(Resigned 1 November 2017)
Marie Mitchell N	(Resigned 10 June 2017)
John Nicholls N	
Robert Pickles	(Term of office ended 16 September 2017)
Clare Reid	
Neil Spence	(Resigned 1 November 2017)
Prof Martijn Steultjens	(Co-option ended 16 September 2017)
Dr Ian Walters	
Debbie Weekes	(Resigned 23 May 2017)
Dr Louise Wilson N	(Resigned 1 November 2017)
Rodger McMillan	(Appointed 1 November 2017)
Karin Hogsander	(Appointed 1 November 2017)

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Reference and administrative details

For the period ended 31 October 2017

N = National Trustee

Principal staff	Judi Rhys	Chief Executive Officer (Resigned 30 September 2017)
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	

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Trustees' annual report

For the period ended 31 October 2017

The Trustees present their report and the audited financial statements for the period ended 31 October 2017.

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

On 31 October 2017 Arthritis Care merged with Arthritis Research UK transferring its net assets and ongoing activities to Arthritis Research UK at that date. Both charities have a shared ambition to do more to support the 10 million people living with arthritis in the UK.

Arthritis Care continued to make progress towards having a greater impact on improving the lives of people with arthritis, in line with the four-year Strategic Plan set out in 2014. The major achievements leading up to the merger are as follows.

Campaigning and raising awareness

In Wales, we successfully called on the Welsh Government to develop a new arthritis strategy and a dedicated multidisciplinary paediatric rheumatology service. This has meant that more young

Arthritis Care

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For the period ended 31 October 2017

people with arthritis can access the support they need without having to travel outside of Wales. This earned the charity key partner status on the Government's Development and Review Board.

We published the first study on the impact of arthritis on work in Scotland. This was an evaluation of Arthritis Care Scotland's Employability Service. We also represented the voluntary health sector in the Scottish Government's logic modelling for public health reform.

Arthritis Care surveyed over 3,000 people with arthritis about their life with the condition. We used their shared experiences to shape our policy work and campaign for better support.

Our report, '*Hidden impact: Arthritis and mental wellbeing*', revealed the huge emotional toll on people with arthritis; four in five people told us they feel anxious or depressed because of their condition.

We launched our new campaign network, with over 600 campaigners joining us in the first three months to help improve the lives of people with arthritis in the UK.

Our general election campaign saw people with arthritis send 730 emails to parliamentary candidates across the UK telling them why arthritis matters and, helping to raise awareness of arthritis in Parliament.

Information

Arthritis Care was awarded the NHS Information Standard kite mark. This demonstrates that the charity is committed to producing clear and accessible, evidence-based health care information that has undergone a rigorous assessment.

Our latest booklet, '*Feelings Matter: Emotional Wellbeing and Arthritis*' was highly commended by the BMA (British Medical Association) Patient Information Awards. This follows on from the success of our 2016 booklet '*My Child has Arthritis*' which received the same level of recommendation.

Services

We secured funding from three commissioning groups in Northern Ireland for self-management training. This helped increase the profile of the charity as a lead provider of peer-led, self-management training.

We opened fourteen hubs in a range of health, social care, health and well-being centres, 50% of which are run by Arthritis Care branch volunteers. The volunteers were provided with training to equip them with knowledge and information on all the services we provide. This increased both the number of people engaging with the hubs and referrals to the staying connected services and self-management courses.

A successful pilot with North East Hampshire and Farnham Clinical Commissioning Group (CCG) led to a one-year contract to deliver information and support workshops. This includes incorporating Shared Decision Making, involving patients in deciding their treatment options,

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Trustees' annual report

For the period ended 31 October 2017

including surgery, to all patients with osteoarthritis who come under the CCG, with our services being available from the point of diagnosis onwards. The service was also piloted in South Tees and has been extended until the end of March 2018. We received a high level of interest, similar to levels at our established service in Berkshire West.

We worked in partnership with the monitoring and impact officer to develop a Journey of Change tool to specifically address the issues young people with rheumatoid conditions face. The tool enables young people to identify areas of their life where they would like to make change, and then create action plans for themselves.

Volunteering

The setting up of new Arthritis Care groups continued to go from strength to strength in 2017. We currently have 83 groups across England, Scotland, Wales and Northern Ireland, comprising a mixture of those that are well-established and those in development or ready to launch stages.

In 2017 we succeeded in securing £25,000 funding from Masonic Charitable Foundation for the setting-up of groups in areas where there was no pre-existing local support for people with arthritis. We achieved the target for this with 39 of the 83 new groups being set up within these areas.

There had been a slow and steady natural decline in branches across recent years and thirty-four branches closed in the period. The anticipation was that the number of branches closing in 2017 might accelerate due to the merger. The success of branch retention however can be attributed to volunteers feeling they were communicated with and supported appropriately with merger updates. Feedback showed that they felt the merger was a positive step and there were opportunities to strengthen the work the volunteers' currently do. Given the pre-existing challenges branches had faced with changes to membership and bank accounts, we are delighted to take our volunteers with us into the next step of our exciting future journey to make beneficial change for people with arthritis.

FINANCIAL REVIEW

Overview

Arthritis Care realised a surplus of £163k as at 31 October 2017 before transferring its activities to Arthritis Research UK. The major contributor to the 2017 surplus was a £777k actuarial gain on the defined benefit pension scheme. The expenditure over income before investments and actuarial gains was £727k. The adverse performance in 2017 was attributed to 26% fall in income and 14% in expenditure as detailed below.

In 2017, it was decided to pause most fundraising activities to focus on the requirements of the merger. In addition, there was a drop-in membership which led to a 39% reduction in individual donations compared to 2016, while legacy income fell by 33%. Legacy income is difficult to predict with any degree of certainty and represents a major income source for the charity. Service income which mainly comprises grants received from government and trusts had a marginal decrease of

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For the period ended 31 October 2017

4% with the rolling out of the Information and Support workshops that came with new grant funding.

Total expenditure at £4.65m included significant increase in postage and courier costs resulting from the bulk mailing of information regarding the merger of Arthritis Care with Arthritis Research UK. Other cost escalation affected by the merger was professional fees which more than doubled as compared to the previous year. These increases were partially offset by scaled down fundraising activities referred to above, with fundraising costs falling 86%.

PRINCIPAL FUNDING SOURCES

Donations and Legacies

The main sources of income were legacies, grant-making trusts and corporate donations. Legacy income amounted to 52% of the total income in 2017 and was also the major income stream in 2016 at 58%.

Income from charitable activities

Incoming resources from charitable activities including services and volunteering increased by 4% to £977k from £942k in 2016. This included funds from statutory bodies, service income and membership and subscriptions incomes.

Balance sheet

The total net assets at 31 October 2017 transferred to Arthritis Research UK were £4.6m. This was represented by unrestricted funds of £3.84m and £757k restricted funds.

The investments represent funds held in a charity property fund which was yet to be liquidated as at 31 October 2017 and investments held by branches. All other investments held were liquidated to facilitate easy transfer to Arthritis Research UK for reinvestment in accordance with their own investment strategy. There were realised investment gains of £113k in the period to October 2017.

A cash balance of £68k was retained in Arthritis Care to cover the liability for the pension growth plan exit charges which should contractually be paid directly by Arthritis Care.

There was a net actuarial gain for the Arthritis Care Pension Scheme (a defined benefit pension scheme) of £777k arising from an actuarial surplus in the period of £365k, plus actuarial gains of £412k in plan assets. Together with payments made to reduce the deficit during the year of £386k (under a recovery plan agreed with the Pension Fund Trustees in December 2013) there was an improvement in the net pension scheme liability of £1.13m at the end of 2016, to a pension asset of £90k as at 31 October 2017.

Investment policy and returns

Investment decisions for centrally-administered investments are taken by professional fund managers, UBS, within the investment mandate set by the Trustees, as permitted by an Order of

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For the period ended 31 October 2017

the Charity Commission under the Charities Act 2011. Reports were received on a quarterly basis from the investment managers.

The overriding aim was to maintain the real value of the capital through long-term investment.

For the ten months to 31 October 2017, the UBS portfolio produced a total return of 5.27% against a composite benchmark of 7.13%. To facilitate a smooth transition of the investments to Arthritis Research UK, following the merger it was decided that all the investments be liquidated, and the disposal proceeds transferred to Arthritis Research UK for reinvestment in accordance with the charity's investment strategy.

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.

In previous years, the financial statements have been produced on a going concern basis, however during 2017 the Trustees took the decision to merge with Arthritis Research UK and to transfer the charity's activities to Arthritis Research UK. As a result, the accounts have not been prepared on a going concern basis as the Arthritis Care entity will be liquidated following settlement of pension withdrawal costs and receipt of remaining legacies. The transfer includes all activities, assets and liabilities and so adjustment is required to the assets and liabilities of Arthritis Care.

Reserves

Reserves of £4.6m at 31 October 2017 were transferred to Arthritis Research UK as part of the transfer of activities following the merger of the two charities.

PLANS FOR FUTURE PERIODS

Prior to the merger, through a process of due diligence, it was formally noted that the objects of Arthritis Research UK were sufficiently broad to enable the merged charity to continue with all Arthritis Care activities post-merger.

Now, we have joined together with Arthritis Research UK, we will do more to change attitudes towards arthritis, provide more and better support, research for treatments, interventions and cures. We will strengthen our collective voice, and press for change to improve the lives of 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. This responsibility now relates to the charity in a dormant state and consequentially a scaled back approach to that necessary during the reporting period referred to below.

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

Arthritis Care produced a comprehensive corporate risk register which was reviewed annually by the Trustee Board. The Audit and Risk Committee – a sub Committee of the Trustee Board led by an independent chair – reviewed 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 had been a change in direction since the previous review. The committee also questioned and analysed the controls in place and planned actions in relation to these.

The corporate risk register segmented risk based on eight 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 elements included adult and children's safeguarding and legacy income levels.

Alongside the corporate risk register, Arthritis Care also produced a dedicated risk register for branches. This approach reflected the vital and important work carried out by branches and the associated risks that had to be managed and well supported. This register was reviewed annually by the Audit and Risk Committee and the Trustees. The risks were segmented 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).

Arthritis Care

Trustees' annual report

For the period ended 31 October 2017

STRUCTURE, GOVERNANCE AND MANAGEMENT

Arthritis Care was 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 continued to give due regard to the public benefit provided by the charity in relation to its charitable purpose as set out above in the Objectives and Activities and had given due consideration to the relevant guidance issued by the Charity Commission on the provision of Public Benefit requirement under the Charities Act 2011.

How the purpose of the charity was met has been reported in our Strategic Report by highlighting the key achievements in 2017.

Board of Trustees

The Trustees were ultimately responsible for the governance of the charity and the protection of its assets. This included the governance and strategic direction of Arthritis Care ensuring that its vision and purpose were sustained, and the key objectives delivered.

In 2017, the board seized the opportunity to collaborate with other stakeholders with whom Arthritis Care shared the same values and ethos, which led to the merger with Arthritis Research UK.

All the work carried out by the Trustees was on a voluntary basis and no benefits were received from the charity. However, any expenses incurred in carrying out the Trustee duties were reclaimed from the charity and are disclosed in note 7 to the accounts.

The Board was supported in its work by the following sub committees:

- the Appointments Committee supported the board in its responsibilities for the identification of suitable candidates for appointment to the board. Also see Recruitment and appointment of Trustees below
- the Performance and Remuneration Committee led on the determining the pay for all the employees and the performance appraisal of the Board including the Chair
- the Audit and Risk Committee supported the Board in its oversight responsibilities in respect of the financial reporting process, planning and budgeting, compliance and corporate risk

In 2017, the Board met six times in addition to the away day held in September 2017 which was also attended by the leadership team.

Recruitment and appointment of new trustees

No new Trustees were appointed during the reporting period.

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The Strategic Leadership Team

The Board of Trustees delegated the responsibility for the operational management and leadership of the charity to the Chief Executive, who was supported by the members of the strategic leadership team (SLT)

Volunteers and employees

The charity continued to receive diligent support from a vast network of appointed and elected volunteers and staff who were involved in service provision and fundraising.

Volunteers

Volunteers spent time, unpaid, carrying out activities to support the work of the charity. The volunteering opportunities varied from service based in the community to office-based volunteering to different activities in the community at branch level. Also see the Volunteering section in the Strategic report.

Employee involvement and employment of disabled people

The charity regularly reviewed existing personnel policies and developed new processes in accordance with legislative changes and current good practice with emphasis on recruiting, retaining and supporting disabled people in the workplace. Focus was placed on ensuring that access to employment opportunities, training, reward and progression provided equality of opportunities for all employees and recruitment candidates. Each employee was treated on merit fairly, and with respect and dignity. It was ensured that there was no discrimination against disabled people for reasons relating to their disability nor treatment with less favour due to disability.

Remuneration Policy

Arthritis Care committed to a pay strategy that enabled the charity to attract and retain appropriately qualified staff to lead, manage, support and deliver its strategic plan. The trustees had overall responsibility for determining pay within the organisation and for agreeing with the chief executive an annual increase for all staff. The chief executive, in consultation with the leadership team, was responsible for determining how that increase would be allocated to staff. Trustees also had specific responsibility for setting the Chief Executive's pay and for reviewing it annually.

Relationships with related parties

Arthritis Care (Trading) Ltd

The Charity's wholly owned trading subsidiary had been non-operating and was in a dormant state as at 31 October 2017.

Statement of responsibilities of the trustees

The Trustees (also directors of Arthritis Care for the purposes of company law) were 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 required the Trustees to prepare financial statements for each financial year which gave a true and fair view of the state of affairs of the charitable company and of the incoming and application of resources, including the income and expenditure of the charitable company for the reporting period. In preparing the financial statements, the trustees were 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 were reasonable and prudent;
- state whether applicable UK Accounting Standards had been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company would continue in operation.

The Trustees were responsible for keeping adequate accounting records that disclosed with reasonable accuracy at any time the financial position of the charitable company and enabled them to ensure that the financial statements complied with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They were 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 were aware:

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

The Trustees were 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 have differed from legislation in other jurisdictions.

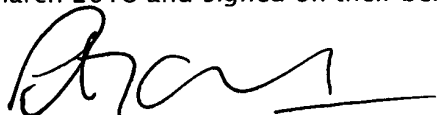
Members of the charity guaranteed to contribute an amount not exceeding £1 to the assets of the charity in the event of winding up. The Trustees were members of the charity but that entitled them only to voting rights. The Trustees had no beneficial interest in the charity.

Arthritis Care

Trustees' annual report

For the period ended 31 October 2017

The report of the Trustees which includes the strategic report was approved by the Trustees on 21 March 2018 and signed on their behalf by



Peter Anscombe
Chair of Trustees



Rodger McMillan
Trustee

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 period ended 31 October 2017 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 October 2017 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.

Emphasis of matter – matter in relation to going concern

- Without qualifying our opinion, we draw attention to the disclosures in the Trustees' annual report and note 1(b) of the financial statements. Arthritis Care ceased operations on 31 October 2017 when the majority of its assets and liabilities were transferred to Arthritis Research UK, charity number 207711, Scottish charity number SC041156 and company number 00490500. As a consequence, the financial statements have been prepared on a basis other than as a going concern although no adjustments were required as a result.

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

Independent auditor's report

to the members of

Arthritis Care

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 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.

Independent auditor's report

to the members of

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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
- 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

Independent auditor's report

to the members of

Arthritis Care

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)

21 March 2018

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 period ended 31 October 2017

				For the period ended 31 October 2017			For the year ended 31 December 2016
	Note	Unrestricted £'000	Restricted £'000	Total £'000	Unrestricted £'000	Restricted £'000	Total £'000
Income from:							
Donations and legacies	2	2,551	186	2,737	3,955	166	4,121
Charitable activities	3						
Information		-	-	-	-	36	36
Services		207	581	788	190	628	818
Volunteering		189	-	189	88	-	88
Other trading activities		104	-	104	134	-	134
Investments	4	64	-	64	54	-	54
Other		37	-	37	36	-	36
Total income		3,152	767	3,918	4,457	830	5,287
Expenditure on:	5						
Raising funds		1,022	-	1,022	1,291	-	1,291
Charitable activities							
Campaigning and Raising Awareness		43	-	43	146	-	146
Information		1,042	-	1,042	914	50	964
Services		1,057	682	1,739	1,260	847	2,107
Volunteering		715	85	800	781	86	867
Total expenditure		3,879	767	4,646	4,392	983	5,375
Net income / (expenditure) before net gains / (losses) on investments		(727)	-	(727)	65	(153)	(88)
Net gains / (losses) on investments	12	81	32	113	192	(34)	158
Net income / (expenditure) before other recognised gains and losses		(646)	32	(614)	257	(187)	70
Actuarial (losses)/ gains on defined benefit pension schemes	20	777	-	777	(1,160)	-	(1,160)
Net movement in funds before transfer of funds		131	32	163	(903)	(187)	(1,090)
Total funds brought forward	17	3,712	725	4,437	4,615	912	5,527
Total funds carried forward as at 31 October 2017		3,843	757	4,600	3,712	725	4,437
Transfer of funds to Arthritis Research UK	21	(3,843)	(757)	(4,600)	-	-	-
Funds carried forward at 31 October 2017		-	-	-	3,712	725	4,437

The activities of Arthritis Care were transferred to Arthritis Research UK on 31 October 2017 and the figures above represent ten months of activity.

Arthritis Care

Balance sheet

Company no. 529321

As at 31 October 2017

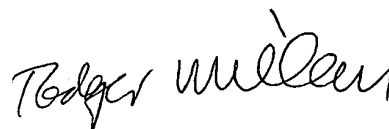
	Note	31 October 2017 £'000	31 December 2016 £'000
Fixed assets:			
Tangible assets	11	-	115
Investments	12	-	1,632
Total fixed assets		-	1,747
Current assets:			
Debtors	13	-	122
Short term deposits		-	2,044
Cash at bank and in hand		68	1,944
Total current assets		68	4,110
Current Liabilities:			
Creditors: amounts falling due within one year	14	(68)	(288)
Net current assets		-	3,822
Non-Current Liabilities			
Other payables	14	-	-
Total non current Liabilities		-	3,822
Net assets excluding pension liability		-	5,569
Defined benefit pension scheme (liability)	20	-	(1,132)
Total net assets		-	4,437
The funds of the charity:	17		
Restricted income funds		-	725
Unrestricted income funds:			
Designated funds		-	1,314
General funds		-	2,398
Total unrestricted funds		-	3,712
Total charity funds		-	4,437

The activities of Arthritis Care were transferred to Arthritis Research UK on 31 October 2017 and the figures above represent ten months of activity.

Approved by the trustees on 21 March 2018 and signed on their behalf by



Peter Anscombe
Chair of Trustees



Rodger McMillan
Trustee

Arthritis Care

Statement of cash flows

For the period ended 31 October 2017

	Note	For the period ended 31 October 2017 £'000	For the year ended 31 December 2016 £'000
Cash flows from operating activities			
Net cash used in operating activities	a	(1,060)	(537)
Cash flows from investing activities:			
Dividends and interest from investments		64	54
Purchase of fixed assets		-	(100)
Movement in investment cash holdings		26	5
Proceeds from sale of investments		2,851	1,641
Purchase of investments		(1,832)	(1,616)
Net cash (used in) / provided by investing activities		1,109	(16)
Change in cash and cash equivalents in the year		49	(553)
Cash and cash equivalents at the beginning of the year	b	3,988	4,541
Cash and cash equivalents at the end of the reporting period – including short term deposits to Arthritis Research UK	b	4,037	3,988
Transfer of cash to Arthritis Research UK		(3,969)	-
Cash and cash equivalents at 31 October 2017		68	3,988

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

	2017 £'000	2016 £'000
Net income / (expenditure) for the reporting period (as per the statement of financial activities)	(614)	70
Add back net pension service costs net of finance cost	(445)	(515)
Depreciation charges	54	36
(Gains)/losses on investments	(113)	(158)
Dividends and interest from investments	(64)	(54)
Loss on the disposal of fixed assets	61	-
Increase) in debtors	(185)	192
(Decrease)/increase in creditors	182	(108)
Increase in provisions	64	-
Net cash (used in) operating activities	(1,060)	(537)

B) Analysis of cash and cash equivalents

	2017 £'000	2016 £'000
Cash at bank and in hand	-	1,882
Bank deposits and building society accounts	-	62
Bank deposits	4,037	2,044
Total cash and cash equivalents	4,037	3,988
Transfer of cash to Arthritis Research UK	3,969	-
68	3,988	

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 to 31 October 2017 was 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.

In previous years, the financial statements have been produced on a going concern basis, however during 2017 the Trustees took the decision to cease operations following the transfer of the charity's activities to Arthritis Research UK as part of a merger with Arthritis Care. As a result, the accounts have not been prepared on a going concern basis as the Arthritis Care entity will be liquidated following settlement of pension withdrawal costs and receipt of remaining legacies. The transfer includes all activities, assets and liabilities and so adjustment is required to the assets and liabilities of Arthritis Care.

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

c) Consolidation

Arthritis Care is a wholly owned subsidiary of Arthritis Research UK and as a result the financial statements present information for Arthritis Care only. Consolidated accounts have not been prepared on the grounds that consolidated group accounts are prepared by the ultimate parent charity Arthritis Research UK. 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 2017.

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 (2016: £252).

d) Public benefit entity

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

e) 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).

1 Accounting policies (continued)

f) 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.

g) 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.

h) 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.

i) 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.

- All Support costs incurred are apportioned on the basis of the direct costs of their charitable activities.
- Governance costs incurred are apportioned on the basis of the direct costs of their charitable activities plus the apportioned support costs.

j) Operating leases

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

k) 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

l) 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.

m) 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.

n) 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.

o) 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.

p) 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.

The assets of the defined contribution pension scheme which the Charity has operated since the end of 2010 are held separately from those of the charitable company in an independently administered fund. The pension cost charged to the SoFA represents contributions payable under the scheme by the charitable company to the fund. The charitable company has no liability under the scheme other than for the payment of those contributions.

Arthritis Care

Notes to the financial statements

For the period ended 31 October 2017

2 Income from donations and legacies

			For the period ended 31 October 2017	For the year ended 31 December 2016
	Unrestricted £'000	Restricted £'000	Total £'000	Total £'000
Individual donations	396	2	398	652
Trust and Corporate	116	147	263	380
Legacies	2,039	37	2,076	3,089
	<u>2,551</u>	<u>186</u>	<u>2,737</u>	<u>4,121</u>

Legacies valued at £141,129 were receivable as at 31 October 2017 (2016: £32,150) and are included in debtors.

A contingent asset of £1,604,177 has not been included in the accounts in relation to legacies which have been notified to the charity as at 31 October 2017 (2016: £1,156,751) as but the criteria for income recognition has not been met.

3 Income from charitable activities

			For the period ended 31 October 2017	For the year ended 31 December 2016
	Unrestricted £'000	Restricted £'000	Total £'000	Total £'000
Information Income				
Scotland Office *	-	-	-	34
Other income from information	-	-	-	2
Sub-total for information	-	-	-	36
Services Income				
England	102	93	195	192
Scotland	-	147	147	293
Northern Ireland	57	190	247	191
Wales	4	151	155	116
Non regional	44	-	44	26
Sub-total for services	<u>207</u>	<u>581</u>	<u>788</u>	<u>818</u>
Volunteering income				
Other income from volunteering	189	-	189	88
Sub-total for volunteering	<u>189</u>	<u>-</u>	<u>189</u>	<u>88</u>
Total income from charitable activities	<u>396</u>	<u>581</u>	<u>977</u>	<u>942</u>

* These are grants received from governments

Arthritis Care

Notes to the financial statements

For the period ended 31 October 2017

4 Income from investments

			For the period ended 31 October 2017	For the year ended 31 December 2016
	Unrestricted £'000	Restricted £'000	Total £'000	Total £'000
Dividend Income	56	–	56	25
Bank deposit interest	8	–	8	20
Income from investment held by voluntary run branches	–	–	–	9
	<u>64</u>	<u>–</u>	<u>64</u>	<u>54</u>

Arthritis Care

Notes to the financial statements

For the period ended 31 October 2017

5 Analysis of expenditure

	Charitable activities							for the	for the
	Cost of raising funds £'000	Campaigning and Raising Awareness £'000	Information £'000	Services £'000	Volunteering £'000	Governance costs £'000	Support costs £'000	period ended 31 October 2017 Total £'000	year ended 31 December 2016 Total £'000
Staff Costs (Note 7)	401	15	465	692	14	111	845	2,543	2,854
Staff Recruitment, Training, Health & Safety	4	-	4	6	-	-	25	39	52
Travel & Subsistence	7	-	2	75	3	4	38	129	172
Volunteer Costs	-	-	-	46	435	9	11	501	573
Premises, Equipment & Insurance	-	-	-	24	1	-	305	330	369
Office Printing, Stationery & Consumables	49	-	5	17	-	6	33	110	116
Communications, IT & Web	7	9	9	10	-	2	154	191	389
Postage & Distribution	39	-	3	6	-	-	41	89	47
Fundraising Costs	17	-	-	-	-	-	21	38	279
Publications	19	1	101	9	-	-	1	131	87
Professional Services	25	-	13	18	-	107	89	252	122
Courses, Events, Exhibitions & Advertising	27	-	4	111	13	3	15	173	219
Other Costs	1	-	1	-	-	1	117	120	96
	596	25	607	1,014	466	243	1,695	4,646	5,375
Support costs	342	14	349	582	268	140	(1,695)	-	-
Governance costs	84	4	86	143	66	(383)	-	-	-
Total expenditure 2017	1,022	43	1,042	1,739	800	-	-	4,646	5,375
Total expenditure 2016	1,291	146	964	2,107	867	-	-	5,375	

Notes to the financial statements

For the period ended 31 October 2017

6 Net income / (expenditure) for the year

This is stated after charging / (crediting):

	For the 10 months ended 31 October 2017 £'000	2,016 £'000
Depreciation (note 11)	54	36
Operating lease rentals:		
Property	156	187
Other	22	7
Auditors' remuneration (excluding VAT):		
Audit	15	15

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

Staff costs were as follows:

	For the 10 months ended 31 October 2017 £'000	2,016 £'000
Salaries and wages	2,059	2,379
Redundancy and termination costs	57	25
Social security costs	183	218
Employer's contribution to defined contribution pension schemes	45	129
Operating costs of defined benefit pension schemes	133	72
Payroll costs	4	4
Payments to agencies or similar for temporary assistance	50	14
Other forms of employee benefits (Life Assurance)	12	13
	2,543	2,854

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

	2017 No.	2016 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 for the period were £364,287 (2016: £420,621).

The charity trustees were not paid or received any other benefits from employment with the charity in the period (2016: £nil). No charity trustee received payment for professional or other services supplied to the charity (2016: £nil).

Trustees' expenses represents the payment or reimbursement of travel and subsistence costs totalling £8,670 (2016: £13,466) incurred by 12 (2016: 13) members relating to attendance at meetings of the trustees.

Arthritis Care

Notes to the financial statements

For the period ended 31 October 2017

8 Staff numbers

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

	For the period ended 31 October 2017 No.	2,016 No.
Raising funds	13.0	11.0
Campaigning and Raising Awareness	1.0	1.0
Information	10.4	7.5
Services	63.8	63.4
Volunteering	1.6	3.8
Support	7.1	7.9
Governance	3.1	3.1
	<u>100.0</u>	<u>97.7</u>

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	Total £'000
Cost or valuation			
At the start of the year	215	75	290
Additions in year	-	-	-
Disposals in year	(215)	-	(215)
At the end of the period ended 31 October 2017	<u>-</u>	<u>75</u>	<u>75</u>
Depreciation			
At the start of the year	125	50	175
Charge for the year	29	25	54
Disposals/write offs	(154)	-	(154)
At the end of the period ended 31 October 2017	<u>-</u>	<u>75</u>	<u>75</u>
Net book value			
At 31 October 2017	<u>-</u>	<u>-</u>	<u>-</u>
At the start of the year	<u>90</u>	<u>25</u>	<u>115</u>

All of the above assets are used for charitable purposes.

Arthritis Care

Notes to the financial statements

For the period ended 31 October 2017

12 Listed investments

	31 October 2017 £'000	31 December 2016 £'000
Fair value at the start of the year	1,604	1,471
Additions at cost	1,832	1,616
Disposal proceeds	(2,851)	(1,641)
Net gain on change in fair value	113	158
	<u>698</u>	<u>1,604</u>
Cash held by investment broker pending reinvestment	2	28
Fair value at the end of the period	700	1,632
Transfer to Arthritis Research UK	(700)	-
	<u>-</u>	<u>1,632</u>
Historic cost at the end of the period	680	1,582
Transfer to Arthritis Research UK	(680)	-
	<u>-</u>	<u>1,582</u>

Investments comprise:

	31 October 2017 £'000	31 December 2016 £'000
UK Common investment funds	698	761
Listed Shares	-	843
Cash	2	28
	<u>700</u>	<u>1,632</u>

13 Debtors

	31 October 2017 £'000	31 December 2016 £'000
Trade debtors	43	32
Legacy debtors	141	32
Other debtors	5	5
Prepayments	69	26
Accrued income	49	27
	<u>307</u>	<u>122</u>
Transfer to Arthritis Research UK	(307)	-
	<u>-</u>	<u>122</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.

Arthritis Care

Notes to the financial statements

For the period ended 31 October 2017

14 Creditors: amounts falling due within one year

	31 October 2017 £'000	31 December 2016 £'000
Trade creditors	85	80
Taxation and social security	89	106
Other creditors	154	21
Accruals	142	60
Deferred income	-	21
	<u>470</u>	<u>288</u>
Transfer to Arthritis Research UK	(402)	-
	<u>68</u>	<u>288</u>

Other creditors include provisions for cost of repairing dilapidations and expected restructuring costs for a property currently rented.

Liability of £68,000 remains within Arthritis Care to cover costs of the annuity buy-out of the Pension Trust Growth Plan. An equivalent amount of cash has been held to cover these costs.

Amounts falling due after more than one year

Other payables	64	-
Transfer to Arthritis Research UK	(64)	-
	<u>-</u>	<u>-</u>

15 Deferred income

	31 October 2017 £'000	31 December 2016 £'000
Balance at the beginning of the year	21	21
Amount released to income in the year	(21)	(21)
Amount deferred in the year	-	21
Balance at the end of the period	<u>-</u>	<u>21</u>

16 Analysis of net assets between funds

Current period as at 31 October 2017

	General unrestricted £'000	Designated £'000	Restricted £'000	Total funds £'000
Investments	153	367	180	700
Net current assets	2,533	764	577	3,874
Long term liabilities	(64)	-	-	(64)
Net assets at 31 October 2017 (before pension liability)	<u>2,622</u>	<u>1,131</u>	<u>757</u>	<u>4,510</u>
Defined benefit pension liability	-	90	-	90
Net assets at 31 October 2017 after pension liability	<u>2,622</u>	<u>1,221</u>	<u>757</u>	<u>4,600</u>

Arthritis Care

Notes to the financial statements

For the period ended 31 October 2017

Prior 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	3,530	182	725	4,437

17 Movements in funds

Current period

	Balance at 1 Jan 2017 £'000	Incoming resources & gains £'000	Outgoing resources & losses £'000	Transfers £'000	Balance at 31 October 2017 £'000	Transfer to Arthritis Research UK £'000	Balance at 31 October 2017 £'000
Restricted funds:							
Central & regional funds							
Information	21	-	-	(14)	7	(7)	-
Services	393	730	(682)	51	492	(492)	-
Legacies and Other Income	43	37	-	5	85	(85)	-
Local Committee and Branch Funds	268	32	(85)	(42)	173	(173)	-
Total restricted funds	725	799	(767)	-	757	(757)	-
Unrestricted funds:							
Designated funds:							
Fixed Assets Reserve	115	-	(115)	-	-	-	-
Fair Value Investment Reserve	50	-	(29)	-	21	(21)	-
Local Community and Branch Funds	1,149	289	(268)	30	1,200	(1,200)	-
Total designated funds	1,314	289	(412)	30	1,221	(1,221)	-
Total general funds	2,398	3,721	(3,466)	(30)	2,623	(2,623)	-
Total unrestricted funds	3,712	4,010	(3,879)	-	3,843	(3,843)	-
Total funds	4,437	4,809	(4,646)	-	4,600	(4,600)	-

Prior year

	At the start of 2016 £'000	Income & gains £'000	Expenditure & losses £'000	Transfers £'000	At the end of 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	1,369	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

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 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

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.

17 Movements in funds (continued)

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 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	
	2017	2016
	£'000	£'000
Less than one year	126	115
One to five years	468	46
Over five years	-	-
	<u>594</u>	<u>161</u>

Lease commitments at 31 October 2017 were transferred to Arthritis Research UK

19 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.

20 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 2015 and updated to 31 October 2017 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 2 years and 9 months from 1 October 2016 by the payment of annual contributions of £462,528. In addition, the employer has agreed with the Trustee that it will pay £70,600 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:

	2017 £'000	2016 £'000
Present value of funded obligations	(12,052)	(12,821)
Fair value of plan assets	<u>12,418</u>	<u>11,689</u>
Net Assets/ (liability)	<u>366</u>	<u>(1,132)</u>

Defined Benefit Costs Recognised in Other recognised gains and losses

	2017 £'000	2016 £'000
Return in plan assets (excluding amounts included in net interest cost) – gain	412	1,800
Experience gains and losses arising on the plan liabilities – gain/(loss)	390	(85)
Effects of the demographic and financial assumptions underlying the present value of the plan liabilities – gain/(loss)	340	(2,875)
Effects of changes in the amount of surplus that is not recoverable (excluding amounts included in net interest cost) – (loss)/gain	(365)	–
Total amount recognised in other recognised gains and losses – (loss)/gain	<u>777</u>	<u>(1,160)</u>
Actual return on plan assets	<u>675</u>	<u>2,162</u>

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

	2017 £'000	2016 £'000
Opening defined benefit obligation	12,821	9,996
Service cost	68	80
Interest cost	284	370
Actuarial gain/(loss)	(730)	2,960
Benefits paid, death in service insurance, premiums and expenses	<u>(391)</u>	<u>(585)</u>
Closing defined benefit obligation	<u>12,052</u>	<u>12,821</u>

Arthritis Care

Notes to the financial statements

For the period ended 31 October 2017

20 Retirement benefits (continued)

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

	2017 £'000	2016 £'000
Opening fair value of plan assets	11,689	9,509
Interest Income	263	362
Actuarial gains / (losses)	412	1,800
Contributions by employer	445	603
Benefits paid, death in service insurance, premiums and expenses	(391)	(585)
	<u>12,418</u>	<u>11,689</u>

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

	2017 £'000	2016 £'000
(Deficit) in scheme at beginning of year	(1,132)	(487)
Current service cost	(89)	(80)
Interest cost	(264)	(370)
Interest Income	263	362
Contributions by employer	445	603
Actuarial gain/(loss)	777	(1,160)
	<u>-</u>	<u>(1,132)</u>

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

	2017	2016
Equities	52%	53%
Bonds	42%	41%
Property	5%	5%
Cash	<u>1%</u>	<u>1%</u>

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

	2017	2016
Discount rate at the end of the year	2.70%	2.70%
Future salary increases	4.25%	4.35%
Future pension increases	2.70%	2.70%
Inflation assumption (RPI)	3.25%	3.35%
Inflation assumption (CPI)	<u>2.25%</u>	<u>2.35%</u>

Amounts for the current period and previous year are as follows:

	2017 £'000	2016 £'000
Defined benefit obligation	(12,052)	(12,821)
Plan assets	<u>12,418</u>	<u>11,689</u>
(Deficit)	<u>366</u>	<u>(1,132)</u>
Experience adjustments on plan liabilities	<u>-</u>	<u>-</u>

Arthritis Care

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For the period ended 31 October 2017

21 Transfer of Activities to Arthritis Research UK

	2017 £'000
Fixed Assets	-
Investments	700
Debtors	307
Cash at bank and in Hand	3,969
Creditors	(402)
Net Current Assets	4,574
Other Payables due after more than one year	(64)
Defined benefit pension scheme liability	90
Total Net Assets	4,600
Restricted Funds	757
Unrestricted Funds	3,843
Total Funds	4,600

22 Post Balance sheet Events

The Jersey branch has decided to separate from Arthritis Care post merger with Arthritis Research UK. An agreement is in progress to divide the funds held by branch as at 31 October 2017 between Arthritis Research UK and the branch.

Appendix A: Restricted central and regional funds

As at 31 October 2017

Project	Opening balance at 1 January 2016 £'000	Income £'000	Expenditure £'000	Transfers £'000	Closing balance at 31 October 2017 £'000
Information					
Arthritis Watch	-	-	-	-	-
Gout Survey (Astra Zeneca)	7	-	-	-	7
Living Well with Arthritis Event	-	-	-	-	-
Scotland Office – Scottish Government Section 10	-	-	-	-	-
Miscellaneous	14	-	-	(14)	-
Information total	21	-	-	(14)	7
Services					
Charities Aid Foundation – Living Well with Arthritis	6	-	(1)	-	5
Living Well with Arthritis (HSCVF funding)	39	45	(126)	42	-
Living Well with Arthritis (other funding)	30	45	(28)	-	47
Chat 4 Change – Portsmouth NHS	-	-	-	-	-
England Young People & Families	23	14	(39)	-	(2)
Big Lottery – Staying Connected (Northern Ireland)	10	87	(74)	-	23
HSCB (North) Challenging Arthritis (Northern Ireland)	2	7	(9)	-	-
Belfast Cathedral Sitout	1	1	(1)	-	1
Long Term Conditions Alliance Scotland – Walking Project	-	-	-	-	-
Joint Activity Project (Glasgow North branch)	14	1	(2)	-	13
Children in Need (Northern Ireland)	2	23	(19)	-	6
Children in Need (Northern Ireland) small grant	6	-	(6)	-	-
Ulster Garden Villages LWwA	2	15	(13)	-	4
Scotland Argyll & Bute CHP	11	9	(5)	-	15
Arthritis Champions Hwel-Dda Health Board-Wales	3	-	-	-	3
North Wales Youth Champions	-	-	-	-	-
Big Lottery Fund – Get active for Arthritis Wales	31	132	(89)	-	74
Wales Young People & Families Activities	2	-	-	-	2
Paths for all – Scotland	-	5	(4)	-	1
Scotland Joint Working – working well with arthritis	192	-	(96)	-	96
Young people project – Scotland	28	74	(32)	-	70
Scottish Government Social Work 10	-	40	(33)	-	7
Victoria Homes Trust	-	2	(2)	-	-
South Ayrshire Council	-	2	-	-	2
NI Health and Social Care Board contract	-	45	(43)	-	2
Masonic Charitable Foundation	-	32	(5)	-	27
Building change Trust	-	10	(8)	-	2
Children in Need – Scotland F1	-	25	(10)	-	15
Children in Need – Wales F1	-	18	(12)	-	6
City Bridge Trust	-	29	(16)	-	13
Lord Cozens-Hardy Trust – England	-	5	(2)	-	3
John Coates Charitable Trust	-	5	(2)	-	3
Mrs Maureen Boal Charitable trust	-	11	(4)	-	7
Baron Davenport's Charity	-	1	(1)	-	-
Miscellaneous	(9)	47	-	9	47
Services total	393	730	(682)	51	492
Representing and Campaigning	-	-	-	-	-
Representation and Campaigning total	-	-	-	-	-
Other					
Legacies and other income determined as restricted	43	37	-	5	85
Other Total	43	37	-	5	85
Restricted project total	457	767	(682)	42	584