

Registration Number: 891517

30 June 2001



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28/03/02

Directors' Report For the Year Ended 30 June 2001

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The Directors present their annual report and the audited financial statements of the Company for the year ended 30 June 2001.

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 2001 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.

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

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 (2000: £Nil) in respect of their services to the Company.

Directors' Report....cont'd
For the Year Ended 30 June 2001

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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 handwritten signature in black ink, appearing to read 'D J Payne', followed by a horizontal line.

D J Payne
Secretary

4 February 2002

Independent auditors' report to the members of ARC Trading Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards 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 United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 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. The other information comprises only the directors' report.

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 2001 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

4 February 2002

PricewaterhouseCoopers is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6NN. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers. PricewaterhouseCoopers is authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Profit and Loss Account
For the Year Ended 30 June 2001

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| | <i>2001</i> £ | <i>2000</i> £ |
|--|------------------|------------------|
| <i>Turnover</i> (Note 1) | 755,851 | 857,280 |
| Cost of sales | (340,496) | (380,867) |
| <i>Gross profit</i> | 415,355 | 476,413 |
| Administrative expenses | (355,515) | (301,577) |
| <i>Trading profit</i> | 59,840 | 174,836 |
| Bank interest receivable | 9,870 | 4,152 |
| <i>Profit on ordinary activities</i> (Note 2) | 69,710 | 178,988 |
| <i>Payment due to Arthritis Research Campaign under deed of covenant</i> | (69,710) | (178,988) |
| <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 2001

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| | 2001 £ | 2000 £ |
|--|-----------|-----------|
| <i>Current assets</i> | | |
| Stocks (Note 1) | 57,508 | 35,976 |
| Debtors (Note 3) | 25,722 | 37,438 |
| Cash at bank and in hand | 299,232 | 371,882 |
| | 382,462 | 445,296 |
| <i>Creditors - amounts falling due within one year</i> (Note 4) | (132,462) | (195,296) |
| <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 4 February 2002 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

Some 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: | 2001 | 2000 |
| | £ | £ |
| Wages and salaries including agency costs | 86,997 | 95,372 |
| Social Security costs | 5,476 | 4,634 |
| Other pension costs | 4,305 | 5,316 |
| Auditors' remuneration - audit services | 5,500 | 5,300 |

The average number of employees during the period was 4 (2000: 4). The average number of directors during the period was 2 (2000: 2). The directors received no emoluments in respect of their services to the Company during the period (2000: £Nil).

3 Debtors - Amounts receivable within one year

| | 2001 £ | 2000 £ |
|--------------------------------|-----------|-----------|
| Trade debtors | 6,318 | 6,304 |
| Prepayments and accrued income | 19,404 | 31,134 |
| | 25,722 | 37,438 |

4 Creditors - Amounts falling due within one year

| | 2001 £ | 2000 £ |
|--------------------------------|-----------|-----------|
| Trade creditors | - | 1,674 |
| Amounts owed to parent company | 103,871 | 144,854 |
| Income Tax on Deed of Covenant | 15,336 | 39,377 |
| Accruals and deferred income | 13,255 | 9,391 |
| | 132,462 | 195,296 |

5 Called up Share Capital

| | 2001 £ | 2000 £ |
|---|-----------|-----------|
| 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 £4,305 (2000: £5,316) 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

| | 2001 £ | 2000 £ |
|--|-----------|-----------|
| Profit for the financial year | 69,710 | 178,988 |
| Payment due under deed of covenant | (69,710) | (178,988) |
| 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.