

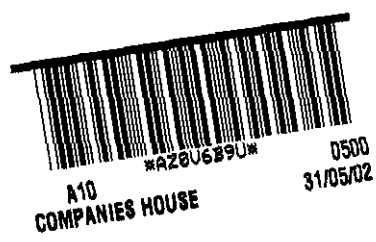
# **Arthritis Research Campaign**

*(Company Number: 490500)*

*(Charity Number: 207711)*

## **Report and Financial Statements**

**30 September 2001**



**Head Office**

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Registered Charity Number: 207711

**Patron**

HRH The Duchess of Kent

**President**

Lord Lewis of Newnham

**Honorary Vice Presidents to the Campaign**

Michael Andrews CBE  
Dr Colin Barnes  
Professor Eric Bywater CBE  
His Grace the Duke of Devonshire PC, MC  
Dr Alan Dixon  
Dr Frank Dudley Hart  
The Lady Jane Grosvenor  
Dr Eric Hamilton  
Dr Ken Lloyd  
The Lord Richardson  
Dr Tom Scott

**Board of Trustees**

Lord Lewis of Newnham (President)  
Professor R D Sturrock (Chairman)  
Sir Richard Butler (Vice Chairman)  
O N Dawson Esq (Vice Chairman, retired 31 December 2001)  
Professor P Lachmann (Vice Chairman)  
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Professor P A Dieppe  
Professor T Duckworth  
Dame Mary Glen Haig  
Professor H J F Hodgson  
J C Maisey Esq  
Professor G Nuki  
A C Torry Esq

**Chief Executive**

Fergus Logan

**Auditors**

PricewaterhouseCoopers  
Victoria House  
76 Milton Street  
Nottingham NG1 3QY

**Bankers**

NatWest plc  
5 Market Place  
Chesterfield  
Derbyshire S40 1TJ

**Investment Managers**

Baillie Gifford & Co  
1 Rutland Court  
Edinburgh EH3 8EY

**Solicitors**

Hempsons  
33 Henrietta Street  
London  
WC2E 8NH

## **Report of the Campaign For the Year Ended 30 September 2001**

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The Board of Trustees present their report for the year ended 30 September 2001.

### ***Charitable Objectives***

Arthritis Research Campaign ("the Campaign") is a registered charity with three objectives:

- ♦ To advance the study of and research into the causes, treatment and cure of arthritis and other rheumatic disease and disseminate the useful results of that research.
- ♦ To advance the education of the public by promoting the teaching of rheumatology and further understanding of rheumatic disease among medical students and practitioners and other persons involved in the treatment of rheumatic disease.
- ♦ To advance the education of the public in all matters relating to rheumatic disease including those persons suffering from the disease.

### ***Board of Trustees***

The Campaign is governed by the Board of Trustees which meets four times a year and for the purposes of the Companies Act 1985 act as Directors of the charity. The current members of the Board are listed on page 1. They are supported by the committees listed below.

Scientific Co-ordinating Committee  
Fellowship Sub-Committee  
Research Sub-Committee  
Education Sub-Committee  
Programme Grant Sub-Committee  
ARC/BSR Clinical Trials Group  
Sub-Committee for Academic Support  
Finance Committee

The members of these committees, who receive no remuneration for their services in that capacity, are included at the end of the report and financial statements.

### ***Statement of Responsibilities***

Company law requires the Members of the Board of Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Campaign and of the income and expenditure of the Campaign for that period. In preparing those financial statements, the members are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgements and estimates that are reasonable and prudent;
- ♦ state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- ♦ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Campaign will continue business.

The Members of the Board of Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Campaign and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Campaign and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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***Review of the Year***

Last year, as Chairman of the Board of Trustees, I announced the start of a major strategic review of the charity's activity.

Consultation took place with most of the different groups of people involved in the Campaign's work – including Trustees, head office staff, research workers, institute staff, volunteers and branch members, other related organisations, donors and supporters and people with arthritis.

Although the Campaign has made important strides in its 65 years of existence, circumstances have changed since its inception.

- The immense challenge of finding a cure has become clear. Despite 65 years of effort no cure for the common forms of arthritis have been found.
- There is a view that treatments and cures are as likely to come from other specialisms as they are from research into arthritis.
- Patients expect more of the medical profession. Many want to understand their disease and to know more than they did in the past.
- Society has greater expectations that researchers need to be more accountable, and should explain to their funders and the wider community what has been achieved with the funds they were granted.
- There is stronger competition for public funds – organisations concerned with cancer and heart disease have managed to achieve a much higher profile for these diseases than arthritis, and therefore greater public funding.

Together, these circumstances create a new context for the Campaign and therefore a need to review the assumptions on which the organisation has been built.

So although the Campaign has much of which to be proud, with these circumstances in mind, during 2000-2001 the charity undertook a review of all its activities, with the aim of identifying how best to build upon the successes of the first 65 years, and producing a plan of action for the next five years which will be launched in 2001-2002.

***Research***

The Campaign's current scientific strategy is to maintain a balanced portfolio which supports high quality research, and career development of clinicians and scientists to perform that research, in rheumatology and other disciplines relevant to arthritis and the rheumatic diseases. All research is funded in the UK.

The predominant form of the Campaign research support remains 3 year Project Grants designed to seek an answer to a particular question, but there has been a marked growth over the last 5 years in both Fellowships (awards for up to 5 years to outstanding medical or scientific graduates committed to a research career) and Programmes (5 year grants supporting established groups of researchers with a substantial track record). The research centre core budgets have remained constant over this time, as these are reviewed only every 5 years. Clinical Trials are a new initiative, which started in 1998 with an initial budget of £3.5 million, and expenditure is expected to increase.

Over the last 5 years over £48 million has been invested in projects, programmes, fellowships and PhD studentships. 56% of this is for research in or on patients with arthritis, 25% for basic science and 19% for research using experimental (animal) models of arthritis.

During the same period £27 million has been invested in direct research in or on patients with arthritis. About 30% of grants awarded were on the more common rheumatic conditions (osteoarthritis, osteoporosis, back pain, soft tissue rheumatism, knee pain and fibromyalgia syndrome).

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***Evaluation of Research Outcomes***

The Campaign assesses its research outcomes by bibliometric analysis. This shows that the Campaign is the predominant funder of arthritis research in the UK.

The Campaign's share of papers published has remained relatively constant over the last 10 years and the Campaign is acknowledged on an average of 42% of papers with acknowledgements. The other main funders of "arthritis" research in the UK are the pharmaceutical industry and the Wellcome Trust (17% and 10% respectively), whilst the MRC funds 10% of acknowledged papers.

In terms of world "arthritis" papers, the UK is in strong second place to the USA and well ahead of all other countries.

***Education***

During 2000-2001 the Campaign launched an important new educational initiative; the educational research fellowship. This new grant category recognised the need to improve knowledge of educational research and methodology among the rheumatological community.

Two educational research fellowships were awarded during the year, both aimed at improving the care offered to arthritis patients by GPs.

The mainstay of the Campaign's educational remit continues to be its ever-increasing number of patient education booklets. During 2000-2001 a number of new titles were produced, including two publications aimed at youngsters. In addition, a number of booklets were fully revised.

In January 2001 the Campaign's winter awareness week, Keep Moving, promoted the need for people with arthritis to exercise and keep their joints and muscles as mobile and active as possible. An accompanying booklet proved extremely popular and went into several re-prints.

The Campaign's website continues to win praise from users for the depth and clarity of its content, and the number of daily hits rose from approximately 600 the previous year to around 900. The research section of the site has been further expanded, and the content updated.

***Fundraising***

A record £26.5 million was raised in total; a large percentage of this income came through legacies, demonstrating the Campaign's enduring appeal. A wide array of events and activities enabled voluntary and paid fundraisers throughout the UK to raise over £4.3 million between them, despite the effects of the foot and mouth epidemic. Many thousands of loyal supporters helped arrange events and collect cash, and their achievements are greatly appreciated.

The Annual Grand Draw and our overseas challenges continue to be successful, raising over £300,000 in total. Gift Aid has helped boost income by £142,000 with many of our supporters agreeing to the Campaign claiming the tax credit on their donations.

ARC Trading Limited continues to recruit new trading supporters through corporate partnership programmes with a number of UK based companies. Thanks to these sponsorship and marketing links our catalogue distribution has increased to 2,000,000 and we are currently on target to secure in excess of 12,000 new supporters.

Profits made by the Campaign's shops increased by £100,000 throughout the year, and a further seven under-performing outlets were closed during this period. A one-off provision for future lease commitments on some of the closed shops has led to a £90,000 charge during the year, but the underlying operating profit of £119,000 from the remaining shops bodes well for a strong performance in future years.

**Report of the Campaign  
For the Year Ended 30 September 2001....cont'd**

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***Fundraising ....cont'd***

Sales in remaining shops showed an increase of 17%. Volunteer teams and staff played a leading role in turning sales around during this time of change. Increased profitability is expected to follow in the coming 12 months, through a relocation programme in which other under-performing shops will close, and more units will open in more desirable areas.

***Finance***

We are pleased to report an increase in income for the year of £4.6 million resulting in a total income of £26.5 million. Legacies account for the majority of the increase, while fundraising income also showed a healthy 10% growth. Direct charitable expenditure remained steady at £22 million.

Worldwide stock markets have experienced their most difficult year in over a decade and this is reflected in a £10.6 million decrease in the value of our investment portfolio, which now stands at £41.7 million. Some recovery has taken place since the year end, however, with the value of our investments increasing by £3 million in the three months to December 2001.

***Reserves***

It is the Campaign's policy to maintain a constant level of long-term research expenditure, in accordance with its objectives, notwithstanding any fluctuations in income.

The Campaign has adopted a policy, which it believes is prudent, of holding free reserves that equate to between six and twelve months of the following year's estimated charitable expenditure. This level of reserves is held in order to provide a safeguard against unplanned falls in income and therefore had to be utilised in the current year as a result of the £10.6 million decrease in the value of our investment portfolio reported above. The general reserves proved sufficient to withstand these exceptional losses, though at £6.6million at 30 September 2001 they had fallen to four and a half months of the planned charitable expenditure for the following year. The increase in the value of investments arising in the period to 31 December 2001 has brought the level of reserves back above the six month level consistent with the reserves policy

***Employees***

The Campaign is an equal opportunities employer and at all times gives full and fair consideration to applications for employment made by disabled persons. The Campaign provides employees with information on matters of concern to them.

***Auditors***

PricewaterhouseCoopers have expressed their willingness to continue in office. A resolution proposing their reappointment and authorising the Campaign to fix their remuneration will be put to the Annual General Meeting.

By order of the Board of Trustees



Professor R D Sturrock  
Chairman of the Board of Trustees  
6 March 2002  
Company number: 490500  
Registered charity number: 207711

## Independent auditors' report to the members of Arthritis Research Campaign

We have audited the financial statements which comprise the group statement of financial activities, the balance sheets and the group cash flow statement, and the related notes, on pages 7 to 24.

### *Respective responsibilities of directors and auditors*

The trustees are also directors of Arthritis Research Campaign for the purpose of Company Law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and the United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

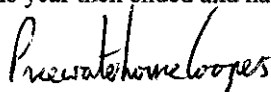
### *Basis of audit opinion*

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

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

### *Opinion*

In our opinion the financial statements give a true and fair view of the state of affairs of the charitable company and group at 30 September 2001 and of its net outgoing resources, including its income and expenditure, and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
Nottingham  
6 March 2002

**Group Statement of Financial Activities**  
**(Including Income and Expenditure Account and Statement of Recognised Gains & Losses)**  
**For the Year Ended 30 September 2001**

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	<i>Note</i>	<i>2001 £'000</i>	<i>2000 £'000</i>
<b>Income</b>			
Fundraising	4	4,305	3,910
Legacies		18,718	14,453
Total voluntary income		23,023	18,363
Trading - gross income	5	2,041	1,885
Investment income	6	1,416	1,600
Total income		26,480	21,848
<b>Expenditure</b>			
<i>Direct Charitable Expenditure (see note 10):</i>			
Research grants awarded	7&21	16,095	14,198
Capital grants	7&20	510	2,096
Research centres	8	4,669	4,687
Education		706	732
Support costs		311	242
		22,291	21,955
<i>Trading and Investment Expenditure:</i>			
Trading operating costs	5	1,850	1,705
Investment management fees		163	161
		2,013	1,866
<i>Other Expenditure:</i>			
Fundraising and publicity		1,905	1,791
Administration		412	344
		2,317	2,135
Total expenditure	10	26,621	25,956
<i>Net outgoing resources and net expenditure for the year</i>	3	(141)	(4,108)
Net realised and unrealised investment (losses)/gains in the year	3	(10,575)	6,059
<i>Net Movement in Funds for the year</i>		(10,716)	1,951
<i>Fund Balances at 1 October</i>		24,548	22,597
<i>Fund Balances at 30 September</i>		13,832	24,548

There are no restricted funds within the Group.

The notes on pages 12 to 24 form part of these financial statements.



	Note	£'000	2001 £'000	£'000	2000 £'000
<b>Fixed assets</b>					
Tangible assets	11		6,670		6,901
Investments	12		41,694		50,792
			48,364		57,693
<b>Current assets</b>					
Stocks for resale		58		36	
Sundry debtors	13	237		288	
Cash on deposit and in hand		6,431		3,082	
			6,726		3,406
<b>Current liabilities - Amounts falling due within one year</b>					
Sundry creditors and accruals	14	(202)		(155)	
Grant payments due within one year	2&7	(13,655)		(11,647)	
			(13,857)		(11,802)
<b>Net current liabilities</b>			(7,131)		(8,396)
<b>Total assets less current liabilities</b>			41,233		49,297
<b>Liabilities - Amounts falling due over one year</b>					
Grant payments falling due after more than one year	2&7		(27,311)		(24,749)
Provisions for onerous leases	18		(90)		-
			13,832		24,548
<b>Funds</b>					
General Research Reserve	3		6,554		15,747
Designated Funds	3&15		7,278		8,801
			13,832		24,548

Approved by the Trustees on 6 March 2002.



Professor R D Sturrock  
Chairman of the Board of Trustees

The notes on pages 12 to 24 form part of these financial statements.

# Campaign Balance Sheet - 30 September 2001

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	Note	£'000	2001 £'000	£'000	2000 £'000
<b>Fixed assets</b>					
Tangible assets	11		6,670		6,901
Investments	12		41,944		51,042
			48,614		57,943
<b>Current assets</b>					
Sundry debtors	13	300		335	
Cash on deposit and in hand		6,162		3,274	
			6,462		3,609
<b>Current liabilities - Amounts falling due within one year</b>					
Bank overdraft		-		(464)	
Sundry creditors and accruals	14	(188)		(144)	
Grant payments due within one year	2&7	(13,655)		(11,647)	
			(13,843)		(12,255)
<b>Net current liabilities</b>			(7,381)		(8,646)
<b>Total assets less current liabilities</b>			41,233		49,297
<b>Liabilities - Amounts falling due over one year</b>					
Grant payments falling due after more than one year	2&7		(27,311)		(24,749)
Provision for onerous leases	18		(90)		-
			13,832		24,548
<b>Funds</b>					
General Research Reserve	3		6,554		15,747
Designated Funds	3&15		7,278		8,801
			13,832		24,548

Approved by the Trustees on 6 March 2002.



Professor R D Sturrock  
Chairman of the Board of Trustees

The notes on pages 12 to 24 form part of these financial statements.

**Group Cash Flow Statement**  
**For the Year Ended 30 September 2001**

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	<b>2001</b> <b>£'000</b>	<b>2000</b> <b>£'000</b>
Net cash inflow from operating activities (Note a)	3,458	559
Returns on investments and servicing of finance (Note b)	1,416	1,600
Capital expenditure and financial investment (Note b)	(615)	(3,061)
Increase/(decrease) in cash	4,259	(902)
<b>Reconciliation of net cash flow to movement in net funds (Note c)</b>		
Increase/(decrease) in cash in the period and movement in net funds	4,259	(902)
Net funds at 1 October 2000	3,768	4,670
Net funds at 30 September 2001	8,027	3,768

**Notes to the group cash flow statement**

**a Reconciliation of net deficit to net cash inflow from operating activities**

	<b>2001</b> <b>£'000</b>	<b>2000</b> <b>£'000</b>
Net outgoing resources for the year	(141)	(4,108)
Depreciation charge	279	276
Loss on disposal of fixed assets	-	10
Investment income	(1,416)	(1,600)
(Increase)/decrease in stocks	(22)	9
Decrease in debtors	51	43
Increase in creditors	47	61
Increase in provision for onerous leases	90	-
Research/capital grants awarded during the year	16,605	16,294
Research grants paid during the year	(12,035)	(10,426)
Net cash inflow from operating activities	3,458	559

**Group Cash Flow Statement**  
**For the Year Ended 30 September 2001....cont'd**

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**b Analysis of cash flows for headings netted in the cash flow statement**

	<b>2001</b> <b>£'000</b>	<b>2000</b> <b>£'000</b>
<b>Returns on investments and servicing of finance</b>		
Interest received	251	195
Investment income received	1,165	1,405
<b>Net cash inflow for returns on investments and servicing of finance</b>	<b>1,416</b>	<b>1,600</b>
<b>Capital expenditure and financial investment</b>		
Purchase of investments	(21,912)	(62,489)
Sale of investments	21,345	59,640
Purchase of tangible fixed assets	(60)	(215)
Sale of tangible fixed assets	12	3
<b>Net cash outflow for capital expenditure and financial investment</b>	<b>(615)</b>	<b>(3,061)</b>

**c Analysis of changes in net funds**

	<b>At 1 October</b> <b>2000</b> <b>£'000</b>	<b>Cash flows</b> <b>£'000</b>	<b>At 30 September</b> <b>2001</b> <b>£'000</b>
Cash on deposit and in hand	3,082	3,349	6,431
Cash deposits included in investments (see note 12)	686	910	1,596
<b>Total</b>	<b>3,768</b>	<b>4,259</b>	<b>8,027</b>

## **1 Legal Structure**

The Campaign is a company limited by guarantee, the liability of the members of the Board of Trustees being limited to £1 each.

## **2 Accounting Policies**

### ***Basis of Accounting***

The financial statements comply with the requirements of the Statement of Recommended Practice - Accounting by Charities - issued by the Charity Commissioners in October 1995, applicable accounting standards and the Companies Act 1985.

The consolidated financial statements which show the results of the Campaign and its trading subsidiary ARC Trading Limited, have been prepared under the historical cost convention as modified by the revaluation of investments at market value.

The Campaign has not presented its own statement of financial activities as permitted by Section 230 of the Companies Act 1985. The net decrease in funds dealt with in the financial statements of the Campaign was £10,784,915 (2000: increase of £1,951,000).

### ***Income and Expenditure***

Income from all sources is accounted for when received, with the exception of interest on cash deposits which is on an accruals basis. Expenditure is accounted for on an accruals basis. A proportion of management and administration costs have been allocated to charitable and fund raising activities on the basis of the number of head office personnel supporting that activity. Expenditure not apportioned above relates to central administration costs, including the general management of the Campaign and other expenditure incurred to attain compliance with constitutional and statutory requirements.

### ***Grants Awarded***

Grant awards which relate to the long term funding of research centres are charged to the financial statements in accordance with the amounts authorised to be expended in the current financial year.

Other grants awarded are included in the financial statements at the time the grant is approved. Payments are made over a period of up to five years and amounts remaining due are shown as liabilities in the balance sheet.

### ***Fixed Assets***

The Campaign's tangible fixed assets are stated at cost.

### ***Depreciation***

Depreciation of tangible assets is provided on a straight line basis at the rates set out below which are sufficient to write them down to their residual value over their estimated useful lives.

Freehold property	-	2%
Fixtures and fittings	-	10% - 25%
Computer equipment	-	20% - 33%
Motor vehicles	-	25%
Freehold land is not depreciated.		

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## 2 Accounting Policies....cont'd

### *Funds*

The Campaign maintains the following types of fund:

- *Designated* – money set aside by the Trustees from General Research Reserve for a specific purpose.
- *General Research Reserve* – which can be used by the Trustees for the general purposes of the Campaign.

### *Investments*

Investments are shown in the balance sheet at their market value. Both realised and unrealised movements in market value from one year end to another are taken to the General Research Reserve. The market value of investments is determined, at the balance sheet date, as follows:

UK Listed	Stock Exchange middle market prices
Overseas Listed	Stock Exchange middle market prices
Authorised Unit Trusts	Published bid prices

### *Stock*

Stock is valued at the lower of cost and net realisable value.

### *Foreign Currency*

All assets and liabilities in foreign currencies have been translated into sterling at the rates of exchange ruling at the balance sheet date.

### *Pensions*

Pension contributions which are explained in note 17 are charged to the statement of financial activities in the period in which they become payable.

### *Leases*

Rental costs under operating leases are charged to the statement of financial activities.

**3 Movement in Funds and Total Recognised Gains and Losses**

	<b>General Research Reserve £'000</b>	<b>Designated Funds £'000</b>	<b>Total £'000</b>
Net outgoing resources for the year	1,151	(1,292)	(141)
Net realised and unrealised investment losses	(10,575)	-	(10,575)
Transfer from Designated Funds	231	(231)	-
Total recognised losses for the financial year	(9,193)	(1,523)	(10,716)
Balance sheet at 1 October 2000	15,747	8,801	24,548
Balance sheet at 30 September 2001	6,554	7,278	13,832

Details of designated funds are shown in note 15.

**4 Fundraising**

	<b>2001 £'000</b>	<b>2000 £'000</b>
Donations	2,015	1,653
Branch Fundraising	1,784	1,774
Regional Fundraising	506	483
	4,305	3,910

**5 Trading Income**

	<i><b>Shops £'000</b></i>	<i><b>ARC Trading mail order £'000</b></i>	<i><b>Campaign promotions £'000</b></i>	<i><b>Total 2001 £'000</b></i>	<i><b>Total 2000 £'000</b></i>
Income	1,134	682	225	2,041	1,885
Operating costs	(1,015)	(675)	(70)	(1,760)	(1,705)
Net operating income	119	7	155	281	180
Onerous lease provision	(90)	-	-	(90)	-
Net income	29	7	155	191	180

**6 Investment Income**

	<i><b>2001 £'000</b></i>	<i><b>2000 £'000</b></i>
Dividends and fixed interest	1,165	1,405
Bank interest	251	195
	1,416	1,600

**7 Grants – Group and Campaign**

	<i><b>2001 £'000</b></i>	<i><b>2000 £'000</b></i>
Amounts outstanding at 1 October	36,396	30,528
Research grants awarded during the year (Note 21)	16,095	14,198
Capital grants awarded during the year (Note 20)	510	2,096
Amounts paid during the year	(12,035)	(10,426)
Amount outstanding at 30 September	40,966	36,396
<i>Comprising:</i>		
- Payments falling due within one year	13,655	11,647
- Payments falling due after one year	27,311	24,749
	40,966	36,396



## 8 Research Centres

	2001 £'000	2000 £'000
Kennedy Institute of Rheumatology - core grant	2,930	2,945
ARC Epidemiology Research Unit	1,588	1,588
Depreciation	134	134
Other costs	17	20
	4,669	4,687

### (a) Kennedy Institute of Rheumatology

The Campaign provides the Kennedy Institute with rent free accommodation. The core grant of £2.9 million is reviewed at 5 yearly intervals and is next due for review on 1 October 2002.

The full statutory accounts of the Kennedy Institute are available from the company secretary at:

Kennedy Institute of Rheumatology  
1 Aspenlea Road  
Hammersmith  
LONDON  
W6 8LH

### (b) ARC Epidemiology Research Unit

This unit is based at the University of Manchester and the current grant of £1.6 million per annum was fixed for a period of 5 years commencing 1 October 1998.

## 9 Income and Expenditure

The income and expenditure account is arrived at after charging the following:

	2001 £'000	2000 £'000
Depreciation of tangible fixed assets	279	276
Loss on disposal of fixed assets	-	10
Auditors remuneration (for audit services only)	25	23
Amounts paid under operating leases	341	373

The audit fee included above in respect of the Campaign is £19,000 (1999: £19,000).

## 10 Analysis of Total Expenditure

					2001	2000
	Awards	Staff	Depre-	Other	Total	Total
	£'000	Costs	ciation	£'000	£'000	£'000
		£'000	£'000			
<b>Direct Charitable</b>						
Research Grants	16,095	-	-	-	16,095	14,198
Capital Grant	510	-	-	-	510	2,096
Research Centres	4,518	-	134	17	4,669	4,687
Education	58	86	3	559	706	732
Support Costs	-	182	10	119	311	242
<b>Other Expenditure</b>						
Head Office Fundraising and Publicity	-	270	16	459	745	681
Branch Fundraising	-	241	23	518	782	680
Regional Fundraising	-	254	33	91	378	430
		765	72	1,068	1,905	1,791
Management and Administration		192	33	187	412	344
Trading and Investment		520	27	1,466	2,013	1,866
	21,181	1,745	279	3,416	26,621	25,956

### Staff Costs

	2001	2000
	£'000	£'000
Salaries	1,478	1,488
Social security costs	128	129
Other pension costs	119	105
Other staff costs	20	19
	1,745	1,741

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**10 Analysis of Total Expenditure.....cont'd**

The average number of employees during the year was:

	<b>2001 Number</b>	<b>2000 Number</b>
Education	4	5
Support	5	4
Fundraising and publicity	31	30
Management and administration	17	14
Shops and trading	38	40
	95	93

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The number of employees whose emoluments (excluding pension contributions) were above £40,000 are as follows:

	<b>2001</b>	<b>2000</b>
Between £60,000 - £70,000	1	1

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The Trustees of the Campaign receive no remuneration for their services in that capacity, but six Trustees have been reimbursed for expenses directly incurred in carrying out their activities as Trustees at a cost of £6,000 (2000: £3,559).

## 11 Tangible Assets

### Group and Campaign

	<i>Freehold Land and Buildings £'000</i>	<i>Fixtures and Fittings £'000</i>	<i>Computer Equipment £'000</i>	<i>Motor Vehicles £'000</i>	<i>Total £'000</i>
<b>Cost</b>					
At 1 October 2000	7,604	189	293	283	8,369
Additions	-	-	33	27	60
Disposals	-	-	(22)	(35)	(57)
At 30 September 2001	7,604	189	304	275	8,372
<b>Depreciation</b>					
At 1 October 2000	1,028	123	226	91	1,468
Charge for the year	155	20	37	67	279
Released on disposals	-	-	(21)	(24)	(45)
At 30 September 2001	1,183	143	242	134	1,702
<b>Net book amount</b>					
At 30 September 2001	6,421	46	62	141	6,670
At 30 September 2000	6,576	66	67	192	6,901

The net book amount at 30 September represents tangible fixed assets used for:

	<b>2001 £'000</b>	<b>2000 £'000</b>
Direct Charitable purposes	5,704	5,831
Other purposes	966	1,070
	<b>6,670</b>	<b>6,901</b>

## 12 Investments

### Group

	<i>Market Value</i>		<i>Cost</i>	
	<i>2001</i> <i>£'000</i>	<i>2000</i> <i>£'000</i>	<i>2001</i> <i>£'000</i>	<i>2000</i> <i>£'000</i>
Listed securities				
- Fixed interest	6,940	7,806	6,722	7,649
- UK Equities	19,997	22,910	20,035	19,142
- Overseas Equities	13,161	19,390	17,421	19,355
Investments	40,098	50,106	44,178	46,146
Cash deposits	1,596	686	1,607	686
	41,694	50,792	45,785	46,832
<b>Campaign</b>				
As stated above for the group	41,694	50,792	45,785	46,832
Investment in subsidiary (ARC Trading Limited)	250	250	250	250
	41,944	51,042	46,035	47,082

### Movement on investments for the Group:

	<i>Total Listed Securities and authorised unit trusts £'000</i>
At 1 October 2000 at market value	50,792
Additions at cost	22,822
Proceeds of sale	(21,345)
Net investment losses	(10,575)
At 30 September 2001 at market value	41,694

Realised losses based on historic cost amounted to £ 2,513,583 (2000: £12,247,000 realised gains).

There were no individual investments with a market value in excess of 5% of the market value of the portfolio.

The portfolio of securities was managed on the Campaign's behalf by Framlington Investment Management Limited, until 30 March 2000 and from 1 April 2000 by Baillie Gifford & Co. The custodian of the securities is HSBC Bank Plc.

## 12 Investments.....cont'd

### ARC Trading Limited:

	2001 £'000	2000 £'000
Investment in subsidiary (ARC Trading Limited)	250	250

ARC Trading Limited is a 100% subsidiary of the Campaign, incorporated in England and is principally engaged in the sale of Christmas cards and other gift items by mail order catalogue and through the Campaign's voluntary branches. Surplus stock is sold through the Campaign's shops. The net profit is covenanted to the Campaign.

The auditors' report contained no qualifications, and the Directors' Report and Financial Statements, for the year ended 30 June 2000, have been filed with the Registrar of Companies. The 30 June year end is used to conform to the company's trading cycle.

## 13 Sundry Debtors

	Group		Campaign	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Amount due from subsidiary company	-	-	88	84
Income tax/tax credits	30	43	30	43
VAT	23	24	23	24
Prepayments	138	194	118	163
Other debtors	46	27	41	21
	237	288	300	335

## 14 Sundry Creditors and Accruals

	Group		Campaign	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Other creditors	42	111	42	109
Accruals	160	44	146	35
	202	155	188	144

**15 Designated Funds - Group and Campaign**

	<i>Clinical Trials Fund £'000</i>	<i>Fellowship Fund £'000</i>	<i>Fixed Asset Fund £'000</i>	<i>Total £'000</i>
Balance at 1 October 2000	1,722	178	6,901	8,801
Expenditure	(1,292)	-	-	(1,292)
Other transfers to General Research Reserve	-	-	(231)	(231)
Balance at 30 September 2001	430	178	6,670	7,278

There are three designated funds which represent amounts set aside at the Campaign's discretion for various purposes.

- 1 Clinical Trials Fund - to fund selected clinical trials in rheumatic disease jointly with the British Society for Rheumatology.
- 2 Fellowship Fund - to support three named fellowships - W S C Copeman, Michael Mason and Dorothy Eden - which give grants to UK clinicians and scientists enabling them to develop new techniques at centres of excellence overseas.
- 3 Fixed Asset Fund - represents the net book value of fixed assets held by the Campaign for its own use.

**16 Fixed Asset Fund**

	<i>2001 £'000</i>	<i>2000 £'000</i>
Balance at 1 October	6,901	6,975
Additions	60	215
Disposals	(12)	(13)
Depreciation	(279)	(276)
Balance at 30 September	6,670	6,901

## 17 Pension Arrangements

The Campaign together with the majority of its employees, makes contributions to two pension funds whose assets are held separately from those of the Campaign in independently administered funds. One is a defined contribution scheme and the other a group personal pension scheme both managed by Scottish Amicable Life Assurance Society Limited.

The pension charge represents contributions payable by the Campaign to the funds and amounted to £119,000 (2000: £96,000). Contributions totalling £nil (2000: £9,000) were prepaid at the year end and are included in debtors.

## 18 Operating Leases

Payments on operating leases during the year amounted to £341,006 (2000: £373,000). The expected leasing charges for the next financial year amount to £297,374 (2000: £321,000). This amount comprises leases due to expire in:

	<i>Property</i>		<i>Vehicles</i>		<i>Total</i>	
	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>	<i>2001</i>	<i>2000</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Less than 1 year	53	14	-	1	53	15
1 to 5 years	198	227	-	-	198	227
Over 5 years	46	79	-	-	46	79
	297	320	-	1	297	321

Provision is made for the anticipated cost of onerous leases on empty properties. These costs are expected to arise over the next four years.

## 19 Related Party Transactions

There were no related party transactions during the year other than those with Kennedy Institute (note 8) and the Campaign's trading subsidiary, ARC Trading Limited. The results of ARC Trading Limited have been consolidated with those of the Campaign.



**20 Capital Grants**

	<b>2001 £'000</b>
University College, London	216
University of Aberdeen	203
Additions to existing grants	91
	510

**21 Research Grants Awarded**

	<b>2001 £'000</b>	<b>2000 £'000</b>
126 awards over £10,000 (2000: 122 awards)	15,423	14,581
6 awards less than £10,000 (2000: 96 awards)	35	275
Supplements to existing grants	1,505	473
Awards no longer required	(868)	(1,131)
	16,095	14,198

Details of grants awarded over £10,000 are shown on the following page.

## Detailed schedule of Grants Awarded in the Year

	<i>Number of grants</i>	<i>£'000</i>
Cardiff University	1	621
Glasgow Royal Infirmary	1	113
Imperial College, London	9	1,286
Ipswich Hospital NHS Trust	1	19
Keele University	1	95
Kings College London	7	1,183
Norfolk & Norwich Hospital	1	76
Poole Hospital NHS Trust	1	32
Queen Mary & Westfield College, London	1	55
Robert Jones & Agnes Hunt Hospital, Oswestry	1	33
Royal National Hospital, Bath	2	332
Southampton General Hospital	1	45
St Alban's City Hospital	1	71
St Bartholomew's & Royal London Hospitals, London	3	312
St George's Hospital Medical School, London	1	115
St Helier Hospital, Carshalton	1	18
St Thomas's Hospital, London	2	248
University College, London	11	1,557
University College, North Wales	1	22
University of Aberdeen	6	1,090
University of Bath	3	133
University of Birmingham	5	889
University of Bristol	4	329
University of Cambridge	3	457
University of Dundee	1	13
University of Edinburgh	3	598
University of East Anglia, Norwich	1	119
University of Exeter	1	41
University of Glasgow	5	389
University of Leeds	6	901
University of Liverpool	2	161
University of Manchester	9	1,014
University of Newcastle upon Tyne	1	49
University of Nottingham	1	13
University of Oxford	10	1,341
University of Sheffield	7	871
University of Southampton	4	251
University of Wales, Cardiff	4	434
Travelling Fellowships	3	97
<b>Total</b>	<b>126</b>	<b>15,423</b>

## Committees and Groups

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### *Scientific Co-ordinating Committee (SCC)*

Determines scientific policies, awards programme grants, and confirms research and educational grant awards recommended by its sub-committees.

Professor Humphrey Hodgson (Chairman)  
Professor David Isenberg (Vice Chairman)  
Professor Peter Beverley  
Professor Howard Bird  
Professor Carol Black  
Professor Marc Feldmann

Professor Anthony Freemont  
Professor Paul Gregg  
Professor Tim Hardingham  
Professor Graham Russell  
Professor David Scott  
Chairmen of Sub-Committees are ex-officio members.

### *Fellowship Sub-Committee (FSC)*

Meets five times a year to interview candidates for senior, postdoctoral, clinical, clinician scientist and travelling fellowships. Also recommends PhD studentship awards. Reports to the SCC.

Professor Dorian Haskard (Chairman from July 2000)  
Professor Graham Russell (Vice Chairman, retired June 2000)  
Dr Madeleine Devey (Scientific Secretary)

Membership varies according to the nature of the fellowship under consideration.

### *Research Sub-Committee (RSC)*

Meets three times a year to consider approximately 210 applications per year for project and equipment grants. Reports to the SCC.

Professor Anne Cooke (Chair)  
Professor Roger Mason (Chair, retired June 2001)  
Professor Peter Croft (Vice Chair)  
Professor Gabriel Panayi (Vice Chair, retired June 2001)  
Professor Fionula Brennan  
Professor Tim Cawston  
Dr Andrew Cope  
Professor Steven Dower  
Professor Richard Eastell  
Mr Stephen Eisenstein  
Professor Brian Henderson (retired February 2001)

Professor Mike Horton  
Professor David Hukins  
Professor Catherine Kielty  
Dr Jerry Lanchbury  
Professor Ian Learmonth  
Professor Gill Murphy (retired February 2001)  
Professor Di Newham  
Professor Bill Ollier (retired February 2001)  
Professor Jonathan Seckl (retired February 2001)  
Professor Tauny Southwood (retired February 2001)  
Professor Mike Salmon  
Professor David Wraith

### *Education Sub-Committee (ESC)*

Oversees the award of various grants and bursaries, sponsorship of scientific meetings, the Campaign's wide range of publications, and other educational activities. Reports to the SCC.

Dr Elaine Hay (Chairman, retired February 2001)  
Professor Jane Dacre (Chair)  
Dr Andrew Hassell (Vice Chairman)  
Dr Ade Adebajo  
Mrs Pam Bishop  
Dr Alison Carr (retired February 2001)  
Mrs Maggie Carr  
Ms Annie Chadwick  
Dr Fiona Clarke  
Mrs Maureen Cox  
Mrs Janet Cushnaghan

Dr John Dickson  
Dr Susan Fraser  
Dr Neil Hopkinson  
Dr Richard Hull  
Professor Brian Jolly  
Dr Lesley Kay  
Professor Peter Maddison  
Dr Sheila O'Reilly  
Dr Margaret O'Sullivan  
Dr Martin Underwood  
Dr David Walker

## **Committees and Groups ... continued**

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### ***Programme Grant Sub-Committee (PGSC)***

Undertakes the annual review of programme grant applications, organises site visits and reports recommendations for programme grant funding to the SCC.

Professor Stephen Holgate (Chairman)  
Dr Madeleine Devey (Scientific Secretary)

Membership varies according to the nature of the applications under consideration.

### ***ARC/BSR Clinical Trials Group***

In conjunction with the BSR, the ARC has formed the Clinical Trials Group to promote clinical research on a multi-centre basis, with a national direction. Reports to the SCC.

Professor David Blake (Chairman, retired November 2001)  
Professor Cyrus Cooper (Chairman)  
Dr Madeleine Devey (Scientific Secretary)  
Dr Andrew Bamji (retired June 2001)  
Professor Maarten Boers  
Dr Margaret Byron  
Dr Hilary Capell  
Dr Ernest Choy (Vice Chairman)  
Professor Peter Croft  
Professor Jane Dacre  
Dr Veena Dhillon  
Professor Paul Dieppe (retired November 2001)  
Mrs Caroline Doré  
Ms Rachel Edwards  
Mr Grey Giddins

Professor Paul Gregg  
Professor Dorian Haskard  
Dr Elaine Hay (retired March 2001)  
Dr Brian Hazleman  
Professor David Isenberg  
Professor Richard Lilford (retired November 2001)  
Professor Tiny Maini (retired November 2001)  
Dr Tim Paltreman  
Professor Gabriel Panayi  
Dr Madeleine Rooney  
Professor David Scott  
Dr Mike Shipley  
Professor Alan Silman  
Dr Deborah Symmons (retired November 2001)

### ***Sub-Committee for Academic Support***

Professor Barry Bresnihan (Chairman)  
Professor Alan Silman (Vice Chairman)  
Professor Tim Cawston  
Professor David Isenberg

Mr Fergus Logan  
Professor David Reid  
Dr Paul Thompson  
Dr Richard Watts

### ***Finance Committee***

Mr J C Maisey (Chairman)  
Mr O N Dawson  
Mr P J W Henderson  
Professor P Lachmann  
Mr A C Torry

### ***Clinical Advisors***

Dr Jeremy Camilleri  
Dr Michael Ehrenstein  
Dr John Isaacs  
Dr Rajan Madhok  
Dr Richard Watts

Clinical Advisors are active members of each committee and interview panel.