

ARC Trading Limited

Registration Number: 891517

Directors' Report and Financial Statements

30 June 1998



Directors' Report

For the Year Ended 30 June 1998

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 June 1998.

Principal activities

The Company is principally engaged in the sale of Christmas and other greeting cards, household items, stationery, clothing and other items by mail order. It also provides storage and distribution services for the parent company. In addition the company carries out all the trading activities of the parent company.

Results

The results of the Company for the year to 30 June 1998 are shown in the attached financial statements. The Directors consider the trading performance for the period to be satisfactory. All profits are transferred to Arthritis Research Campaign (formerly the Arthritis and Rheumatism Council for Research in Great Britain and the Commonwealth) under Deed of Covenant.

Year 2000

The Directors' have reviewed the Company's computer and administrative systems and are of the opinion that action already taken will ensure the uninterrupted operation of the business. The cost of any additional modifications that may be required during the next twelve months will be immaterial.

Directors' responsibilities

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- ♦ select suitable accounting policies and then apply them consistently;
- ♦ make judgments 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 accounts;
- ♦ prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

ARC Trading Limited

Directors' Report

For the Year Ended 30 June 1998 (Continued)

Directors

The Directors in office at the year end and who served throughout the year are listed below:

J F G Logan (appointed 28 February 1998)

O N Dawson

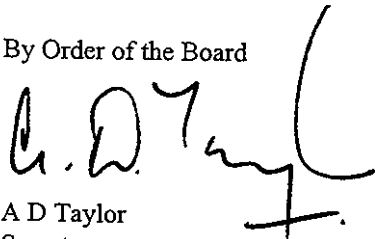
J Norton (retired 28 February 1998)

Mr O N Dawson held one ordinary share of £1 in the Company (non-beneficial). Mr J Norton and Mr J F G Logan held no shares. The Directors did not receive any emoluments (1997: £Nil) in respect of their services to the Company.

Auditors

Our auditors Price Waterhouse merged with Coopers & Lybrand on 1 July 1998 and a resolution to appoint the new firm PricewaterhouseCoopers as auditors to the company will be proposed at the forthcoming Annual General Meeting.

By Order of the Board



A D Taylor
Secretary

25 November 1998

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

AUDITORS' REPORT TO THE SHAREHOLDERS OF ARC TRADING LIMITED

We have audited the financial statements on pages 4 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 1, the Company's directors are responsible for the preparation of 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 misstatements, 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 Company's affairs as at 30 June 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PRICEWATERHOUSECOOPERS
Chartered Accountants
and Registered Auditors

25 November 1998

ARC Trading Limited

Profit and Loss Account

For the Year Ended 30 June 1998

	1998 £	1997 £
Turnover (Note 1(2))	805,762	735,727
Cost of sales	<u>(320,786)</u>	<u>(310,517)</u>
Gross profit	484,976	425,210
Administrative expenses	<u>(259,277)</u>	<u>(261,415)</u>
Trading profit	225,699	163,795
Bank interest receivable	12,013	12,298
Profit on ordinary activities (Note 2)	<u>237,712</u>	<u>176,093</u>
Payment due to the Arthritis Research Campaign under deed of covenant	<u>(237,712)</u>	<u>(176,093)</u>
Retained profit for the year	-	-
Profit and loss account brought forward	-	-
Profit and loss account carried forward	-	-

The notes on pages 6 to 9 form part of these financial statements.

All activities of the Company are continuing.

All recognised gains and losses are included within the profit and loss account, and are stated on an historical cost basis. The Company had no other gains or losses during the year.

ARC Trading Limited

Balance Sheet

30 June 1998

	1998 £	1997 £
Current assets		
Stocks (Note 1(3))	45,265	55,155
Debtors (Note 3)	25,576	33,621
Cash at bank and in hand	<u>442,581</u>	<u>339,671</u>
	513,422	428,447
Creditors - amounts falling due within one year (Note 4)	<u>(263,422)</u>	<u>(178,447)</u>
Net current assets	250,000	250,000
	<u>=====</u>	<u>=====</u>
Capital and reserves		
Called up share capital (Note 5)	250,000	250,000
Profit and loss account	<u>-</u>	<u>-</u>
Attributable to equity shareholders	<u>250,000</u>	<u>250,000</u>
	<u>=====</u>	<u>=====</u>

Approved by the Board on 25 November 1998 and signed on their behalf by:



J F G LOGAN
DIRECTOR

The notes on pages 6 to 9 form part of these financial statements.

Notes to the Financial Statements

30 June 1998

1. *Accounting Policies*

(1) *Basis of accounting*

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting and financial reporting standards.

(2) *Turnover*

Turnover represents net proceeds from:

- (a) The sale of Christmas cards and gifts
- (b) Fundraising and promotional activities on behalf of the parent company
- (c) Storage and distribution services provided for the parent company

(3) *Stocks*

Stocks consist of goods for resale and are stated at the lower of cost and net realisable value.

(4) *Leasing*

Payments under operating leases are charged to the profit and loss account in the year in which they are incurred.

(5) *Pensions*

The majority of employees are members of a defined contribution pension scheme and costs are charged to the profit and loss account as incurred.

Notes to the Financial Statements

30 June 1998 (Continued)

2. Profit on Ordinary Activities

Profit on ordinary activities is stated after charging:

	1998 £	1997 £
Wages and salaries including agency costs	76,785	75,704
Social Security costs	4,984	4,541
Other pension costs	3,623	3,173
Auditors' remuneration - audit services	5,025	5,485
Payments under operating leases - land & buildings	26,716	26,716
- other	4,416	4,629
	<u> </u>	<u> </u>

The average number of employees during the period was 4 (1997: 4). The average number of directors during the period was 2 (1997: 2). The directors received no emoluments in respect of their services to the Company during the period (1997:£nil)

3. Debtors - Amounts receivable within one year

	1998 £	1997 £
Trade debtors	7,000	9,549
Prepayments and accrued income	<u>18,576</u>	<u>24,072</u>
	<u>25,576</u>	<u>33,621</u>

4. Creditors - Amounts falling due within one year

	1998 £	1997 £
Trade creditors	15,073	2,729
Amounts owed to parent company	168,339	125,837
Income Tax on Deed of Covenant	54,674	40,501
Accruals and deferred income	<u>25,336</u>	<u>9,380</u>
	<u>263,422</u>	<u>178,447</u>

Notes to the Financial Statements

30 June 1998 (Continued)

5. *Called up Share Capital*

	1998 £	1997 £
Authorised, allotted, issued and fully paid 250,000 ordinary shares of £1 each	250,000	250,000
	<u>250,000</u>	<u>250,000</u>

6. *Ultimate Parent Company*

The ultimate parent company is Arthritis Research Campaign, a company limited by guarantee and incorporated in England.

7. *Pension Arrangements*

The Company made contributions totalling £3,623 (1997: £3,173) during the period to a defined contribution pension scheme operated by Scottish Amicable Life Assurance Society Limited. The Company has no other liability to this fund.

8. *Reconciliation of Movement in Shareholders' Funds*

	1998 £	1997 £
Profit for the financial year	237,712	176,093
Payment due under deed of covenant	(237,712)	(176,093)
Net addition to shareholders' funds	-	-
Opening shareholders' funds	250,000	250,000
Closing shareholders' funds (all equity)	250,000	250,000
	<u>250,000</u>	<u>250,000</u>

Notes to the Financial Statements

30 June 1998 (Continued)

9. *Commitments*

	Land and Buildings			Other
	1998	1997	1998	1997
	£	£	£	£
As at 30 June the Company had annual commitments payable under non-cancellable operating leases expiring:				
- Within one year	-	-	4,416	-
- Between one and five years	<u>26,716</u>	<u>26,716</u>	<u>-</u>	<u>4,629</u>
	<u>26,716</u>	<u>26,716</u>	<u>4,416</u>	<u>4,629</u>

The Company leases its warehousing facility at Newark from the parent company.

10. *Cash Flow Statement*

The ultimate parent company has included within its financial statements a consolidated cash flow statement and, therefore, under Financial Reporting Standard 1 - Cash Flow Statements, the Company is exempt from the requirement to prepare a cash flow statement.

11. *Related Party Transactions*

Under Financial Reporting Standard 8, the Company is exempt from the requirement to disclose related party transactions with other group companies, on the grounds that it is a wholly owned subsidiary of Arthritis Research Campaign, a company registered in England whose consolidated accounts are publicly available. There are no other related party transactions to disclose.

ARC Trading Limited

Detailed Trading and Profit and Loss Account

For the Year Ended 30 June 1998

FOR THE INFORMATION OF THE DIRECTORS ONLY

	1998		1997	
	£	£	£	£
Sales				
Ordinary activities		612,966		606,107
On behalf of the Parent Company		<u>159,626</u>		<u>96,887</u>
		772,592		702,994
Cost of sales				
Ordinary activities				
On behalf of the Parent Company	270,709		270,719	
	<u>50,077</u>		<u>39,798</u>	
		(320,786)		(310,517)
Trading profit		451,806		392,477
Interest receivable				
Services to the Parent Company		12,013		12,298
		<u>33,170</u>		<u>32,733</u>
Gross profit		496,989		437,508
Overhead expenses				
Staff costs		85,392		83,418
Rent, rates, light and heat		31,588		30,271
Telephone		2,181		1,968
Postage		19,178		17,429
Subscriptions & charity shop commissions		20,910		22,003
Stationery		49,001		53,054
Legal & professional		5,025		5,485
Travel		1,532		1,699
Packaging materials		9,413		10,197
Repairs and property maintenance		2,709		2,884
Car & equipment leasing		13,983		14,295
Computer & equipment maintenance		4,631		5,319
Insurance		6,046		5,667
Credit card charges		1,802		1,796
Miscellaneous		<u>5,886</u>		<u>5,930</u>
		<u>259,277</u>		<u>261,415</u>
Profit on ordinary activities		237,712		176,093