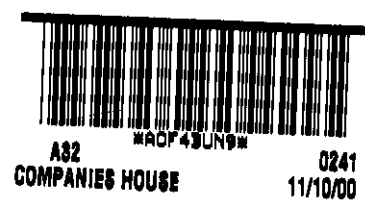


ARC Trading Limited

Registration Number: 891517

Directors' Report and Financial Statements

30 June 2000



Directors' Report For the Year Ended 30 June 2000

Page 1

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 June 2000.

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. 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 2000 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 under Deed of Covenant.

Year 2000

To date the Company has experienced little disruption or malfunctions since the turn of the Year 2000 arising from its own computer systems or equipment with embedded date-reliant computer chips. Similarly, there has been no business interruption to date caused by Year 2000 related failures of key customers' and suppliers' systems.

The total cost to complete modifications to our computer hardware or software was immaterial.

Directors' responsibilities

Company law requires the Directors to prepare financial statements 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 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 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.

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 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.

Directors' Report.....cont'd
For the Year Ended 30 June 2000

Page 2

Directors

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

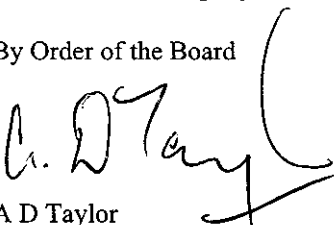
J F G Logan
O N Dawson

Mr O N Dawson held one ordinary share of £1 in the Company (non-beneficial). Mr J F G Logan held no shares. The Directors did not receive any emoluments (1999: £Nil) in respect of their services to the Company.

Auditors

PricewaterhouseCoopers 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



A D Taylor

Secretary

12 September 2000

Auditors' Report to the Members of ARC Trading Limited

We have audited the financial statements on pages 4 to 8.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 1, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom 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 United Kingdom 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'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 company's affairs at 30 June 2000 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
Nottingham

12 September 2000

Profit and Loss Account
For the Year Ended 30 June 2000

Page 4

	2000 £	1999 £
<i>Turnover</i> (Note 1)	857,280	684,159
Cost of sales	(380,867)	(297,528)
<i>Gross profit</i>	476,413	386,631
Administrative expenses	(301,577)	(263,128)
<i>Trading profit</i>	174,836	123,503
Bank interest receivable	4,152	7,193
<i>Profit on ordinary activities</i> (Note 2)	178,988	130,696
<i>Payment due to Arthritis Research Campaign under deed of covenant</i>	(178,988)	(130,696)
<i>Retained profit for the year</i>	-	-
<i>Profit and loss account brought forward</i>	-	-
<i>Profit and loss account carried forward</i>	-	-

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

All activities of the Company are continuing.

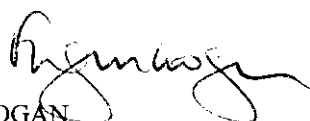
All recognised gains and losses are included within the profit and loss account, and are stated on an historical cost basis. The Company had no other gains or losses during the year.

Balance Sheet
30 June 2000

Page 5

	2000 £	1999 £
<i>Current assets</i>		
Stocks (Note 1)	35,976	45,450
Debtors (Note 3)	37,438	39,088
Cash at bank and in hand	371,882	283,240
	445,296	367,778
<i>Creditors - amounts falling due within one year</i> (Note 4)	(195,296)	(117,778)
<i>Net current assets</i>	250,000	250,000
<i>Capital and reserves</i>		
Called up share capital (Note 5)	250,000	250,000
Profit and loss account	-	-
<i>Attributable to equity shareholders</i>	250,000	250,000

Approved by the Board on 12 September 2000 and signed on their behalf by:


J F G LOGAN
DIRECTOR

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

1 Accounting Policies

Basis of accounting

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

Turnover

Turnover represents net proceeds from:

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

Stocks

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

Pensions

All 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:	2000	1999
	£	£
Wages and salaries including agency costs	95,372	74,979
Social Security costs	4,634	5,472
Other pension costs	5,316	4,754
Auditors' remuneration - audit services	5,300	5,197
Payments under operating leases - land & buildings	-	26,716
- other	-	2,617

The average number of employees during the period was 4 (1999: 4). The average number of directors during the period was 2 (1999: 2). The directors received no emoluments in respect of their services to the Company during the period (1999: £nil).

3 Debtors - Amounts receivable within one year

	2000 £	1999 £
Trade debtors	6,304	7,838
Prepayments and accrued income	31,134	31,250
	37,438	39,088

4 Creditors - Amounts falling due within one year

	2000 £	1999 £
Trade creditors	1,674	22,094
Amounts owed to parent company	144,854	58,940
Income Tax on Deed of Covenant	39,377	30,060
Accruals and deferred income	9,391	6,684
	195,296	117,778

5 Called up Share Capital

	2000 £	1999 £
Authorised, allotted, issued and fully paid 250,000 ordinary shares of £1 each	250,000	250,000

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 £5,316 (1999: £4,754) 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

	2000 £	1999 £
Profit for the financial year	178,988	130,696
Payment due under deed of covenant	(178,988)	(130,696)
Net addition to shareholders' funds	-	-
Opening shareholders' funds	250,000	250,000
Closing shareholders' funds (all equity)	250,000	250,000

9 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.

10 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.