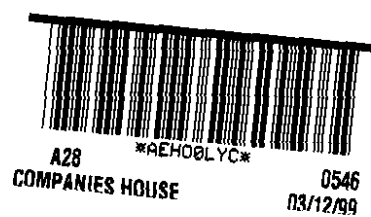


# **ARC Trading Limited**

*Registration Number: 891517*

**Directors' Report and Financial Statements**

**30 June 1999**



## **Directors' Report For the Year Ended 30 June 1999**

*Page 1*

---

The Directors present their annual report and the audited financial statements of the Company for the year ended 30 June 1999.

### ***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 1999 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***

The Directors have reviewed the Company's computer and administrative systems and are of the opinion that action already taken will ensure the uninterrupted operation of the business. The cost of any additional modifications that may be required during the next twelve months will be 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 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 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 1999**

---

Page 2

**Directors**

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

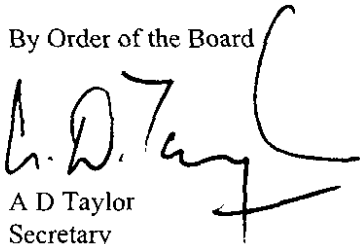
J F G Logan  
O N Dawson

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 (1998: £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 handwritten signature in black ink, appearing to read 'A. D. Taylor', with a large, sweeping flourish extending to the right.

A D Taylor  
Secretary

10 November 1999

**PricewaterhouseCoopers**

Victoria House  
76 Milton Street  
Nottingham NG1 3QY  
Telephone +44 (0) 115 947 3000  
Facsimile +44 (0) 115 947 2660

Page 3

## Auditors' Report to the Members 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*

The directors are responsible for preparing the Annual Report, including as described on page 1 the financial statements. Our responsibilities, as independent auditors, are established 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 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.

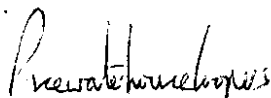
### *Basis of audit opinion*

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 1999 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

10 November 1999

**Profit and Loss Account  
For the Year Ended 30 June 1999**

Page 4

|  | <b>1999</b> | <b>1998</b> |
|--|-------------|-------------|
|  | <b>£</b>    | <b>£</b>    |
| <b>Turnover</b> (Note 1)   | 684,159     | 805,762     |
| Cost of sales  | (297,528)   | (320,786)   |
| <b>Gross profit</b>  | 386,631     | 484,976     |
| Administrative expenses  | (263,128)   | (259,277)   |
| <b>Trading profit</b>  | 123,503     | 225,699     |
| Bank interest receivable   | 7,193       | 12,013      |
| <b>Profit on ordinary activities</b> (Note 2)                            | 130,696     | 237,712     |
| <b>Payment due to Arthritis Research Campaign under deed of covenant</b> | (130,696)   | (237,712)   |
| <b>Retained profit for the year</b>                                      | -           | -           |
| <b>Profit and loss account brought forward</b>                           | -           | -           |
| <b>Profit and loss account carried forward</b>                           | -           | -           |

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 1999**

Page 5

|   | 1999<br>£ | 1998<br>£ |
|---|-----------|-----------|
| <i>Current assets</i>   |           |           |
| Stocks (Note 1)   | 45,450    | 45,265    |
| Debtors (Note 3)  | 39,088    | 25,576    |
| Cash at bank and in hand  | 283,240   | 442,581   |
|   | 367,778   | 513,422   |
| <i>Creditors - amounts falling due within one year</i> (Note 4) | (117,778) | (263,422) |
| <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 10 November 1999 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) Fundraising and promotional activities on behalf of the parent company
- (c) Storage and distribution services provided for the parent company

### ***Stocks***

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

### ***Leasing***

Payments under operating leases are charged to the profit and loss account in the year in which they are incurred.

### ***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: | <b>1999</b> | <b>1998</b> |
|   | <b>£</b>    | <b>£</b>    |
| Wages and salaries including agency costs               | 74,979      | 76,785      |
| Social Security costs                                   | 5,472       | 4,984       |
| Other pension costs                                     | 4,754       | 3,623       |
| Auditors' remuneration - audit services                 | 5,197       | 5,025       |
| Payments under operating leases - land & buildings      | 26,716      | 26,716      |
| - other   | 2,617       | 4,416       |

---

The average number of employees during the period was 4 (1998: 4). The average number of directors during the period was 2 (1998: 2). The directors received no emoluments in respect of their services to the Company during the period (1998: £nil)

**3 Debtors - Amounts receivable within one year**

|                                | <b>1999</b>   | <b>1998</b>   |
|--------------------------------|---------------|---------------|
|                                | <b>£</b>      | <b>£</b>      |
| Trade debtors                  | 7,838         | 7,000         |
| Prepayments and accrued income | 31,250        | 18,576        |
|                                | <b>39,088</b> | <b>25,576</b> |

**4 Creditors - Amounts falling due within one year**

|                                | <b>1999</b>    | <b>1998</b>    |
|--------------------------------|----------------|----------------|
|                                | <b>£</b>       | <b>£</b>       |
| Trade creditors                | 22,094         | 15,073         |
| Amounts owed to parent company | 58,940         | 168,339        |
| Income Tax on Deed of Covenant | 30,060         | 54,674         |
| Accruals and deferred income   | 6,684          | 25,336         |
|                                | <b>117,778</b> | <b>263,422</b> |

**5 Called up Share Capital**

|   | <b>1999</b> | <b>1998</b> |
|---|-------------|-------------|
|   | <b>£</b>    | <b>£</b>    |
| Authorised, allotted, issued and fully paid<br>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 £4,754 (1998: £3,623) 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

|  | 1999<br>£ | 1998<br>£ |
|--|-----------|-----------|
| Profit for the financial year            | 130,696   | 237,712   |
| Payment due under deed of covenant       | (130,696) | (237,712) |
| Net addition to shareholders' funds      | -         | -         |
| Opening shareholders' funds              | 250,000   | 250,000   |
| Closing shareholders' funds (all equity) | 250,000   | 250,000   |

## 9 Commitments

|   | Land and Buildings |           | Other     |           |
|---|--------------------|-----------|-----------|-----------|
|   | 1999<br>£          | 1998<br>£ | 1999<br>£ | 1998<br>£ |
| As at 30 June the Company had annual commitments payable under non-cancellable operating leases expiring: |                    |           |           |           |
| - Within one year   | -                  | -         | -         | 4,416     |
| - Between one and five years  | -                  | 26,716    | -         | -         |
|   | -                  | 26,716    | -         | 4,416     |

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 Arthritis Research Campaign, a company registered in England whose consolidated accounts are publicly available. There are no other related party transactions to disclose.