

Reg. 5765

THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH
(COMPANY NUMBER: 490500)

REPORT OF THE COUNCIL AND FINANCIAL STATEMENTS

30 SEPTEMBER 1996



THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH IN GREAT BRITAIN AND THE COMMONWEALTH

REPORT OF THE COUNCIL FOR THE YEAR ENDED 30 SEPTEMBER 1996

OBJECTIVES

The Council is a registered charity whose objectives are threefold:

- Primarily to support research to find the cause of rheumatic disease,
- To foster the teaching of Rheumatology in Medical Schools and disseminate educational literature to all those professionally engaged in the treatment of arthritis, and
- Through the foregoing, enhance patient understanding of rheumatic disease and clinical service given to the patient.

REVIEW OF THE YEAR

The Council meets its objectives through a catholic programme of independently peer reviewed research and education.

In its primary role - to find the cause of rheumatic disease - £14.7 million was spent on a combination of academic and clinical research embracing projects, fellowships, programme grants, endowments in academe and centre infrastructure support.

A further £1.3 million was directed to medical undergraduate and post-graduate training and education in arthritis together with a growing bibliography of booklets to give patients a better understanding of their disease.

The recent trend of more resources being directed to longer term research continued in established centres where critical size and collaboration stimulate high quality output.

The accounts follow the format contained in the Statement of Recommended Practice - Accounting by Charities.

There was an operating surplus of £0.2 million despite the ever increasing flow of high quality research applications to the Council.

Income rose to £19.7 million some £1.7 million more than 1995.

Fixed assets increased to £5.8 million due to the capitalization of the costs of building new laboratories for the Kennedy Institute at the Charing Cross Medical School. The total cost of the development is £5.2 million which has been met principally from the appreciation value of the Council's investment portfolio.

Liquid assets stand at £11.0 million which is within the Council's fiscal policy of holding the equivalent of six to twelve months research and education expenditure in reserve.

THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH IN GREAT BRITAIN AND THE COMMONWEALTH

REPORT OF THE COUNCIL FOR THE YEAR ENDED 30 SEPTEMBER 1996 (CONTINUED)

FIXED ASSETS

Details of movements in tangible fixed assets and investments are shown in Notes 11 and 12, respectively.

The Council is in the process of building the second phase of the Sunley Research Centre at Charing Cross Medical School at a cost of £5.2 million. Details of this commitment are contained in notes 11(a) and 21 to these accounts.

EXECUTIVE AND FINANCE COMMITTEE

The Executive and Finance Committee is the governing committee of the Council and meets four times a year. For the purposes of the Companies Act 1985 the Members of this committee act as the Directors of the Council.

The Members as at 30 September 1996 are:

Dr B Ansell CBE	Dr F Dudley Hart
Sir Richard Butler	Professor H J F Hodgson
Professor E G L Bywaters CBE	R E Holland Esq *
Dr P W M Copeman	S A Maitland Esq *
O N Dawson Esq (Vice-Chairman) *	Professor G Nuki
Professor P A Dieppe	Dr D G I Scott
Professor T Duckworth	Lady Sieff
R J Fenney Esq CBE	Dr D P M Symmons
Dame Mary GlenHaig	A C Torry Esq *
Professor R M Greenhalgh	Professor B D Williams
Professor D O Haskard	Professor V Wright (Chairman)

* Members of the Finance Committee

STATEMENT OF RESPONSIBILITIES

Company law requires the Members of the Executive and Finance Committee to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Council and of the income and expenditure of the Council 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 Council will continue in business.

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

**REPORT OF THE COUNCIL
FOR THE YEAR ENDED 30 SEPTEMBER 1996 (CONTINUED)**

The Members of the Executive Committee are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Council 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 Council and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

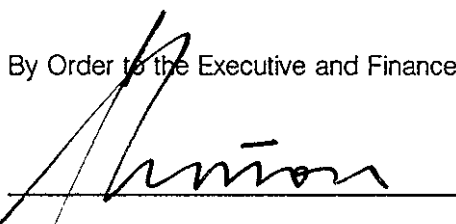
EMPLOYEES

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

AUDITORS

Price Waterhouse have expressed their willingness to continue in office. A resolution proposing their re-appointment and authorising the Council to fix their remuneration will be put to the Annual General Meeting.

By Order to the Executive and Finance Committee

A handwritten signature in black ink, appearing to read 'J. Norton', is written over a horizontal line.

James Norton
Chief Executive
12 March 1997

Company number: 490500
Registered charity number: 207711

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF THE ARTHRITIS AND
RHEUMATISM COUNCIL FOR RESEARCH IN GREAT BRITAIN AND
THE COMMONWEALTH**

We have audited the financial statements on pages 5 to 25 which have been prepared under the historical cost convention as modified by the revaluation of investments and fixed assets and the accounting policies set out on pages 11 to 13.

Respective responsibilities of Members and auditors

As described on pages 2 and 3, the Members of the Executive Committee are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 judgments made by the Members in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Council'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 Council's affairs at 30 September 1996 and of its result and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants
and Registered Auditors

12 March 1997

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

**GROUP STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 SEPTEMBER
1996**

	<u>Note</u>	<u>1996</u> £'000	<u>1995</u> £'000
Income			
Fundraising	4	4,516	3,797
Legacies		<u>12,365</u>	<u>11,735</u>
Total voluntary income		16,881	15,532
Shops' gross income	5	783	643
Trading subsidiary gross income		656	588
Investment income	6	<u>1,385</u>	<u>1,222</u>
Total income		19,705	17,985
Expenditure			
Direct Charitable Expenditure			
Research grants awarded	7&24	9,835	11,091
Capital grant	2(f)&23	557	-
Research centres	8	4,360	3,991
Education	10	1,015	972
Support costs	10	<u>263</u>	<u>251</u>
		16,030	16,305
Shop's, Trading and Investment Expenditure			
Shop's operating costs	5	667	648
Trading operating costs		565	484
Investment management fees		<u>87</u>	<u>79</u>
		1,319	1,211
Other Expenditure			
Fundraising and publicity	10	1,949	1,858
Administration	10	<u>181</u>	<u>186</u>
		2,130	2,044
Total expenditure		19,479	19,560
Net Surplus/(deficit) for the year		226	(1,575)
Realised gains on investments		937	243
Unrealised gains on investments		2,644	2,089
Revaluation of fixed assets		<u>-</u>	<u>(39)</u>
Net Movement in Funds		3,807	718
Fund Balances 1 October 1995		<u>13,066</u>	<u>12,348</u>
Fund Balances 30 September 1996		<u>16,873</u>	<u>13,066</u>

There are no restricted funds within the Group.

The notes on pages 11 to 25 form part of these financial statements.

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

**NOTE OF HISTORICAL SURPLUSES AND DEFICITS
FOR THE YEAR ENDED 30 SEPTEMBER 1996**

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Surplus/(deficit) for the financial year	226	(1,575)
Realisation of investment gains	<u>2,535</u>	<u>1,486</u>
Historical cost surplus/(deficit) for the year retained	<u>2,761</u>	<u>(89)</u>

Details of the total recognised gains and losses for the year ended 30 September 1996 are included in note 3 to these accounts.

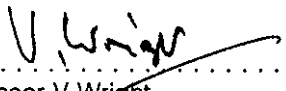
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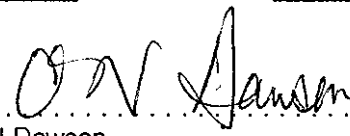
**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

GROUP BALANCE SHEET - 30 SEPTEMBER 1996

	Note	1996 £'000	1995 £'000
Fixed assets	11	5,861	3,113
Investments	12	<u>30,628</u>	<u>28,271</u>
		36,489	31,384
Current assets			
Stocks for resale		57	45
Sundry debtors	13	410	486
Cash on deposit and in hand		<u>1,998</u>	<u>3,135</u>
		2,465	3,666
Current liabilities - Amounts falling due within one year			
Sundry creditors and accruals	14	(327)	(271)
Grant payments due within one year	2(c) & 7	<u>(10,007)</u>	<u>(10,639)</u>
		(10,334)	(10,910)
Net current liabilities		<u>(7,869)</u>	<u>(7,244)</u>
Total assets less current liabilities		28,620	24,140
Liabilities - Amounts falling due over one year			
Grant payments falling due after more than one year	2(c) & 7	<u>(11,747)</u>	<u>(11,074)</u>
		16,873	13,066
Funds			
General Research Reserve	3	5,035	1,676
Academic Rheumatology Development Fund	3	3,543	4,100
Designated Funds	3 & 15	196	237
Investment Reserve	16	8,264	7,218
Revaluation Reserve	17	<u>(165)</u>	<u>(165)</u>
		16,873	13,066

APPROVED BY THE COUNCIL ON


.....
Professor V Wright
(Chairman of the Executive
and Finance Committee)


.....
O N Dawson
(Vice Chairman of the Executive
and Finance Committee)

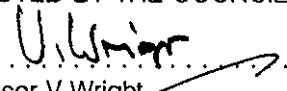
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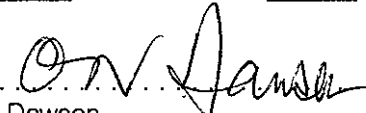
**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

COUNCIL BALANCE SHEET - 30 SEPTEMBER 1996

	<u>Note</u>	<u>1996</u>	<u>1995</u>
		£'000	£'000
Fixed assets	11	5,861	3,113
Investments	12	<u>30,878</u>	<u>28,521</u>
		36,739	31,634
Current assets			
Sundry debtors	13	400	465
Cash on deposit and in hand		<u>1,816</u>	<u>2,945</u>
		2,216	3,410
Current liabilities - Amounts falling due within one year			
Sundry creditors and accruals	14	(328)	(265)
Grant payments due within one year	2(c) & 7	<u>(10,007)</u>	<u>(10,639)</u>
		<u>(10,335)</u>	<u>(10,904)</u>
Net current liabilities		<u>(8,119)</u>	<u>(7,494)</u>
Total assets less current liabilities		28,620	24,140
Liabilities - Amounts falling due over one year			
Grant payments falling due after more than one year	2(c) & 7	<u>(11,747)</u>	<u>(11,074)</u>
		16,873	13,066
Funds			
General Research Reserve	3	5,035	1,676
Academic Rheumatology Development Fund	3	3,543	4,100
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**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 1996

	<u>1996</u> £'000	<u>1995</u> £'000
Net cash outflow from operating activities (Note a)	(805)	(958)
Returns on investments		
Investment income received	<u>1,385</u>	<u>1,222</u>
Net cash inflow from operating and investment activities	<u>580</u>	<u>264</u>
Investing activities		
Purchase of investments	(6,149)	(4,843)
Sale of investments	9,546	7,231
Purchase of tangible fixed assets	(3,157)	(819)
Sale of tangible fixed assets	<u>217</u>	<u>43</u>
Net cash inflow from investing activities	<u>457</u>	<u>1,612</u>
Increase in cash and cash equivalents	1,037	1,876
Cash and cash equivalents at 1 October	<u>3,064</u>	<u>1,188</u>
Cash and cash equivalents at 30 September (Note b)	<u>4,101</u>	<u>3,064</u>
a Reconciliation of net surplus/(deficit) to net cash outflow from operating activities		
Net surplus/(deficit) before exceptional item	226	(1,575)
Depreciation charge	225	225
Profit on disposal of fixed assets	(33)	(16)
Investment income	(1,385)	(1,222)
(Increase)/decrease in stocks	(12)	16
Decrease in debtors	77	147
Increase in creditors	56	98
Research grants awarded during the year	9,835	11,091
Research grants paid during the year	<u>(9,794)</u>	<u>(9,722)</u>
Net cash outflow from operating activities	<u>(805)</u>	<u>(958)</u>

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

**GROUP CASH FLOW STATEMENT FOR THE YEAR ENDED 30 SEPTEMBER 1996
(CONTINUED)**

b Analysis of cash and cash equivalents as shown in the balance sheets

	<u>1996</u>	<u>1995</u>	Change in
	£'000	£'000	year
			£'000
Cash on deposit at bank and in hand	1,998	3,135	(1,137)
Cash deposits included in Investments (Note 12)	<u>2,103</u>	<u>(71)</u>	<u>2,174</u>
	4,101	3,064	1,037
	<u> </u>	<u> </u>	<u> </u>

THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH IN GREAT BRITAIN AND THE COMMONWEALTH

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996

1 LEGAL STRUCTURE AND 1995 COMPARATIVES

(a) Legal structure

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

(b) Restatement of Comparatives

In order to comply with the requirements of SORP (see note 2(a)) regional fundraising income is now shown gross and the 1995 comparative has been adjusted accordingly. Additionally a proportion of management and administration costs have been allocated to various cost categories as explained in note 2(b) and again the 1995 comparatives have been adjusted.

These restatements have no effect on the net deficit for the year ended 30 September 1995 and the effect on individual income and cost lines is in the opinion of the Trustees immaterial.

2 ACCOUNTING POLICIES

(a) Basis of Accounting

The financial statements comply with the Statement of Recommended Practice - Accounting by Charities - SORP, issued by the Charity Commissioners in October 1995, and applicable accounting standards, in all material respects.

The consolidated financial statements have been prepared under the historical cost convention except that investments are stated at market value.

(b) 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 education, support costs, fund raising and publicity and shops on the basis of the number of head office personnel supporting that activity. Expenditure not apportioned above relates to central administrative costs and includes the general management of the Council and other expenditure incurred to attain compliance with constitutional and statutory requirements.

(c) Grants Awarded

The total sum awarded is shown in the statement of financial activities. Payments are made over a period of up to five years and amounts remaining due are shown as liabilities in the balance sheet.

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(d) 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.

Buildings	- 2%
Fixtures and fittings (exclusive of shops)	- 10% - 25%
Computer equipment	- 20% - 33⅓%
Motor vehicles	- 25%
Leasehold property	- over the life of the lease

Freehold land is not depreciated.

Initial start up costs for shops including fixtures and fittings are charged to shop operating costs in the year of expenditure.

(e) Designated Funds

These amounts have been set aside at the Council's discretion for the purpose of awarding travelling fellowships. (See note 15)

(f) Academic Rheumatology Development Fund

This fund has been created by amounts which have been set aside, at the discretion of the Council, for the purpose of funding capital projects and endowments which promote the establishment of Rheumatology Research Units in the United Kingdom. Any expenditure relating to this fund is shown separately in the statement of financial activities.

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

2 ACCOUNTING POLICIES (CONTINUED)

(g) Investments

Investments are shown in the balance sheet at their market value. The unrealised movement in market value from one year end to another is taken to the Investment Reserve. Gains and losses on investments sold during the year are calculated by taking the difference between the sale proceeds and the market value of the investment at the end of the previous accounting period. The difference between this brought forward market value and the original historical cost is treated as a movement from the Investment Reserve to the General Reserve. Consequently the closing value of the Investment Reserve represents the year end difference between historic cost and market value of assets. 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
Unlisted	- Published middle market prices
Freehold Properties	- Open market value as valued by Savills Limited, 20 Grosvenor Hill, London W1X 0HQ, and Goddard & Jones, 85 South End, Croydon CR0 1BG

(h) Stock

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

(i) 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.

(j) Pensions

Pension contributions which are explained in note 19 are charged to the income and expenditure account in the period in which they become payable.

(k) Leases

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

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

**3 MOVEMENT IN FUNDS AND TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 SEPTEMBER 1996**

	General Research Reserve	Academic Rheumatology Development Fund	Designated Funds	Investment Reserve	Revaluation Reserve	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Surplus for the year	226	-	-	-	-	226
Realised gains on sale of investments (a)	937	-	-	-	-	937
Transfer from Investment Reserve (b)	1,598	-	-	(1,598)	-	-
Net Gains on the revaluation of investments	-	-	-	2,644	-	2,644
Transfer to Academic Rheumatology Development Fund	557	(557)	-	-	-	-
Net transfer to/(from) the General Research Reserve	41	-	(41)	-	-	-
Total recognised gains/(losses) for the financial year	3,359	(557)	(41)	1,046	-	3,807
Balance at 30 September 1995	1,676	4,100	237	7,218	(165)	13,066
Balance at 30 September 1996	5,035	3,543	196	8,264	(165)	16,873

(a) Representing the difference between proceeds and market value as at 30 September 1995 for investments sold in the financial year to 30 September 1996.

(b) Representing the difference between market value as at 30 September 1995 and original cost for investments sold in the financial year to 30 September 1996.

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

4 FUND RAISING

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Donations	1,865	1,327
Regional Fundraising	<u>2,651</u>	<u>2,470</u>
	4,516	3,797
	<u><u> </u></u>	<u><u> </u></u>

5 SHOPS

Shops

Sales of Donated Goods	783	643
Less operating costs including start up costs of £12,000 (1995: £90,000)	<u>(667)</u>	<u>(648)</u>
Net shop income	116	(5)
	<u><u> </u></u>	<u><u> </u></u>

6 INVESTMENT INCOME

Dividends	1,139	978
Property	95	96
Bank interest	<u>151</u>	<u>148</u>
	1,385	1,222
	<u><u> </u></u>	<u><u> </u></u>

7 RESEARCH GRANTS

Amounts outstanding at 1 October	21,713	20,344
Grants awarded during the year (see note 24)	9,835	11,091
Amounts paid during the year	<u>(9,794)</u>	<u>(9,722)</u>
Amount outstanding at 30 September	21,754	21,713
	<u><u> </u></u>	<u><u> </u></u>
Comprising:		
- Payments falling due within one year	10,007	10,639
- Payments falling due after one year	<u>11,747</u>	<u>11,074</u>
	21,754	21,713
	<u><u> </u></u>	<u><u> </u></u>

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

8	RESEARCH CENTRES	<u>1996</u> £'000	<u>1995</u> £'000
	Kennedy Institute of Rheumatology - core grant	2,700	2,700
	Epidemiology Research Unit	1,378	1,254
	Depreciation	104	32
	Other costs	<u>178</u>	<u>5</u>
		4,360	3,991
a	KENNEDY INSTITUTE OF RHEUMATOLOGY	<u></u>	<u></u>

The Kennedy Institute of Rheumatology (The "Institute") is a connected charity and the Council is committed to supporting it for an indefinite period. The current grant of £2.7 million per annum was fixed for a period of 5 years commencing 1 October 1992. The accounts of the Institute for the two years ended 30 September 1996 can be summarised as follows.

Income and expenditure account	<u>1996</u> £'000	<u>1995</u> £'000
Revenue Income	4,049	4,228
Expenditure	<u>(3,838)</u>	<u>(3,942)</u>
Surplus of revenue income over expenditure taken to General Fund	211	286
Balance Sheet	<u></u>	<u></u>
Fixed Assets:		
Tangible	134	-
Investments	<u>1,733</u>	<u>1,630</u>
	1,867	1,630
Current Assets	2,014	1,756
Current Liabilities	<u>(1,135)</u>	<u>(969)</u>
Represented by separate funds totalling	2,746	2,417

The income includes the grant of £2.7 million from the Council.

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

Kennedy Institute of Rheumatology
6 Bute Gardens
Hammersmith
LONDON W6 7DW

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

8 RESEARCH CENTRES (CONTINUED)

b ARC EPIDEMIOLOGY RESEARCH UNIT

This unit is based at the University of Manchester and the current grant of £1.4 million per annum was fixed for a period of 5 years commencing 1 October 1995.

9 INCOME AND EXPENDITURE

The Income and Expenditure account is arrived at after charging/(crediting) the following:

	<u>1996</u> £'000	<u>1995</u> £'000
Depreciation of tangible fixed assets	225	225
Loss on disposal of fixed assets	(33)	(16)
Auditors remuneration (for audit services only)	21	21
Amount paid under operating leases	436	267

10 ANALYSIS OF TOTAL EXPENDITURE

	<u>Awards</u> £'000	<u>Staff</u> <u>Costs</u> £'000	<u>Depreciation</u> £'000	<u>Other</u> £'000	<u>1996</u> <u>Total</u> £'000	<u>1995</u> <u>Total</u> £'000
Direct Charitable						
Research Grants	9,835	-	-	-	9,835	11,091
Capital Grant	557	-	-	-	557	-
Research Centres	4,078	-	104	178	4,360	3,991
Education	-	108	6	901	1,015	972
Support Costs	-	133	20	110	263	251
Other Expenditure						
Fundraising and Publicity	-	967	56	926	1,949	1,858
Management and Administration	-	81	25	75	181	186
Retail, Trading and Investment Fees	-	296	14	1,009	1,319	1,211
	<u>14,470</u>	<u>1,585</u>	<u>225</u>	<u>3,199</u>	<u>19,479</u>	<u>19,560</u>

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

10 ANALYSIS OF TOTAL EXPENDITURE (CONTINUED)

STAFF COSTS	<u>1996</u> £'000	<u>1995</u> £'000
Salaries	1,348	1,303
Social Security	123	119
Other pension costs	97	89
Other staff costs	<u>17</u>	<u>19</u>
	<u>1,585</u>	<u>1,530</u>
The average number of employees during the year was:	<u>Number</u>	<u>Number</u>
Education	2	2
Support Costs	3	4
Fundraising and publicity	48	47
Management and administration	9	9
Retail and trading	<u>38</u>	<u>38</u>
	<u>100</u>	<u>100</u>

One employee earned in excess of £40,000, whose emoluments were between £60,000 and £70,000.

The Trustees of the Council 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 £3,802.

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

11 TANGIBLE ASSETS

Group and Council

Cost or Valuation	<u>Land</u> £'000	<u>Freehold</u> <u>Buildings</u> £'000	<u>Premiums</u> <u>on Leasehold</u> <u>Buildings</u> £'000	<u>Fixtures</u> <u>and</u> <u>Fittings</u> £'000	<u>Computer</u> <u>Equipment</u> £'000	<u>Motor</u> <u>Vehicles</u> £'000	<u>Total</u> £'000
At 1 October 1995	15	2,992	5	209	258	401	3,880
Additions	-	3,109	-	19	29	-	3,157
Disposals	-	-	-	(6)	-	(380)	(386)
At 30 September 1996	15	6,101	5	222	287	21	6,651
Depreciation							
At 1 October 1995	-	306	5	130	141	185	767
Charge for the year	-	124	-	24	57	20	225
Released on disposals	-	-	-	(6)	-	(196)	(202)
At 30 September 1996	-	430	5	148	198	9	790
Net book amount							
At 30 September 1996	15	5,671	-	74	89	12	5,861
At 30 September 1995	15	2,686	-	79	117	216	3,113

- (a) The freehold building addition represents work in progress in respect of the second phase of the Sunley Research Centre Building, Charing Cross Hospital, London. (See note 21).
- (b) The disposals of motor vehicles represents the transfer to a leasing company which now leases the vehicles to the Council.
- (c) The net book amount at 30 September 1996 represents tangible assets used for:
- | | |
|----------------------------|--------------|
| Direct Charitable purposes | 4,881 |
| Other purposes | 980 |
| | <u>5,861</u> |

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

12 INVESTMENTS

GROUP	Market value		Cost	
	1996	1995	1996	1995
	£'000	£'000	£'000	£'000
Listed securities				
- Fixed interest	4,879	4,759	4,590	4,590
- UK	14,261	14,060	9,415	9,516
- Overseas	4,904	5,293	3,554	4,316
Authorised unit trusts	3,219	3,036	1,635	1,635
Unlisted securities	<u>427</u>	<u>419</u>	<u>164</u>	<u>164</u>
	27,690	27,567	19,358	20,221
Freehold properties	835	775	903	903
Cash deposits	<u>2,103</u>	<u>(71)</u>	<u>2,103</u>	<u>(71)</u>
	<u>30,628</u>	<u>28,271</u>	<u>22,364</u>	<u>21,053</u>
Comprising:				
Investments	28,525	28,342	20,261	21,124
Cash deposits	<u>2,103</u>	<u>(71)</u>	<u>2,103</u>	<u>(71)</u>

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

12 INVESTMENTS (CONTINUED)

Movement on investments for the Group

	<u>Total</u>	Listed securities & authorised <u>unit trusts</u>	<u>Unlisted</u> <u>securities</u>	<u>Freehold</u> <u>property</u>
	£'000	£'000	£'000	£'000
At 1 October 1995 at market value	28,341	27,146	420	775
Additions at cost	6,149	6,149		
Proceeds of sale	(9,546)	(9,546)		
Profit on sale of investments	937	937		
Increase in investment reserve	<u>2,644</u>	<u>2,577</u>	<u>7</u>	<u>60</u>
At 30 September 1996 at market value	<u>28,525</u>	<u>27,263</u>	<u>427</u>	<u>835</u>

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

The investment values for the Council are as above, plus the following:

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Investment in subsidiary (ARC Trading Limited)	250	250

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

13 SUNDRY DEBTORS

	<u>Consolidated</u>		<u>Council</u>	
	<u>1996</u>	<u>1995</u>	<u>1996</u>	<u>1995</u>
	£'000	£'000	£'000	£'000
Due within one year:				
Amount due from subsidiary company	-	-	15	2
Income tax recoverable	77	81	77	81
VAT recoverable	13	19	13	17
Prepayments	136	169	118	157
Other debtors	<u>184</u>	<u>132</u>	<u>177</u>	<u>123</u>
Amounts receivable within one year	410	401	400	380
Due after one year:				
Other debtors	<u>-</u>	<u>85</u>	<u>-</u>	<u>85</u>
	410	486	400	465
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

14 SUNDRY CREDITORS AND ACCRUALS

Amount due to subsidiary company	-	-	-	5
Creditors	230	176	245	169
Accruals	<u>97</u>	<u>95</u>	<u>83</u>	<u>91</u>
	327	271	328	265
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

15 DESIGNATED FUNDS - GROUP AND COUNCIL

Balance at 1 October	237	230
Net expenditure for the year	(61)	(35)
Funds transferred from General Research Reserve	<u>20</u>	<u>42</u>
Balance at 30 September	196	237
	<u>=====</u>	<u>=====</u>

The balance at 30 September 1996 is comprised of Copeman Fellowship (£1,000), Michael Mason Fellowship (£35,000) and Dorothy Eden Fellowship (£160,000).

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

16 INVESTMENT RESERVE - GROUP AND COUNCIL

	<u>Total</u>		<u>Property</u>		<u>Securities</u>	
	1996	1995	1996	1995	1996	1995
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 October	7,218	6,246	(127)	(48)	7,345	6,294
Transfer to Fixed Assets	-	126	-	126	-	-
Transfer to General Reserve	(1,598)	(1,243)	-	-	(1,598)	(1,243)
Net increase/(decrease) in market value	<u>2,644</u>	<u>2,089</u>	<u>60</u>	<u>(205)</u>	<u>2,584</u>	<u>2,294</u>
Balance at 30 September	<u>8,264</u>	<u>7,218</u>	<u>(67)</u>	<u>(127)</u>	<u>8,331</u>	<u>7,345</u>

17 REVALUATION RESERVE - GROUP AND COUNCIL

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Balance at 1 October	(165)	-
Transferred in from investment reserve	-	(126)
Charge in the year	<u>-</u>	<u>(39)</u>
Balance at 30 September	<u>(165)</u>	<u>(165)</u>

18 INVESTMENT IN SUBSIDIARY, ARC TRADING LIMITED

ARC Trading Limited is a 100% subsidiary of the Council, incorporated in England and is principally engaged in the sale of Christmas cards and other gift items by mail order catalogue and through the Council's voluntary branches. Surplus stock is sold through the Council's shops and storage and distributive services are also provided to the Council for which charges are levied at commercial rates. The net profit is covenanted to the Council.

The auditor's report contained no qualifications and the Director's Report and Financial Statements, for the year ended 30 June 1996, have been filed with the Registrar of Companies.

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

19 PENSION ARRANGEMENTS

The Council together with the majority of its employees, makes annual contributions to two pension funds whose assets are held separately from those of the Council 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 Council to the funds and amounted to £97,000 (1995: £89,000). Contributions totalling £63,000 (1995: £58,000) were prepaid at the year end and are included in debtors.

20 OPERATING LEASES

Payments on operating leases during the year amounted to £436,000. The expected leasing charges for the next financial year amount to £440,000. This amount comprises leases due to expire in:

	<u>Property</u> £'000	<u>Motor</u> <u>Vehicles</u> £'000	<u>Total</u> £'000
Less than 1 year	28	10	38
1 to 5 years	56	120	176
Over 5 years	<u>226</u>	<u>-</u>	<u>226</u>
	310	130	440
	<u> </u>	<u> </u>	<u> </u>

21 CAPITAL COMMITMENT

The Council anticipate that the second phase of the Sunley Research Centre Building in London will be completed by early 1997. The latest estimate of cost is £5.2 million of which £3.6 million has been paid and is included in freehold buildings (see note 11). The remaining £1.6 million will be paid during the financial year 1996/97 from cash balances held for this purpose at 30 September 1996.

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

22 MAISIE LEWIS LECTURESHIP FUND

The Maisie Lewis Lectureship is a registered charity of which the Council is custodian trustee. Its income and liabilities are not shown in the Council's accounts but for information purposes details of the Lectureship are given below:

	<u>1996</u>	<u>1995</u>
	£'000	£'000
Balance 1 October	175	156
Increase in market value	18	24
Income for year	8	5
Expenditure for year	<u>(10)</u>	<u>(10)</u>
Balance at 30 September	191	175
	<u>=====</u>	<u>=====</u>

The balance at 30 September 1996 is represented by listed investments of £161,000 and cash £30,000.

The expenditure is used to partly fund a lectureship at the Kennedy Institute of Rheumatology. (Note 8(a)).

23 CAPITAL GRANT

This grant represents the part endowment of the "ARC Diamond Jubilee Chair of Rheumatology" at University College London.

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

24 GRANTS AWARDED

	<u>1996</u> £'000	<u>1995</u> £'000
125 awards over £10,000 (see below)	9,666	10,012
40 awards less than £10,000	161	161
Capital Grants (Buildings)	-	182
Additional awards to existing grants	544	771
Awards no longer required (a)	<u>(536)</u>	<u>(35)</u>
	<u>9,835</u>	<u>11,091</u>

- (a) The 1996 amount includes £322,000 which has now been incorporated in the annual core grant payable to the ARC Epidemiology Research Unit (See note 8).

Grants Awarded during the year in excess of £10,000 and for the duration of between 1 and 5 years.

<u>Rheumatoid Arthritis</u>	£'000
Prof P A Bacon University of Birmingham	80
Prof D R Blake The Royal London Hospital	74
Prof D R Blake The Royal London Hospital	448
Dr J H Brock University of Glasgow	101
Dr L S Cox University of Oxford	52
Dr D A De Lord King's College Hospital, London	131
Dr F S Di Giovine University of Sheffield	27
Dr A Ebringer King's College, London	129
Dr S W Edwards University of Liverpool	37
Prof C J Elson University of Bristol	37
Miss S E Hewlett Bristol Royal Infirmary	13
Dr B L Kidd The Royal London Hospital	49
Dr J S Lanchbury UMDS Guy's & St Thomas's Hospitals	30
Ms L E C Poole University of Wolverhampton	15
Dr D M Reid Aberdeen Royal Infirmary	95
Dr M Salmon University of Birmingham	80
Dr D M Sansom University of Bath	24
Dr S D Sharma Addenbrooke's NHS Trust, Cambridge	22
Prof N A Staines Kings College, London	42
Mr J Woodburn University of Huddersfield	43
Dr D E Woolley University of Manchester	33
Dr D E Woolley University of Manchester	71
Dr B P Wordsworth University of Oxford	14
Dr G Yanni UMDS Guy's & St Thomas's Hospitals	13
Dr A Young St Albans City Hospital	<u>32</u>
	£1,692

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

24 GRANTS AWARDED (CONTINUED)

Other systemic connective tissue diseases (SLE, Sjogren's Syndrome, Scleroderma, Vasculitis, Myositis & Polymyalgia Rheumatica)

£'000

Dr M Botto	RPMS Hammersmith Hospital	51
Dr S J Bowman	University of Birmingham	101
Dr G G Frampton	Kings College of London	94
Dr K E Herbert	University of Leicester	91
Dr F Khan	Ninewells Hospital, Dundee	28
Prof D S Latchman	University College London	51
Dr G N Major	University of Newcastle upon Tyne	60
Dr J A L Miller	University of Birmingham	130
Dr F K Stevenson	University of Southampton	82
Dr F M K Williams	St. Thomas's Hospital	69

757

Osteoarthritis

£'000

Dr M D Briggs	University of Manchester	190
Prof B Caterson	University of Cardiff	12
Dr K S E Cheah	University of Hong Kong	87
Dr P Creamer	University of Bristol	29
Prof P A Dieppe	Bristol Royal Infirmary	14
Dr A P Hollander	University of Sheffield	63
Dr P C Lanyon	Nottingham City Hospital	32
Prof R M Mason	Charing Cross & Westminster Hospitals	42
Prof R W Porter	University of Aberdeen	29
Dr G A Wallis	University of Manchester	81

579

Bone Disease and Back Pain

£'000

Dr J A Carron	University of Liverpool	120
Dr V C Duance	University of Wales	12
Dr J A Gallagher	University of Liverpool	90
Dr A Samuels	Bristol Royal Infirmary	118
Dr J P G Urban	University of Oxford	32

372

THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

24 GRANTS AWARDED (CONTINUED)

Orthopaedics

£'000

Dr A A Amis	Imperial College of Science	61
Dr A A Amis	Imperial College of Science	69
Prof I D Learmonth	University of Bristol	36
Prof J J O'Connor	Orthopaedic Engineering Centre, Oxford	50
Dr S Patrick	Queen's University of Belfast	92
Dr D M Salter	University of Edinburgh	116
Prof P S Walker	Royal National Orthopaedic Hospital	30
Prof P S Walker	Royal National Orthopaedic Hospital	<u>134</u>

588

Other Rheumatic Diseases, including Juvenile Chronic Arthritis

£'000

Dr E Crawley	University College London	95
Prof J S H Gaston	Addenbrooke's NHS Trust, Cambridge	51
Dr G H Kingsley	UMDS Guy's & St Thomas's Hospitals	35
Dr G H Kingsley	UMDS Guy's & St Thomas's Hospitals	68
Dr G H Kingsley	UMDS Guy's & St Thomas's Hospitals	71
Dr M B McBride	UMDS Guy's & St Thomas's Hospitals	20
Dr I McInnes	Glasgow Royal Infirmary	26
Dr A J Stagg	St Mary's Hospital, London	<u>27</u>

393

**THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH**

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

24 GRANTS AWARDED (CONTINUED)

Basic Research into Disease Mechanisms

		£'000
Prof D R Blake	The Royal London Hospital	107
Dr A E Canfield	University of Manchester	46
Prof B Caterson	University of Cardiff	116
Prof B Caterson	University of Cardiff	36
Prof T E Cawston	University of Newcastle upon Tyne	88
Prof T E Cawston	University of Newcastle upon Tyne	52
Dr I M Clark	University of East Anglia	85
Dr I M Clark	University of East Anglia	58
Dr C R Flannery	University of Cardiff	113
Prof S Gordon	University of Oxford	52
Prof S Gordon	University of Oxford	123
Dr M H Helfrich	University of Aberdeen	14
Dr L M Henderson	University of Bristol	29
Dr I Holen	University of Sheffield	119
Dr H J Hoppe	University of Oxford	75
Prof M J Humphries	University of Manchester	46
Dr C M Isacke	Imperial College of Science	51
Dr J K Kalsi	University College London	70
Dr J K Kalsi	University College London	119
Dr D W Mason	University of Oxford	64
Dr N McKie	University of Sheffield	95
Dr C M Milner	University of Oxford	126
Dr P N Monk	University of Sheffield	99
Dr P N Monk	University of Sheffield	111
Prof G Murphy	Strangeways Research Lab, Cambridge	70
Dr S P Nair	Eastman Dental Hospital, London	122
Dr M Perraudau	RPMS Hammersmith Hospital	126
Dr E E Qwarnstrom	Royal Hallamshire Hospital, Sheffield	105
Dr J T Roes	University College London	51
Dr M J Rogers	University of Sheffield	11
Dr D M Sansom	University of Bath	387
Dr D L Simmons	John Radcliffe Hospital, Oxford	52
Prof N C Stickland	The Royal Veterinary College, London	108
Dr B J Sutton	King's College London	99
Dr M J Warburton	St George's Hospital, London	69
Dr R A Williamson	University of Kent	239
Dr R D Young	University of Wales	98

3,431

THE ARTHRITIS AND RHEUMATISM COUNCIL FOR RESEARCH
IN GREAT BRITAIN AND THE COMMONWEALTH

NOTES TO THE FINANCIAL STATEMENTS - 30 SEPTEMBER 1996 (CONTINUED)

24 GRANTS AWARDED (CONTINUED)

Research Infrastructure Support and Academic Posts

£'000

Dr A K Bhalla	Royal National Hospital, Bath	199
Dr P T Dawes	Haywood Hospital, Stoke on Trent	27
Prof P Emery	University of Leeds	140
Prof P Emery	University of Leeds	50
Prof J S H Gaston	Addenbrooke's NHS Trust, Cambridge	58
Dr J A Goodacre	University of Newcastle	29
Prof I Haslock	South Cleveland Hospital, Middlesbrough	19
Dr E M Hay	Haywood Hospital, Stoke on Trent	21
Prof H J F Hodgson	RPMS Hammersmith Hospital	91
Dr G R V Hughes	UMDS Guy's & St Thomas's Hospitals	43
Prof D A Isenberg	University College London	272
Prof M I V Jayson	University of Manchester	235
Dr C J Morris	The Royal London Hospital	160
Prof G S Panayi	UMDS Guy's & St Thomas's Hospitals	192
Prof S A Pearce	University of East Anglia	103
Prof J D Pearson	King's College, London	30
Dr D G I Scott	Norfolk & Norwich Hospital	45
Dr M L Snaith	University of Sheffield	17
Dr T D Spector	St Thomas's Hospital, London	23
Prof B D Williams	University Hospital of Wales	26
Dr B P Wordsworth	University of Oxford	38
Dr A Young	St Albans City Hospital	36

1,854

Grand Total

9,666