

Arthritis Research Campaign

(Company Number: 490500)

(Charity Number: 207711)

Report and Financial Statements

30 September 1999



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| COMPANIES HOUSE | | 31/03/00 |
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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
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 Rt Hon The Baroness Macleod of Borve DL
The Lord Richardson
Dr Tom Scott

Board of Trustees

Dr B Ansell CBE
Dr C G Barnes (Acting Chairman) (resigned 28 July 1999)
Sir Richard Butler (Vice Chairman)
Dr P W M Copeman
O N Dawson Esq (Vice Chairman)*
Professor P A Dieppe
Professor T Duckworth
Dame Mary Glen Haig
Professor H J F Hodgson
R E Holland Esq*
J C Maisey Esq*
Professor G Nuki
Professor R D Sturrock (Chairman from 28 July 1999)
A C Torry Esq*

* Members of the Finance Committee

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

Framlington Investment Management Limited
155 Bishopsgate
London
EC2M 3XJ

Solicitors

Hempsons
33 Henrietta Street
London
WC2E 8NH

Report of the Campaign For the Year Ended 30 September 1999

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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. They are supported by the committees listed below.

Scientific Co-ordinating Committee
Standing Committee for the Development of Academic Rheumatology
Fellowship Committee
Research Committee
Education Committee
Infrastructure Support 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.

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.

Review of the Year

Research

The Campaign continues to fund a wide-ranging programme of independently reviewed research comprising longer-term academic posts in rheumatology; five year programmes to support units in medical schools; project grants; and Fellowships for scientists and clinicians.

During the year 200 grants totalling £15.3 million were awarded, an increase compared with 1998 of £2.9 million.

The Campaign also continues to support the Kennedy Institute of Rheumatology in London with funding allocated on a five year basis, the next review due in 2002. The Institute received £2.9 million in 1999.

The second quarter of the year 2000 should finally see the granting of the UK and European licence of the new anti-TNF drug, Remicade, which could have a significant impact on the quality of life for many sufferers of severe rheumatoid arthritis.

Remicade, whose experimental name was cA2, is the direct result of many years of pioneering work by scientists at the Kennedy Institute, led by its director Professor Ravinder Maini. Professor Maini and his colleague Professor Marc Feldmann have jointly been awarded the prestigious Crafoord Prize by the Royal Swedish Academy for Sciences – which also awards the Nobel Prize – for their groundbreaking work in developing the new anti-TNF therapies.

The ARC Epidemiology Research Unit in Manchester is also funded on a five year basis and in 1999 received £1.6 million. This funding will be reviewed in 2003.

In conjunction with the British Society for Rheumatology, clinical trials into a number of arthritic conditions are due to start within the next twelve months. Some initial expenditure has been charged to the Clinical Trials Fund this year and we expect this to increase substantially over the next few years as the trials progress.

Education

A number of new patient information booklets were published during the year bringing the total number of publications to 68. These are sent to individuals, GP's, hospitals and other health service professionals on request, and 2 million were distributed during the year.

Another initiative has been to fund an interactive web-site for trainee doctors who wish to educate themselves in all aspects of rheumatology. This is in addition to our own web-site which continues to attract an increasing number of enquiries.

Fundraising

It was a year when two enduringly popular ARC fundraising events did even better than ever. Tea Week, with hundreds of branches holding tea parties, raised nearly £50,000, while the Grand Draw beat all previous years with a total of £125,000.

During 1999, together with a number of other charities, we launched our own free internet access service which will provide an additional source of income in future years.

**Report of the Campaign
For the Year Ended 30 September 1999.....cont'd**

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Review of the year.....cont'd

Finance

Total income of £21 million was £1.8 million less than 1998. A decrease in legacies accounted for £1.2 million, and voluntary fundraising branches £0.6 million.

During the year we carried out a restructuring of our branch support network with the view of continuing to support our branch volunteers but at a lower cost. We anticipated a reduction in income from branches but after taking into account the reduced costs the net result this year has been neutral. The full effect of these changes will become apparent in future years when the ratio of branch support costs to income is substantially reduced.

In addition to these changes we established during the year a regional fundraising department which raised £0.2 million in the first nine months of its operation.

Total fundraising and administration costs at 12.2% of voluntary income were held at last year's level.

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 reserves that equate to between six and twelve months of the following year's estimated direct charitable expenditure. Reserves of £12 million at the year-end are consistent with this policy.

Year 2000

The Campaign has taken into consideration the year 2000 issue. No significant costs have been incurred to date and the Trustees do not consider any significant costs will be incurred.

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.

**Report of the Campaign
For the Year Ended 30 September 1999.....cont'd**

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Finally, on behalf of the Trustees, I would like to extend my warmest thanks to Dr Colin Barnes, who stepped into the breach left by the death of Professor Verna Wright and served as the Acting Chairman of the Campaign from March 1998 to July 1999.

By order of the Board of Trustees


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Professor R D Sturrock
Chairman of the Board of Trustees
10 March 2000

Company number: 490500
Registered charity number: 207711

PricewaterhouseCoopers

Victoria House
76 Milton Street
Nottingham NG1 3QY
Telephone +44 (0) 115 947 3000
Facsimile +44 (0) 115 947 2660

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Report of the Auditors to the Members of the Board of Trustees of Arthritis Research Campaign

We have audited the financial statements on pages 7 to 25 which have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out on pages 12 to 13.

Respective responsibilities of directors and auditors

The directors who also act as trustees for the charitable activities of Arthritis Research Campaign are responsible for preparing the Annual Report, including as described on page 2 the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the 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.

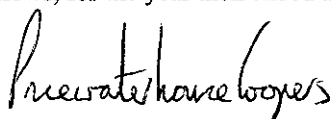
Basis of audit opinion

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 company and group'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 the charitable company and the group's affairs at 30 September 1999 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
10 March 2000

**Group Statement of Financial Activities
For the Year Ended 30 September 1999**

Page 7

| | <i>Note</i> | <i>1999 £'000</i> | <i>1998 £'000</i> |
|---|-------------|-----------------------|-----------------------|
| Income | | | |
| Fundraising | 4 | 3,949 | 4,381 |
| Legacies | | 14,165 | 15,363 |
| Total voluntary income | | 18,114 | 19,744 |
| Trading - gross income | 5 | 1,562 | 1,702 |
| Investment income | 6 | 1,361 | 1,406 |
| Total income | | 21,037 | 22,852 |
| Expenditure | | | |
| <i>Direct Charitable Expenditure (see note 10):</i> | | | |
| Research grants awarded | 7&22 | 14,877 | 11,954 |
| Capital grants | 2&21 | 452 | 501 |
| Research centres | 8 | 4,647 | 4,403 |
| Education | | 772 | 922 |
| Support costs | | 253 | 257 |
| | | 21,001 | 18,637 |
| <i>Trading and Investment Expenditure:</i> | | | |
| Trading operating costs | 5 | 1,470 | 1,450 |
| Investment management fees | | 125 | 111 |
| | | 1,595 | 1,561 |
| <i>Other Expenditure:</i> | | | |
| Fundraising and publicity | | 1,926 | 2,186 |
| Administration | | 291 | 233 |
| | | 2,217 | 2,419 |
| Total expenditure | 10 | 24,813 | 22,017 |
| <i>Net (outgoing)/incoming resources for the year</i> | 3 | (3,776) | 835 |
| Net realised and unrealised investment gains/(losses) in the year | 3 | 4,695 | (1,352) |
| <i>Net Movement in Funds for the year</i> | | 919 | (517) |
| <i>Fund Balances at 1 October 1998</i> | | 21,678 | 22,195 |
| <i>Fund Balances at 30 September 1999</i> | | 22,597 | 21,678 |

There is one immaterial restricted fund within the Group (see note 20).

The notes on pages 12 to 25 form part of these financial statements.

Group Balance Sheet - 30 September 1999

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| | Note | 1999 £'000 | 1998 £'000 |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 11 | 6,975 | 7,036 |
| Investments | 12 | 43,338 | 36,826 |
| | | 50,313 | 43,862 |
| Current assets | | | |
| Stocks for resale | | 45 | 45 |
| Sundry debtors | 13 | 331 | 350 |
| Cash on deposit and in hand | | 2,815 | 3,665 |
| | | 3,191 | 4,060 |
| Current liabilities - Amounts falling due within one year | | | |
| Bank overdraft | | (285) | (430) |
| Sundry creditors and accruals | 14 | (94) | (321) |
| Grant payments due within one year | 2&7 | (11,601) | (10,962) |
| | | (11,980) | (11,713) |
| Net current liabilities | | (8,789) | (7,653) |
| Total assets less current liabilities | | 41,524 | 36,209 |
| Liabilities - Amounts falling due over one year | | | |
| Grant payments falling due after more than one year | 2&7 | (18,927) | (14,531) |
| | | 22,597 | 21,678 |
| Funds | | | |
| General Research Reserve | 3 | 12,060 | 3,407 |
| Investment Reserve | 3 | - | 7,124 |
| Designated Funds | 3&15 | 10,537 | 11,147 |
| | | 22,597 | 21,678 |

Approved by the Trustees on 10 March 2000



Professor R D Sturrock
Chairman of the Board of Trustees

The notes on pages 12 to 25 form part of these financial statements.

Campaign Balance Sheet - 30 September 1999

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| | Note | 1999 £'000 | 1998 £'000 |
|--|------|---------------|---------------|
| Fixed assets | | | |
| Tangible assets | 11 | 6,975 | 7,036 |
| Investments | 12 | 43,588 | 37,076 |
| | | 50,563 | 44,112 |
| Current assets | | | |
| Sundry debtors | 13 | 315 | 345 |
| Cash on deposit and in hand | | 2,620 | 3,445 |
| | | 2,935 | 3,790 |
| Current liabilities - Amounts falling due within one year | | | |
| Bank overdraft | | (285) | (430) |
| Sundry creditors and accruals | 14 | (88) | (301) |
| Grant payments due within one year | 2&7 | (11,601) | (10,962) |
| | | (11,974) | (11,693) |
| Net current liabilities | | (9,039) | (7,903) |
| Total assets less current liabilities | | 41,524 | 36,209 |
| Liabilities - Amounts falling due over one year | | | |
| Grant payments falling due after more than one year | 2&7 | (18,927) | (14,531) |
| | | 22,597 | 21,678 |
| Funds | | | |
| General Research Reserve | 3 | 12,060 | 3,407 |
| Investment Reserve | 3 | - | 7,124 |
| Designated Funds | 3&15 | 10,537 | 11,147 |
| | | 22,597 | 21,678 |

Approved by the Trustees on 10 March 2000



Professor R D Sturrock
Chairman of the Board of Trustees

The notes on pages 12 to 25 form part of these financial statements.

Group Cash Flow Statement
For the Year Ended 30 September 1999

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| | 1999 | 1998 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Net cash (outflow)/inflow from operating activities (Note a) | (63) | 2,737 |
| Returns on investments and servicing of finance (Note b) | 1,361 | 1,406 |
| Capital expenditure and financial investment (Note b) | (2,184) | (1,771) |
| (Decrease)/increase in cash | (886) | 2,372 |
| Reconciliation of net cash flow to movement in net funds (Note c) | | |
| (Decrease)/increase in cash in the period and movement in net funds | (886) | 2,372 |
| Net funds at 1 October 1998 | 5,556 | 3,184 |
| Net funds at 30 September 1999 | 4,670 | 5,556 |

Notes to the group cash flow statement

a Reconciliation of net surplus to net cash inflow from operating activities

| | 1999 | 1998 |
|---|--------------|--------------|
| | £'000 | £'000 |
| Net (deficit)/surplus | (3,776) | 835 |
| Depreciation charge | 246 | 239 |
| Loss/(profit) on disposal of fixed assets | 1 | (6) |
| Investment income | (1,361) | (1,406) |
| Decrease in stocks | - | 10 |
| Decrease in debtors | 19 | 19 |
| (Decrease)/increase in creditors | (227) | 73 |
| Research/capital grants awarded during the year | 15,329 | 12,455 |
| Research grants paid during the year | (10,294) | (9,482) |
| Net cash (outflow)/inflow from operating activities | (63) | 2,737 |

Group Cash Flow Statement
For the Year Ended 30 September 1999....cont'd

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

| | 1999 | 1998 |
|--|----------------|----------------|
| | £'000 | £'000 |
| Returns on investment and servicing of finance | | |
| Interest received | 220 | 256 |
| Investment income received | 1,141 | 1,150 |
| Net cash inflow for returns on investments and servicing of finance | 1,361 | 1,406 |
| Capital expenditure and financial investment | | |
| Purchase of investments | (12,808) | (11,212) |
| Sale of investments | 10,810 | 9,528 |
| Purchase of tangible fixed assets | (186) | (108) |
| Sale of tangible fixed assets | - | 21 |
| Net cash outflow for capital expenditure and financial investment | (2,184) | (1,771) |

c Analysis of changes in net funds

| | <i>At 1 October</i> | Cash flows | <i>At 30 September</i> |
|---|---------------------|-------------------|------------------------|
| | <i>1998</i> | | <i>1999</i> |
| | £'000 | £'000 | £'000 |
| Cash on deposit and in hand | 3,665 | (850) | 2,815 |
| Bank overdraft | (430) | 145 | (285) |
| Cash deposits included in investments (see note 12) | 2,321 | (181) | 2,140 |
| Total | 5,556 | (886) | 4,670 |

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 Statement of Recommended Practice - Accounting by Charities - issued by the Charity Commissioners in October 1995, and applicable accounting standards.

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 increase in funds dealt with in the financial statements of the Campaign was £921,000.

Income and Expenditure

Income from all sources is accounted for when received, and expenditure 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

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. | | |

2 Accounting Policies....con't'd

Funds

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

- 1 Academic Rheumatology Fund - to fund capital projects and endowments which promote the establishment of Rheumatology Research Units in the United Kingdom. Expenditure relating to this fund is shown as a capital grant in the statement of financial activities.
- 2 Clinical Trials Fund - to fund selected clinical trials in rheumatic disease jointly with the British Society for Rheumatology.
- 3 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.
- 4 Fixed Asset Fund - represents the net book value of fixed assets held by the Campaign for its own use.

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 income and expenditure account in the period in which they become payable.

Leases

Rental costs under operating leases are charged to the income and expenditure account.

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

| | <i>General Research Reserve £'000</i> | <i>Investment Reserve £'000</i> | <i>Designated Funds £'000</i> | <i>Total £'000</i> |
|--|---|---|---------------------------------------|------------------------|
| Net outgoing resources for the year | (3,776) | - | - | (3,776) |
| Investment reserve balance at 30 September 1998 | 7,124 | (7,124) | - | - |
| Net realised and unrealised investment gains | 4,695 | - | - | 4,695 |
| Transfer from Designated Funds (note 15) | 610 | - | (610) | - |
| Total recognised gains/(losses) for the financial year | 8,653 | (7,124) | (610) | 919 |
| Balance sheet at 30 September 1998 | 3,407 | 7,124 | 11,147 | 21,678 |
| Balance sheet at 30 September 1999 | 12,060 | - | 10,537 | 22,597 |

The Investment Reserve previously represented the unrealised surplus on investments which is now included in the General Research Reserve.

4 *Fundraising*

| | <i>1999 £'000</i> | <i>1998 £'000</i> |
|----------------------|-----------------------|-----------------------|
| Donations | 1,766 | 1,781 |
| Branch Fundraising | 1,960 | 2,600 |
| Regional fundraising | 223 | - |
| | 3,949 | 4,381 |

5 Trading Income

| | <i>Shops £'000</i> | <i>ARC Trading mail order £'000</i> | <i>Campaign promotions £'000</i> | <i>Total 1999 £'000</i> | <i>Total 1998 £'000</i> |
|-----------------|-------------------------------|--|---|------------------------------------|------------------------------------|
| Income | 961 | 573 | 28 | 1,562 | 1,702 |
| Operating costs | (956) | (511) | (3) | (1,470) | (1,450) |
| Net income | 5 | 62 | 25 | 92 | 252 |

6 Investment Income

| | <i>1999 £'000</i> | <i>1998 £'000</i> |
|------------------------------|------------------------------|------------------------------|
| Dividends and fixed interest | 1,141 | 1,126 |
| Property | - | 24 |
| Bank interest | 220 | 256 |
| | 1,361 | 1,406 |

7 Research Grants

| | <i>1999 £'000</i> | <i>1998 £'000</i> |
|--|------------------------------|------------------------------|
| Amounts outstanding at 1 October | 25,493 | 22,520 |
| Grants awarded during the year (Note 22) | 14,877 | 11,954 |
| Capital grants awarded during the year (Note 21) | 452 | 501 |
| Amounts paid during the year | (10,294) | (9,482) |
| Amount outstanding at 30 September | 30,528 | 25,493 |
| <i>Comprising:</i> | | |
| - Payments falling due within one year | 11,601 | 10,962 |
| - Payments falling due after one year | 18,927 | 14,531 |
| | 30,528 | 25,493 |

8 Research Centres

| | 1999 £'000 | 1998 £'000 |
|--|---------------|---------------|
| Kennedy Institute of Rheumatology - core grant | 2,865 | 2,865 |
| ARC Epidemiology Research Unit | 1,628 | 1,378 |
| Depreciation | 134 | 133 |
| Other costs | 20 | 27 |
| | 4,647 | 4,403 |

(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/(crediting) the following:

| | 1999 £'000 | 1998 £'000 |
|---|---------------|---------------|
| Depreciation of tangible fixed assets | 246 | 239 |
| Loss/(profit) on disposal of fixed assets | 1 | (6) |
| Auditors remuneration (for audit services only) | 23 | 23 |
| Amounts paid under operating leases | 435 | 478 |

The audit fee included above in respect of the Campaign is £19,000 (1998: £18,500).

10 Analysis of Total Expenditure

| | 1999 | | | | 1998 |
|---------------------------------------|-----------------|-------------------------|----------------------------|----------------|----------------|
| | Awards £'000 | Staff Costs £'000 | Depre- ciation £'000 | Other £'000 | Total £'000 |
| Direct Charitable | | | | | |
| Research Grants | 14,877 | - | - | - | 14,877 |
| Capital Grant | 452 | - | - | - | 452 |
| Research Centres | 4,493 | - | 134 | 20 | 4,647 |
| Education | - | 147 | 9 | 616 | 772 |
| Support Costs | - | 140 | 6 | 107 | 253 |
| Other Expenditure | | | | | |
| Head Office Fundraising and Publicity | - | 267 | 18 | 588 | 873 |
| Branch Fundraising | - | 340 | 19 | 412 | 771 |
| Regional Fundraising | - | 163 | 16 | 103 | 282 |
| Restructuring | - | - | - | - | - |
| | - | 770 | 53 | 1,103 | 1,926 |
| Management and Administration | - | 157 | 32 | 102 | 291 |
| Trading and Investment | - | 392 | 12 | 1,191 | 1,595 |
| | 19,822 | 1,606 | 246 | 3,139 | 24,813 |

Staff Costs

| | 1999 £'000 | 1998 £'000 |
|-----------------------|---------------|---------------|
| Salaries | 1,373 | 1,555 |
| Social security costs | 121 | 139 |
| Other pension costs | 96 | 85 |
| Other staff costs | 16 | 18 |
| Restructuring | - | 90 |
| | 1,606 | 1,887 |

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

The average number of employees during the year was:

| | 1999 Number | 1998 Number |
|-------------------------------|------------------------|------------------------|
| Education | 5 | 3 |
| Support | 4 | 4 |
| Fundraising and publicity | 29 | 40 |
| Management and administration | 14 | 11 |
| Shops and trading | 38 | 46 |
| | 90 | 104 |

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

| | 1999 | 1998 |
|---------------------------|-------------|-------------|
| Between £60,000 - £70,000 | 1 | 1 |

The Trustees of the Campaign receive no remuneration for their services in that capacity, but have been reimbursed for expenses directly incurred in carrying out their activities as Trustees at a cost of £1,993 (1998: £1,329).

11 Tangible Assets

Group and Campaign

| | Freehold Land and Buildings £'000 | Fixtures and Fittings £'000 | Computer Equipment £'000 | Motor Vehicles £'000 | Total £'000 |
|------------------------|--|--|---|-------------------------------------|------------------------|
| Cost | | | | | |
| At 1 October 1998 | 7,574 | 225 | 273 | 69 | 8,141 |
| Additions | 30 | 23 | 15 | 118 | 186 |
| Disposals | - | (38) | (61) | - | (99) |
| At 30 September 1999 | 7,604 | 210 | 227 | 187 | 8,228 |
| Depreciation | | | | | |
| At 1 October 1998 | 718 | 171 | 202 | 14 | 1,105 |
| Charge for the year | 155 | 21 | 42 | 28 | 246 |
| Released on disposals | - | (38) | (60) | - | (98) |
| At 30 September 1999 | 873 | 154 | 184 | 42 | 1,253 |
| Net book amount | | | | | |
| At 30 September 1999 | 6,731 | 56 | 43 | 145 | 6,975 |
| At 30 September 1998 | 6,856 | 54 | 71 | 55 | 7,036 |

The net book amount at 30 September 1999 represents tangible fixed assets used for:

| | 1999 £'000 | 1998 £'000 |
|----------------------------|-----------------------|-----------------------|
| Direct Charitable purposes | 5,965 | 6,099 |
| Other purposes | 1,010 | 937 |
| | 6,975 | 7,036 |

12 Investments

Group

| | <i>Market Value</i> | | <i>Cost</i> | |
|--|---------------------|--------------|--------------|--------------|
| | <i>1999</i> | <i>1998</i> | <i>1999</i> | <i>1998</i> |
| | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> | <i>£'000</i> |
| Listed securities | | | | |
| - Fixed interest | 7,591 | 7,140 | 7,548 | 6,406 |
| - UK | 21,393 | 18,396 | 15,955 | 13,382 |
| - Overseas | 8,423 | 5,690 | 6,184 | 4,921 |
| Authorised unit trusts | 3,791 | 2,674 | 1,508 | 2,080 |
| | 41,198 | 33,900 | 31,195 | 26,759 |
| Freehold properties | - | 605 | - | 622 |
| Cash deposits | 2,140 | 2,321 | 2,140 | 2,321 |
| | 43,338 | 36,826 | 33,335 | 29,702 |
| Comprising: | | | | |
| Investments | 41,198 | 34,505 | 31,195 | 27,381 |
| Cash deposits | 2,140 | 2,321 | 2,140 | 2,321 |
| Campaign: | | | | |
| As stated above for the group | 43,338 | 36,826 | 33,335 | 29,702 |
| Investment in subsidiary (ARC Trading Limited) | 250 | 250 | 250 | 250 |
| | 43,588 | 37,076 | 33,585 | 29,952 |

12 Investments.....cont'd

Group.....cont'd

Movement on investments for the Group:

| | <i>Total</i> <i>£'000</i> | <i>Listed Securities and authorised unit trusts</i> <i>£'000</i> | <i>Freehold property</i> <i>£'000</i> |
|--------------------------------------|------------------------------|---|--|
| At 1 October 1998 at market value | 34,505 | 33,900 | 605 |
| Additions at cost | 12,808 | 12,808 | - |
| Proceeds of sale | (10,810) | (10,226) | (584) |
| Net investment gains | 4,695 | 4,716 | (21) |
| At 30 September 1999 at market value | 41,198 | 41,198 | - |

Realised gains based on historic cost amounted to £1,836,000 (1998: £1,996,000).

The portfolio of securities is managed on the Campaign's behalf by Framlington Investment Management Limited, who are also responsible for the custody of the securities and unit trusts.

ARC Trading Limited:

| | <i>1999</i> <i>£'000</i> | <i>1998</i> <i>£'000</i> |
|--|-----------------------------|-----------------------------|
| 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 and storage and distribution services are also provided to the Campaign for which charges are levied at commercial rates. 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 1999, 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 | |
|------------------------------------|--------------|--------------|-----------------|--------------|
| | 1999 | 1998 | 1999 | 1998 |
| | £'000 | £'000 | £'000 | £'000 |
| Amount due from subsidiary company | - | - | 23 | - |
| Income tax/tax credits | 50 | 59 | 50 | 59 |
| VAT | 15 | 14 | 15 | 34 |
| Prepayments | 153 | 176 | 122 | 158 |
| Other debtors | 113 | 101 | 105 | 94 |
| | 331 | 350 | 315 | 345 |

14 Sundry Creditors and Accruals

| | Group | | Campaign | |
|-----------------|--------------|--------------|-----------------|--------------|
| | 1999 | 1998 | 1999 | 1998 |
| | £'000 | £'000 | £'000 | £'000 |
| Other creditors | 27 | 105 | 27 | 90 |
| Accruals | 67 | 216 | 61 | 211 |
| | 94 | 321 | 88 | 301 |

15 Designated Funds - Group and Campaign

| | Academic Rheumatology Fund £'000 | Clinical Trials Fund £'000 | Fellowship Fund £'000 | Fixed Asset Fund £'000 | Total £'000 |
|---|---|---|--------------------------------------|---|------------------------|
| Balance at 1 October 1998 | 2,406 | 1,500 | 205 | 7,036 | 11,147 |
| Expenditure | (452) | (87) | (93) | - | (632) |
| Income | - | - | 21 | - | 21 |
| Other transfers from General Research Reserve | - | - | 62 | (61) | 1 |
| Total transfers from General Research Reserve | (452) | (87) | (10) | (61) | (610) |
| Balance at 30 September 1999 | 1,954 | 1,413 | 195 | 6,975 | 10,537 |

Details concerning the designated funds are given in note 2.

16 Fixed Asset Fund

| | 1999 £'000 | 1998 £'000 |
|-------------------------|---------------|---------------|
| Balance at 1 October | 7,036 | 7,182 |
| Additions | 186 | 108 |
| Disposals | (1) | (15) |
| Depreciation | (246) | (239) |
| Balance at 30 September | 6,975 | 7,036 |

17 Pension Arrangements

The Campaign together with the majority of its employees, makes annual 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 managed by Scottish Amicable Life Assurance Society Limited and the other a defined benefit scheme managed by University Superannuation Scheme Limited.

The pension charge represents contributions payable by the Campaign to the funds and amounted to £96,000 (1998: £85,000). Contributions totalling £85,000 (1998: £93,000) were prepaid at the year end and are included in debtors.

18 Operating Leases

Payments on operating leases during the year amounted to £435,000 (1998: £478,000). The expected leasing charges for the next financial year amount to £390,000 (1998: £429,000). This amount comprises leases due to expire in:

| | <i>Property</i> | | <i>Vehicles</i> | | <i>Total</i> | |
|------------------|-----------------|---------------|-----------------|---------------|---------------|---------------|
| | 1999 £'000 | 1998 £'000 | 1999 £'000 | 1998 £'000 | 1999 £'000 | 1998 £'000 |
| Less than 1 year | 22 | 22 | 19 | 20 | 41 | 42 |
| 1 to 5 years | 115 | 131 | 7 | 40 | 122 | 171 |
| Over 5 years | 227 | 216 | - | - | 227 | 216 |
| | 364 | 369 | 26 | 60 | 390 | 429 |

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 Restricted Funds

The Arthritis Research Campaign is receiving funding from the National Lotteries Board of £96,716, over a three year period from 19 March 1997, for a research project validating a new bone measurement technique. This grant was awarded by the Campaign to the University of Aberdeen in July 1996 and was included in the Campaign's accounts for the year ended 30 September 1996. The balance at 30 September 1999 is included in the grant payments due within one year.



NATIONAL
LOTTERY
CHARITIES
BOARD

| <i>Balance at 30 September 1998</i> | <i>Movement in Funds</i> | | <i>Balance at 30 September 1999</i> |
|---|--------------------------|--------------------|---|
| £ | <i>Income</i> | <i>Expenditure</i> | £ |
| | £ | £ | |
| (36,805) | 29,796 | - | (7,009) |

21 Capital Grants

Two grants have been charged to the academic rheumatology fund (note 15) during the year:

| | <i>1999 £'000</i> |
|--------------------------------|-----------------------|
| - University College London | 245 |
| - Southampton General Hospital | 207 |
| | 452 |

22 Grants Awarded

| | 1999 | 1998 |
|---|---------------|---------------|
| | £'000 | £'000 |
| 128 awards over £10,000 (1998: 119 awards) | 14,551 | 12,033 |
| 72 awards less than £10,000 (1998: 98 awards) | 258 | 375 |
| Supplements to existing grants | 512 | 383 |
| Awards no longer required | (444) | (837) |
| | 14,877 | 11,954 |

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> |
|--|-----------------------------|--------------|
| Addenbrooke's NHS Trust, Cambridge | 5 | 292 |
| Freemans Hospital Newcastle | 1 | 287 |
| Haywoods Hospital, Stoke on Trent | 1 | 16 |
| Imperial College, London | 9 | 1,667 |
| Kings College, London | 10 | 1,237 |
| Medical Research Council, Cambridge | 2 | 248 |
| Queens University of Belfast | 1 | 17 |
| Robert Jones & Agnes Hunt Orthopaedic Hospital, Oswestry | 1 | 93 |
| South Cleveland Hospital | 1 | 28 |
| St Albans Hospital | 1 | 40 |
| St Bartholomew's & Royal London Hospitals, London | 7 | 713 |
| St George's Hospital, London | 1 | 64 |
| University College, London | 13 | 2,669 |
| University of Aberdeen | 5 | 210 |
| University of Bath | 3 | 187 |
| University of Birmingham | 5 | 762 |
| University of Bristol | 2 | 30 |
| University of Derby | 2 | 102 |
| University of Edinburgh | 2 | 311 |
| University of East Anglia, Norwich | 4 | 453 |
| University of Glasgow | 5 | 1,050 |
| University of Keele | 1 | 120 |
| University of Lancaster | 1 | 100 |
| University of Leeds | 3 | 184 |
| University of Liverpool | 2 | 266 |
| University of Manchester | 9 | 720 |
| University of Newcastle upon Tyne | 1 | 132 |
| University of Nottingham | 3 | 302 |
| University of Oxford | 10 | 1,002 |
| University of Sheffield | 3 | 204 |
| University of Southampton | 4 | 383 |
| University of Strathclyde | 1 | 79 |
| University of Wales, Cardiff | 7 | 506 |
| University of York | 1 | 58 |
| Wexham Park Hospital, Slough | 1 | 19 |
| Total | 128 | 14,551 |

Medical Committees

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
Dr Anne Cooke
Professor Paul Gregg
Professor Tim Hardingham
Professor Stephen Holgate
Professor David Katz
Professor Mark Walport

Standing Committee for the Development of Academic Rheumatology (SCDAR)

Responsible for the endowment of chairs of rheumatology and other permanent academic posts in universities. Also considers applications for short-term senior and clinical lectureship posts in medical schools. Meets as and when developments in academic rheumatology demand. Reports to the SCC.

Dr Colin Barnes (Chairman)
Dr Barbara Ansell
Professor Paul Bacon
Dr Bryan Bourke
Professor Tim Cawston
Professor Dorian Haskard
Professor David Isenberg
Dr John Kirwan
Professor Sandy McNeish

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 Hill Gaston (Chairman)
Professor Graham Russell (Vice Chairman)
Dr Madeleine Devey (Scientific Secretary)

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

Education Sub-Committee

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

Dr Elaine Hay (Chairman)
Dr Paul Thompson (Vice Chairman)
Dr Ade Adebajo
Dr Alison Carr
Dr Fiona Clarke
Dr Chris Deighton
Dr Susan Fraser
Dr Neil Hopkinson
Professor Brian Jolly
Professor Peter Maddison
Dr Margaret O'Sullivan
Mrs Sarah Ryan
Dr Margaret Sands
Dr David Walker

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 Roger Mason (Chairman)
Professor Gabriel Panayi (Vice Chairman)
Dr Ray Boot-Handford
Professor Cyrus Cooper
Professor Steven Dower
Professor Fred Heatley
Professor Brian Henderson
Professor Mike Horton
Professor David Hukins
Professor Ian Learmonth
Professor Gill Murphy
Professor Bill Ollier
Professor Jonathan Seckl
Professor Tauny Southwood
Professor David Wraith

Medical Committees

Infrastructure Support Committee (ISC)

Meets annually to consider applications for Integrated Clinical Arthritis Centre awards and Academic Secretary Grants. Reports to the SCC.

Professor Alan Silman (Chairman)
Dr Madeleine Devey (Scientific Secretary)

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

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)
Dr Madeleine Devey (Scientific Secretary)

Membership varies according to the trials being carried out.

Honorary Medical Secretaries

Professor Dorian Haskard
Dr John Isaacs
Dr Rajan Madhok
Dr Richard Watts
Professor Bryan Williams