

Arthritis Research UK Trading Limited

Annual Report and Financial Statements

Year ended

31 March 2018

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Directors

Liam O'Toole
Tom Hayhoe

Secretary and registered office

Mr Justin Parfitt

Copeman House
St Mary's Court
St Mary's Gate
Chesterfield S41 7TD

Company number

00891517

Auditors

BDO LLP, 2 City Place, Gatwick, RH6 0PA

Directors' Report

The Directors present their annual report and the audited financial statements of the Company for the year ended 31 March 2018.

Principal Activities

The Company is the trading subsidiary of its parent company, Arthritis Research UK (a registered charity, number 207711) and is principally engaged in the sale of Christmas cards and gifts, and the trading activities on behalf of the parent company.

Review of the Year

Turnover fell to £197,195 in 2018 (2017: £355,392) of which £51,296 (2017: £167,244) related to our shop operations. As previously reported, we took the difficult decision to close our final 13 shops during the course of the year, as we believe our funds can be more effectively deployed but would like to take this opportunity to thank all of our retail colleagues for their hard work and commitment to the organisation.

Sales of catalogue goods were £52,548 in 2018 (2017: £58,114) which is supported by the network of volunteer branches who act for the trading company on an agency basis which the company is extremely grateful for.

Administrative expenditure for the year was £83,173 (2017: £68,488). The increase was due to more copies of the Christmas catalogue been printed and distributed (72k in 2018 from 40k in 2017). The additional expenditure also includes staff costs recharged from Arthritis Research UK from 1st December 2017.

Overall for the year ending 31 March 2018, the trading company generated a small loss of £2,499 compared to a profit of £143,943 last year.

Risk

The company uses financial instruments including cash, inter-company balances and debtors. The main purpose of these financial instruments is to finance the working capital cycle of the company. The company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and appropriately.

Directors' Responsibilities Statement

The directors are responsible for preparing the Directors' 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

Directors' Responsibilities Statement (continued)

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and 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 2006. 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.

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

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

Directors

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

Liam O'Toole
Tom Hayhoe

The Directors did not receive any emoluments in respect of their services to the Company for the year ended 31 March 2018 (2017: £Nil).

Auditors

BDO LLP, were appointed auditors for the year, have expressed their willingness to continue in office, and will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

The directors report and financial statements have been prepared in accordance with the special provisions for smaller companies under part 15 of the Companies Act 2006.

On behalf of the Board



Dr L O'Toole
Director

Date

5 July 2018

**INDEPENDENT AUDITOR'S REPORT TO MEMBERS OF ARTHRITIS RESEARCH UK
TRADING LIMITED**

Opinion

We have audited the financial statements of Arthritis Research UK Trading Limited ("the Company") for the year ended 31 March 2018 which comprise the Statement of Comprehensive Income, Balance Sheet and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 March 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial

statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion;

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' report and from the requirement to prepare a Strategic report.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

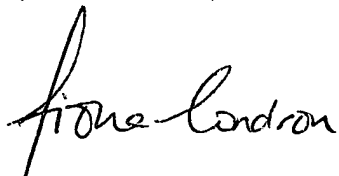
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Fiona Condron (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Gatwick

Date: *10 July 2018*

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

**Statement of Comprehensive Income
For the year ended 31 March 2018**

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Statement of Comprehensive Income

	Notes	2018 £	2017 £
Turnover	1	197,195	355,392
Cost of Sales		(116,521)	(142,961)
Gross Profit		80,674	212,431
Administrative expenses		(83,173)	(68,488)
(Loss) / Profit before and after tax and total comprehensive (deficit) / income for the year	3	(2,499)	143,943

Our shop network discontinued during the calendar year 2017 with all shops closed by end November 2017. They contributed £51k (2017: £167k) of turnover and £42k (2017: £80k) of direct costs.

The notes on pages 10 to 13 form part of these financial statements.

Balance Sheet
As at 31 March 2018

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Balance Sheet

	Notes	2018 £	2017 £
Current Assets			
Stocks		14,477	32,951
Debtors	4	22,952	57,888
Cash at bank and in-hand		280,102	402,387
Assets		317,531	493,226
Creditors – amounts falling due within one year	5	(9,922)	(183,118)
Net current assets and net assets		307,609	310,108
Capital and Reserves			
Called up share capital	6	250,000	250,000
Profit and loss account		57,609	60,108
Total shareholders' funds	8	307,609	310,108

These financial statements have been prepared in accordance with the special provisions for smaller companies.

The notes on pages 10 to 13 form part of these financial statements.

Approved by the Board on *5 July 2018* and signed on their behalf by:



Dr L O'Toole
Director

(Company Number: 00891517)

Notes to the Financial Statements

1. Accounting Policies

Arthritis Research UK is a limited company (by shares) incorporated in England. The registered office and number are on the contents page.

The financial statements have been prepared in accordance with FRS102 section 1A small entities. 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 received in the UK from trading activities on behalf of the parent company.

It is recognised when the trading company is entitled to the income, the amount can be quantified with reasonable accuracy and the profitability of receipt of income is more likely than not.

Stocks

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

Financial instruments

Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than its legal form.

The company's cash at bank and in hand and other debtors and its trade and other creditors and bank overdrafts are measured initially at the transaction price, including transaction costs, and subsequently at amortised cost using the effective interest method.

Debt instruments that are payable or receivable within one year are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Judgements in applying accounting policies and key sources of estimation uncertainty

In preparing these financial statements, the directors have had to make the following judgements:

- Consider the net realisable value of stock by applying knowledge of prior sales and professional judgement.

2. Employees and Auditors Remuneration

The company had no employees in either year. The average number of Directors during the period was 2 (2017: 2). The Directors received no emoluments in respect of their services to the Company during the period (2017: £nil).

Auditors remuneration for audit of £6k (2017: £6k) is recharged to the trading company from the parent while non-audit fees of £1.5k (2017: £3k) were paid directly by the trading company. Details of the group audit & non-audit fees can be found in the parent accounts.

3. Tax charge per accounts

	2018 £	2017 £
Total current tax charge / (credit)	-	-
Deferred tax asset not recognised	634	210
	2018 £	2017 £
<i>Reconciliation of current tax charge</i>		
(Loss)/ Profit on ordinary activities before tax	(2,499)	143,943
Tax on profit on ordinary activities at standard corporation tax rate of 19% (2017: 20%)	(475)	28,789
Adjust closing deferred tax to average rate	-	6
Movement in deferred tax not recognised	424	(61)
Change in tax rate	51	-
Charitable donation to the parent	-	(28,734)
Current tax charge for the period	-	-

4. Debtors – Amounts receivable within one year

	2018 £	2017 £
Prepayments and Accrued income	10,036	57,888
VAT	1,185	-
Amounts owed from parent company	11,731	-
	22,952	57,888

5. Creditors – Amounts falling due within one year

	2018 £	2017 £
Trade Creditors	-	5,412
Amounts owed to parent company	-	143,672
VAT	-	12,322
Accruals and Deferred Income	9,922	21,712
	9,922	183,118

6. Called up Share Capital

	2018 £	2017 £
Authorised, allotted, issued and fully paid ordinary shares of £1 each	250,000	250,000

7. Ultimate Parent Company

The immediate and ultimate parent company is Arthritis Research UK, a charitable 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.

8. Reconciliation of Movement in Total Shareholders' Funds

	2018 £	2017 £
Opening shareholders' funds	310,108	328,110
Total comprehensive income for the year	(2,499)	143,943
Charitable donation to Arthritis Research UK	-	(161,945)
Closing shareholders' funds	307,609	310,108

9. Related Party Transactions

For the year ending 31 March 2018 the trading company will make a charitable donation of £nil (2017: £143,672) to the charity within 9 months. There was a management fee from the parent charity to the trading company of £7,000 (2017: £11,125) along with a staff costs recharge of £10,469 (2017: £nil) and recharge of audit fees of £6,000 (2017: £6,000).