

ARC Trading Limited

Registration Number: 891517

Directors' Report and Financial Statements

31 July 2005



Directors' Report For the Year Ended 31 July 2005

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The Directors present their annual report and the audited financial statements of the Company for the year ended 31 July 2005.

Principal activities

The Company is the trading subsidiary of its parent company, Arthritis Research Campaign (a registered charity number 207711) and 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 other trading activities on behalf of the parent company.

Financial Year End

The Company's parent changed its financial year-end from 30 September to 31 July in 2004 and, in order to enable the year-ends of the companies within the group to be brought into line with each other, ARC Trading Limited also changed its financial year-end to the same date. Consequently, the financial statements presented here are for an accounting period of twelve months ended 31 July 2005 with comparative figures being for an extended accounting period of thirteen months ended 31 July 2004.

Review of the Year

In 2004-5 arc Trading Ltd recorded increases in turnover and profits from its sale of festive goods in its Christmas Collection catalogue and Christmas cards through Cards for Good Causes (CGC). Sales of cards through CGC reached £197,000, and confirmed for the second consecutive year arc's position as the third best selling charity in the CGC organisation.

Overall, arc Trading Ltd's annual profits were up from £94,000 for the 13 months ended 31 July 2004 to £193,000 for the 12 months ended 31 July 2005.

The profitability in 2005 benefited greatly from the actions taken in 2004 to reduce the stock levels of Christmas catalogue goods. Whilst turnover rose by 4%, the cost of goods sold fell by 13%, resulting in additional gross margin of £84,000 for the 12 months ended 31 July 2005 compared to the 13 months ended 31 July 2004.

Much of the company's turnover continues to be attributable to sales of catalogue goods through the parent charity's network of volunteer branches, which act for the trading company on an agency basis, and the company is extremely grateful for their efforts. As in the previous year, turnover through the branches accounted for almost a third of the total 2004-05 Christmas catalogue sales.

Other areas of the business continue to perform well. Revenue from selling advertising space in the parent charity's quarterly magazine, *Arthritis Today*, continues to make a major contribution to profits.

Results

The results of the Company for the year to 31 July 2005 (13 months ended 31 July 2004) are shown in the attached financial statements. The profitability of the trading company continued to improve, up £99,730 on last year to £193,456. All of the profit for the year will be distributed under a deed of covenant to the parent charity.

The Directors consider the overall trading performance for the period to be satisfactory, particularly the continued improvement on the previous year's results. All cumulative taxable profits are transferred to Arthritis Research Campaign under Deed of Covenant.

Directors' Report
For the Year Ended 31 July 2005

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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 period are listed below:

J F G Logan
J C Maisey

Mr J C Maisey 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 (*13 months ended 31 July 2004: £Nil*) in respect of their services to the Company for the year ended 31 July 2005.

Auditors

PricewaterhouseCoopers LLP 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



D J Payne
Secretary
5 December 2005

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. This report, including the opinion, has been prepared for and only for the company's members as a body, in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 31 July 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
East Midlands
5 December 2005

Profit and Loss Account
For the Year Ended 31 July 2005

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	<i>12 months ended 31 July 2005 £</i>	<i>13 months ended 31 July 2004 £</i>
<i>Turnover</i> (Note 1)	835,656	806,575
Cost of sales	(360,421)	(415,751)
<i>Gross profit</i>	475,235	390,824
Administrative expenses	(287,042)	(297,667)
<i>Operating profit</i>	188,193	93,157
Bank interest receivable	5,263	569
<i>Profit on ordinary activities</i> (Note 2)	193,456	93,726
Payment due to Arthritis Research Campaign under deed of covenant	(193,456)	(60,129)
<i>Retained profit for the period</i>	-	33,597
<i>Profit and loss account brought forward</i>	-	(33,597)
<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 period.

Balance Sheet
31 July 2005

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	<i>31 July 2005 £</i>	<i>31 July 2004 £</i>
<i>Current assets</i>		
Stocks (Note 1)	68,604	47,259
Debtors (Note 3)	44,194	51,278
Cash at bank and in hand	374,475	237,942
	487,273	336,479
<i>Creditors - amounts falling due within one year (Note 4)</i>	(237,273)	(86,479)
<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 (Note 8)</i>	250,000	250,000

Approved by the Board on 5 December 2005 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 in the United Kingdom.

Turnover

Turnover represents net proceeds from:

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

Stocks

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

Pensions

Certain 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:

	<i>12 months ended 31 July 2005</i>	<i>13 months ended 31 July 2004</i>
	£	£
Wages and salaries including agency costs	28,834	30,143
Social Security costs	3,460	3,595
Other pension costs	2,883	3,014
Auditors' remuneration - audit services	6,000	5,150

The average number of employees during the year was 1 (*13 months ended 31 July 2004: 1*). The average number of directors during the year was 2 (*13 months ended 31 July 2004: 2*). The directors received no emoluments in respect of their services to the Company during the year (*13 months ended 31 July 2004: £Nil*).

3 Debtors - Amounts receivable within one year

	<i>31 July 2005</i>	<i>31 July 2004</i>
	£	£
Amounts due from parent company	6,126	-
Trade debtors	-	316
Prepayments and accrued income	38,068	50,962
	44,194	51,278

4 Creditors - Amounts falling due within one year

	<i>31 July 2005</i>	<i>31 July 2004</i>
	£	£
Trade creditors	10,241	-
Amounts owed to parent company	193,456	77,590
VAT	6,076	3,389
Accruals and deferred income	27,500	5,500
	237,273	86,479

5 Called up Share Capital

	<i>31 July 2005</i>	<i>31 July 2004</i>
	£	£
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. Consolidated accounts can be obtained from Copeman House, St Mary's Court, St Mary's Gate, Chesterfield, Derbyshire S41 7TD.

7 Pension Arrangements

The Company made contributions totalling £2,883 (13 months ended 31 July 2004: £3,014) during the year to a defined contribution pension scheme operated by Prudential Assurance Company Limited. The Company has no other liability to this fund.

8 Reconciliation of Movement in Shareholders' Funds

	12 months ended 31 July 2005 £	13 months ended 31 July 2004 £
Profit for the financial period	193,456	93,726
Payment due under deed of covenant	(193,456)	(60,129)
Net addition to shareholders' funds	-	33,597
Opening shareholders' funds	250,000	216,403
Closing shareholders' funds (all equity)	250,000	250,000

9 Taxation

Under the Financial Reporting Standard for Smaller Entities, the Company is exempt from the requirement to prepare an FRS19 tax disclosure. No tax charge has occurred during the year (13 months ended 31 July 2004: £nil). The company has no deferred tax at the period end (2004 £nil).

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, 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.

12 Operating commitments

As part of normal trading operations the Company has committed to purchase certain goods from suppliers in respect of the following financial year. The Company's commitment in respect of this arrangement is estimated to be £197,655 at 31 July 2005 (2004: £190,000).

**Detailed Trading and Profit and Loss Account
For the Year Ended 31 July 2005**

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For the information of the Directors only

	<i>12 months ended 31 July 2005</i>	<i>13 months ended 31 July 2004</i>
	£	£
Sales		
Ordinary activities	750,100	731,956
On behalf of the Parent Company	85,556	74,619
	835,656	806,575
Cost of sales		
Ordinary activities	360,421	415,751
	(360,421)	(415,751)
Trading profit	475,235	390,824
Interest receivable	5,263	569
Gross profit	480,498	391,393
Overhead expenses		
Staff costs	35,502	37,078
Rent, rates, light and heat	-	913
Telephone	6	318
Postage	32,783	33,422
Subscriptions & charity shop commissions	47,136	48,042
Printing & Stationery	42,195	38,373
Legal & professional	9,150	5,000
Agency Charge	35,880	28,445
Carriage	-	-
Travel	910	2,542
Packaging materials	-	-
Repairs and property maintenance	-	238
Car & equipment leasing	3,600	3,576
Computer & equipment maintenance	-	-
Insurance	817	567
Credit card charges	2,120	1,944
Warehouse storage & order fulfilment	76,507	88,789
Miscellaneous	436	8,420
	(287,042)	(297,667)
Profit on ordinary activities	193,456	93,726