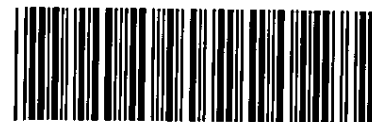


ARC Trading Limited

Registration Number: 891517

**Annual Report and financial statements
for the year ended 31 July 2007**

TUESDAY



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COMPANIES HOUSE

Directors' report for the year ended 31 July 2007

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 July 2007

Principal activities

The Company is the trading subsidiary of its parent company, Arthritis Research Campaign (a registered charity, number 207711) and is principally engaged in the sale of Christmas and Greeting cards, Wraps, Stationery, Calendars and other seasonal items by mail order. In addition the Company carries out all other trading activities on behalf of the parent company

Review of the Year

In 2006-7, arc Trading Limited recorded turnover of £715,013 from the sale of festive goods in its Christmas Collection catalogue, sales of Christmas cards through Cards for Good Causes (CGC) and revenue from selling advertising space. This total compares to £791,111 in 2005-6

Despite, the decrease in turnover, arc Trading Limited's annual profits were improved at £111,286 compared to £100,200 in the previous financial year

Much of the company's turnover continues to be attributable to sales of catalogue goods through the parent charity's network of volunteer branches, which act for the trading company on an agency basis, and the company is extremely grateful for their efforts

arc Trading Limited has launched its dedicated Christmas Goods Website in 2007, which will eventually trade throughout the year selling gifts and promotional lines

Other areas of the business continue to perform well. Revenue from selling advertising space in the parent charity's quarterly magazine, *Arthritis Today*, continues to make a major contribution to profits

The Directors consider the overall trading performance for the period to be satisfactory. All cumulative taxable profits are transferred to Arthritis Research Campaign via the Gift Aid Scheme

Directors' report for the year ended 31 July 2007...cont'd

Statement of directors' responsibilities in respect of the Annual Report and the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable UK 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 company will continue in business, in which case there should be supporting assumptions or qualifications as necessary

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements 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.

The directors are responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement on provision of information to the auditors

The Directors confirm

- so far as each director is aware, there is no relevant audit information of which the Company's auditors are unaware and,
- that each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors

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

J F G Logan
J C Maisey

The Directors did not receive any emoluments (2006 £Nil) in respect of their services to the Company for the year ended 31 July 2007.

**Directors' report
for the year ended 31 July 2007...cont'd**

Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue in office and a resolution to reappoint them as auditors to the Company will be proposed at the forthcoming Annual General Meeting

By Order of the Board



J F G Logan
Director
30 April 2008

Independent auditors' report to the members of ARC Trading Limited

We have audited the financial statements of arc Trading Limited for the year ended 31 July 2007, which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 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 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.

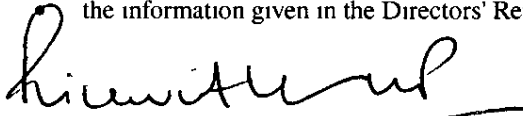
Independent auditors' report to the members of ARC Trading Limited...cont'd

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 July 2007 and of its result for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and

the information given in the Directors' Report is consistent with the financial statements



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands
23 May 2008

**Profit and loss account
for the year ended 31 July 2007**

	<i>Notes</i>	2007 £	2006 £
<i>Turnover</i>	1	715,013	791,111
Cost of sales		(320,089)	(396,586)
<i>Gross profit</i>		394,924	394,525
Administrative expenses		(295,995)	(305,463)
<i>Operating profit</i>		98,929	89,062
Bank interest receivable		12,357	11,138
<i>Profit on ordinary activities</i>	2	111,286	100,200
Payment due to Arthritis Research Campaign under Gift Aid scheme		(111,286)	(100,200)
<i>Retained profit for the period</i>		-	-
<i>Profit and loss account brought forward</i>		-	-
<i>Profit and loss account carried forward</i>		-	-

All activities of the Company are continuing

There is no material difference between the profit on ordinary activities before taxation and retained profit for the year and their historical cost equivalents

The Company has no recognised gains and losses other than the profit for the year shown above, and therefore no separate statement of total recognised gains and losses has been presented

**Balance sheet
as at 31 July 2007**

	<i>Notes</i>	<i>2007</i> £	<i>2006</i> £
<i>Current assets</i>			
Stocks	1	51,998	42,126
Debtors	3	50,014	60,615
Cash at bank and in hand		289,348	268,687
		391,360	371,428
<i>Creditors - amounts falling due within one year</i>	4	(141,360)	(121,428)
<i>Net assets</i>		250,000	250,000
<i>Capital and reserves</i>			
Called up share capital	5	250,000	250,000
Profit and loss account		-	-
<i>Total shareholders' funds</i>	8	250,000	250,000

The notes on pages 8 to 10 form part of these financial statements

Approved by the Board on 30 April 2008 and signed on their behalf by



J F G Logan
Director

Notes to the financial statements for the year ended 31 July 2007

1 Accounting Policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and the Companies Act 1985. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements have been prepared on a going concern basis and in accordance with the historical cost convention and with applicable accounting and financial reporting standards in the United Kingdom.

Turnover

Turnover represents net proceeds from:

- (a) The sale of Christmas cards and gifts
- (b) Trading activities on behalf of the parent company

Stocks

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

Pensions

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

2 Profit on Ordinary Activities

Profit on ordinary activities is stated after charging	2007 £	2006 £
Wages and salaries including agency costs	8,019	19,890
Social Security costs	896	2,506
Other pension costs	802	1,989
Auditors' remuneration - audit services	6,000	6,000

The average number of employees during the year was (FTE) 0.20 (2006: 1). The average number of directors during the year was 2 (2006: 2). The directors received no emoluments in respect of their services to the Company during the year (2006: £Nil).

**Notes to the financial statements
for the year ended 31 July 2007...cont'd**

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3 Debtors - Amounts receivable within one year

	<i>2007</i>	<i>2006</i>
	<i>£</i>	<i>£</i>
Amounts due from parent company	10,349	20,490
Prepayments and accrued income	39,665	40,125
	50,014	60,615

4 Creditors - Amounts falling due within one year

	<i>2007</i>	<i>2006</i>
	<i>£</i>	<i>£</i>
Trade creditors	20,615	9,917
Amounts owed to parent company	111,286	100,200
VAT	1,653	5,242
Accruals and deferred income	7,806	6,069
	141,360	121,428

5 Called up Share Capital

	<i>2007</i>	<i>2006</i>
	<i>£</i>	<i>£</i>
Authorised, allotted, issued and fully paid 250,000 ordinary shares of £1 each	250,000	250,000

6 Ultimate Parent Company

The immediate and ultimate parent company is Arthritis Research Campaign, a company limited by guarantee and incorporated in England. Consolidated accounts can be obtained from Copeman House, St Mary's Court, St Mary's Gate, Chesterfield, Derbyshire S41 7TD.

7 Pension Arrangements

The Company made contributions totalling £802 (2006 £1,989) during the year to a defined contribution pension scheme operated by Prudential Assurance Company Limited. The Company has no other liability to this fund.

**Notes to the financial statements
for the year ended 31 July 2007...cont'd**

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8 Reconciliation of Movement in Total Shareholders' Funds

	2007	2006
	£	£
Profit for the financial year	111,286	100,200
Payment due under Gift Aid scheme	(111,286)	(100,200)
Net addition to total shareholders' funds	-	-
Opening total shareholders' funds	250,000	250,000
Closing total shareholders' funds (all equity)	250,000	250,000

9 Taxation

Under the Financial Reporting Standard for Smaller Entities, the Company is exempt from the requirement to prepare a tax disclosure required by Financial Reporting Standard 19. No tax charge has occurred during the year (2006 £nil). The company has no deferred tax at the year ended 31 July 2007 (2006 £nil).

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 (revised 1996), 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.

12 Operating Commitments

As part of normal trading operations the Company has committed to purchase certain goods from suppliers in respect of the following financial year. The Company's commitment in respect of this arrangement is estimated to be £135,653 at 31 July 2007 (2006 £153,208).

Detailed Trading Profit and Loss Account for the year ended 31 July 2007

For the information of the Directors only

	£	2007 £	£	2006 £
Sales				
Ordinary activities		644,752		709,328
On behalf of the Parent Company		70,261		81,783
		715,013		791,111
Cost of sales				
Ordinary activities	(320,089)		(396,586)	
		(320,089)		(396,586)
Trading profit		394,924		394,525
Interest receivable		12,357		11,138
Gross profit		407,281		405,663
Overhead expenses				
Staff costs	9,717		24,385	
Telephone	-		85	
Postage	64,631		59,873	
Subscriptions & charity shop commissions	42,276		42,308	
Printing & Stationery	27,648		33,314	
Legal & professional	6,000		6,000	
Agency Charge	56,948		59,532	
Advertising	81		10,225	
Travel	88		995	
Car & equipment leasing	-		2,659	
Insurance	(69)		576	
Credit card charges	1,590		1,788	
Internet & website promotion cost	10,800		-	
Warehouse storage & order fulfilment	75,763		63,315	
Investment Management fees	348		247	
Miscellaneous	174		161	
		(295,995)		(305,463)
Profit on ordinary activities		111,286		100,200