

ARC TRADING LIMITED
Registration Number: 891517

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

30 JUNE 1997



ARC TRADING LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 1997

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 June 1997.

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 1997 are shown in the attached financial statements. The Directors consider the trading performance for the period to be satisfactory. All profits are transferred to the Arthritis and Rheumatism Council for Research in Great Britain and the Commonwealth ("the Council") under Deed of Covenant.

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 1997 (CONTINUED)

DIRECTORS

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

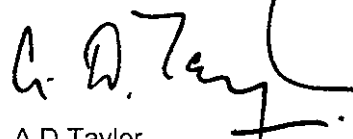
O N Dawson
J Norton

Mr O N Dawson held one ordinary share of £1 in the Company (non-beneficial). Mr J Norton held no shares. The Directors did not receive any emoluments (1996: £Nil) in respect of their services to the Company.

AUDITORS

The auditors, Price Waterhouse, have signified their willingness to continue in office and a resolution for their re-election will be proposed at the forthcoming Annual General Meeting.

By Order of the Board

A handwritten signature in dark ink, appearing to read 'A. D. Taylor', with a large, sweeping flourish extending to the right.

A D Taylor
Secretary

12 November 1997

Price Waterhouse



AUDITORS' REPORT TO THE SHAREHOLDERS OF ARC TRADING LIMITED

We have audited the financial statements on pages 4 to 8 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 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 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

PRICE WATERHOUSE
Chartered Accountants
and Registered Auditors

12 November 1997

ARC TRADING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 1997

	<u>1997</u> £	<u>1996</u> £
TURNOVER (Note 1(2))	735,727	682,526
Cost of sales	<u>(310,517)</u>	<u>(301,911)</u>
GROSS PROFIT	425,210	380,615
Administrative expenses	<u>(261,415)</u>	<u>(289,668)</u>
TRADING PROFIT	163,795	90,947
Bank interest receivable	12,298	7,354
	<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES (Note 2)	176,093	98,301
PAYMENT DUE TO THE ARTHRITIS AND RHEUMATISM COUNCIL UNDER DEED OF COVENANT	<u>(176,093)</u>	<u>(98,301)</u>
RETAINED PROFIT FOR THE YEAR	-	-
PROFIT AND LOSS ACCOUNT BROUGHT FORWARD	<hr/>	<hr/>
PROFIT AND LOSS ACCOUNT CARRIED FORWARD	-	-
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 6 to 8 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 1997

	<u>1997</u> £	<u>1996</u> £
CURRENT ASSETS		
Stocks (Note 1(3))	55,155	56,930
Debtors (Note 3)	33,621	24,761
Cash at bank and in hand	<u>339,671</u>	<u>182,453</u>
	428,447	264,144
CREDITORS - Amounts falling due within one year (Note 4)	<u>(178,447)</u>	<u>(14,144)</u>
NET CURRENT ASSETS	<u>250,000</u>	<u>250,000</u>
CAPITAL AND RESERVES		
Called up share capital (Note 5)	250,000	250,000
Profit and loss account	—	—
Attributable to equity shareholders	<u>250,000</u>	<u>250,000</u>

Approved by the Board on 12 November 1997 and signed on their behalf by:


J NORTON
DIRECTOR

The notes on pages 6 to 8 form part of these financial statements.

ARC TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997

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.

2 PROFIT ON ORDINARY ACTIVITIES

Profit on ordinary activities is stated after charging:

	<u>1997</u>	<u>1996</u>
	£	£
Wages and salaries including agency costs	75,704	71,721
Social Security costs	4,541	4,376
Other pension costs	3,173	3,094
Auditors' remuneration - audit services	5,485	4,475
Payments under operating leases - land & buildings	26,716	26,716
- other	4,629	2,938
	<u> </u>	<u> </u>

The average number of employees during the period was 4 (1996: 4). The number of directors during the period was 2. The directors received no emoluments in respect of their services to the Company during the period (1996:£nil)

ARC TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997 (CONTINUED)

3 DEBTORS - Amounts receivable within one year

	<u>1997</u> £	<u>1996</u> £
Trade debtors	9,549	7,235
Prepayments and accrued income	<u>24,072</u>	<u>17,526</u>
	<u>33,621</u>	<u>24,761</u>

4 CREDITORS - Amounts falling due within one year

	<u>1997</u> £	<u>1996</u> £
Trade creditors	2,729	-
Amounts owed to parent company	125,837	1,001
Income Tax on Deed of Covenant	40,501	-
Accruals and deferred income	<u>9,380</u>	<u>13,143</u>
	<u>178,447</u>	<u>14,144</u>

5 CALLED UP SHARE CAPITAL

	<u>1997</u> £	<u>1996</u> £
Authorised, allotted, issued and fully paid 250,000 ordinary shares of £1 each	<u>250,000</u>	<u>250,000</u>

6 ULTIMATE PARENT COMPANY

The ultimate parent company is The Arthritis and Rheumatism Council for Research in Great Britain and the Commonwealth (the "Council"), a company limited by guarantee and incorporated in England.

7 PENSION ARRANGEMENTS

The Company made contributions totalling £3,173 (1996: £3,094) 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.

ARC TRADING LIMITED

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 1997 (CONTINUED)

8 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	<u>1997</u> £	<u>1996</u> £
Profit for the financial year	176,093	98,301
Payment due under deed of covenant	<u>(176,093)</u>	<u>(98,301)</u>
Net addition to shareholders' funds	-	-
Opening shareholders' funds	<u>250,000</u>	<u>250,000</u>
Closing shareholders' funds (all equity)	<u>250,000</u>	<u>250,000</u>

9 COMMITMENTS

	<u>Land and Buildings</u>		<u>Other</u>	
	1997	1996	1997	1996
	£	£	£	£
As at 30 June 1997 the Company had annual commitments payable under non-cancellable operating leases expiring:				
- Between one and five years	26,716	26,716	4,416	4,700
	<u>26,716</u>	<u>26,716</u>	<u>4,416</u>	<u>4,700</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 the Council, a company registered in England whose consolidated accounts are publicly available. There are no other related party transactions to disclose.