

Annual Report and Financial Statements

31 March 2013

A company limited by guarantee and registered in England and Wales (490500)

A charity registered in England and Wales (207711)

A charity registered in Scotland (SC041156)

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Legal and Administrative Information

Charity details

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A company limited by guarantee and registered in England and Wales (490500)
A charity registered in England and Wales (207711) and in Scotland (SC041156)

Chief Executive

Dr Liam O'Toole

Finance Director

Mrs Karen Everett

Honorary Vice-Presidents

Mrs Sue Arnott
(appointed 12 October 2012)
Dr Colin Barnes
Dr Peter Copeman
Dr Allan St John Dixon
Dr Eric Hamilton
Professor Graham Hughes
(appointed 12 October 2012)
Lord Lewis of Newnham
(appointed 6 March 2013)
Dr Tom Scott

Patron

Her Royal Highness
The Duchess of Cornwall

Board of Trustees

Lord Lewis of Newnham
(President; retired 6 March 2013)
Mr Charles Maisey
(Chair)
Mr Joe Carlebach
Mr Chris Cowpe
(deceased 21 April 2013)
Dr Josh Dixey
Mr Tom Hayhoe
Mr Peter Henderson
(retired 6 March 2013)
Professor David Isenberg
(appointed 6 March 2013)
Dr Sylvie Jackson
Professor Sir Alex Markham
Professor David Marsh
(appointed 6 March 2013)
Professor Mike Pringle
(Deputy Chair)
Mr Richard Raworth
Mr Paul Rowen
Professor Sir Patrick Sissons

The details of the committees which support the Board of Trustees are set out on pages 41 to 44 of this report.

Professional advisers

Auditors

Grant Thornton UK LLP
Grant Thornton House
Melton Street
London
NW1 2EP

Bankers

NatWest plc
5 Market Place
Chesterfield
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Investment managers

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Report of the Trustees

The Board of Trustees presents its report and audited financial statements for the eight months ended 31 March 2013.

The Charity changed its year end from 31 July to 31 March with effect from 31 March 2013, in order to more effectively align the reporting period with the annual cycle of fundraising activities. As a result these financial statements are for the eight month period from 1 August 2012 to 31 March 2013.

The Trustees confirm that the report and financial statements presented here comply with current statutory requirements, the requirements of the Charity's governing documents and the requirements of the Statement of Recommended Practice – Accounting and Reporting by Charities issued by the Charity Commissioners in March 2005.

They also confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Charity's aims and objectives and the planning of future activities.

Our objectives and public benefit

Arthritis is the biggest cause of pain and disability in the UK. More than one in six people of all ages struggle with the pain and disability of arthritis every day.

Our mission as a Charity is to reduce the pain and disability resulting from arthritis by:

- funding high quality research into the cause, treatment and cure of arthritis and translating the results of that research to benefit patients
- educating and informing the general public, patients and health professionals on all aspects of arthritis
- campaigning for better treatment and support for all those living with arthritis
- working in partnership with others to reduce the pain and disability resulting from arthritis

In March 2010 Arthritis Research UK re-launched the fight against arthritis. In doing so we identified 10 key goals which we are aiming to achieve within 10 years.

By 2020, working with our partners, we will:

1. Raise awareness and understanding of arthritis amongst the public and healthcare professionals including understanding the risks of developing it, and the leading role Arthritis Research UK plays in the battle against it.
2. Be at the forefront of international efforts to develop new treatments for arthritis.
3. Ensure more people with arthritis will remain active.
4. Reduce the economic impact of arthritis on the individual patient, their family and the wider economy.
5. Reduce the number of deaths and severe complications from arthritis in all its forms.
6. Develop alternative approaches to reduce the need for joint replacement and also ensure that in future joint replacements will last longer.
7. Reduce pain and disability due to arthritis in childhood, leading to a normal future.
8. Understand how arthritis starts and develops.

9. Be at the forefront of international efforts to harness the potential of emerging cell engineering technologies for the benefit of arthritis patients.
10. Build a world class workforce to continue the fight against arthritis.

Arthritis Research UK cannot achieve these goals alone and we are actively encouraging other stakeholders in government, the NHS, academia, industry and the third sector to work with us.

Our achievements in the eight months to 31 March 2013

During the eight months to 31 March 2013 we continued to place a strategic emphasis on creating the knowledge to change the lives of people with arthritis - from funding research to educating health professionals and providing information for people with arthritis and their carers.

Fundraising is key to our success

The income generated through fundraising is vital to achieving our aims, making a real difference to the 10 million people in the UK living with the pain and disability of arthritis. Our thanks go to all the individuals, charitable trusts and companies who contributed in any way.

During the period, a new Fundraising Strategy was developed for the three years from 2013 to 2016. The strategy is based upon growing fundraising net income over the next three years in a robust and achievable manner. This will be delivered through a fully integrated approach to fundraising, with a clear focus on playing to our strengths, and supported by detailed planning/monitoring and strong performance management.

We sponsored our second show garden at RHS Chelsea Flower Show 2013, winning a Gold Medal and the People's Choice award. The garden reflected the personal journey and emotions of someone with arthritis, and its impact was greatly enhanced by a direct link to the personal experiences of our gardener, Chris Beardshaw. As a result we reached an audience of over 33 million through the BBC's television coverage alone and generated more than 180 pieces of media coverage. We also raised £92,487 as a result of being at the Chelsea Flower Show.

In the eight months to 31 March 2013, we had some ground-breaking research achievements

Our research encompasses all aspects of arthritis, from a basic understanding of the disease process to addressing the needs of those living with arthritis, including the provision of infrastructure support.

As a charity we are committed to ensuring that every penny we spend on research has the maximum benefit for arthritis sufferers. Every research activity we fund is part of the overall Research Strategy aimed at achieving the research goals as quickly as we can. The implementation of the Strategy is based on the following key principles:

1. The research we fund is world class.
2. Creating an environment in the UK that facilitates rapid translation of ideas to patient benefit.
3. Encouraging the brightest individuals in the UK and beyond to become involved in delivering on our research agenda.
4. Providing strategic leadership and facilitating collaboration when needed.

A range of funding vehicles are used, all of which involve rigorous peer review aimed at improving the quality of the proposals and their ability to impact upon the Charity's goals.

We continue to focus our research of areas of patient need, and added to our growing series of area-specific centres of excellence. Our £2.5m new sport, exercise and osteoarthritis centre

represents an exciting five-year collaboration across seven sites, led by the Universities of Nottingham and Oxford, plus the Universities of Southampton, Loughborough, Bath, Leeds and University College London.

As part of our policy of collaboration with other funding bodies, we joined forces with the Medical Research Council (MRC) to launch an exciting venture: two new musculoskeletal ageing research centres. In a bold bid to reduce the pain and disability caused by ageing, the centres bring together researchers from the Universities of Birmingham with Nottingham, and from the Universities of Liverpool with Sheffield and Newcastle.

Adolescent forms of arthritis are underappreciated, but nevertheless have a devastating impact on those they affect. In an exciting new joint venture with Great Ormond Street Hospital, University College London, and University College Hospital London, we have launched a centre dedicated to better understanding and treating these conditions.

We are also involved with the MRC's major investment in a collaboration that will advance the emerging field of stratified medicine – investigating why different patients with the same diagnosis respond differently to treatments. Developing stratified medicine in inflammatory arthritis is one of our major research focusses and we are aiming to identify treatment response predictors that will allow people with rheumatoid arthritis to be started on drugs which they will benefit from most, early in the disease process.

Another important achievement in this period was the adoption by a number of health centres and NHS services around the UK of a new targeted approach to treating chronic low back pain. In a study published in *The Lancet* involving more than 850 back pain sufferers, our STaRT Back screening tool, developed by researchers at our primary care centre at Keele University, was shown to be effective in helping doctors assess whether patients were at low, medium or high risk of having persistent, disabling symptoms from their back pain.

Our research into the genetics of musculoskeletal diseases continued to produce potentially significant results. Studies in *Nature Genetics*, which included contributions from Arthritis Research UK scientists, identified new genes associated with rheumatoid arthritis and some that may help predict treatment responses in children with juvenile idiopathic arthritis, with the ambition of improved pain management, quality of life and long-term outcome.

Effective treatment for people with arthritis relies on well-informed health professionals

In the period 2012-13 we continued to invest nationally in the experts that lead our frontline delivery of musculoskeletal health. Our training and skills-development opportunities for healthcare professionals continue to support across a broad range of areas and in particular we have led innovation in this space, exemplified by our core skills programme for GPs in musculoskeletal care. This is a mixed -format education package consisting of e-learning modules, face-to-face workshops and a musculoskeletal impact toolkit containing practical resources enabling GPs and other healthcare professionals to demonstrate the impact of their learning on improving patient care.

High quality information empowers people with arthritis to make informed decisions

One of our hallmarks is in how we use quality practical information to empower and enable those affected by arthritis and other musculoskeletal conditions. Alongside our booklet series, which remain a highly valued resource, the recently developed Arthritis Information online Search Tool provides a unique example of how we strive to develop and innovate. Launched at the end of last year, this resource is already providing valuable assistance for the growing number of visitors to our website, who are seeking out information to help them navigate the complexities of their condition.

Raising awareness is vital

Our policy and public affairs team have been raising the profile of arthritis in Government and in the emerging new structures for the NHS. We produced a report on the role of patient held budgets quoted by government and succeeded in the introduction of incentive payments for high quality care in rheumatoid arthritis: the Best Practice Tariff. We have advised the Chief Medical Officer and senior civil servants with the Department of Health on various issues related to musculoskeletal diseases. We also generated a large number of parliamentary questions via our influencing of parliamentarians.

Raising awareness of all our initiatives in the media is vital to promote our work and during this financial period we secured 1,344 pieces of coverage. Our social media presence has grown and we are achieving above industry standards in engagement from our followers on Facebook. The use of our website continues to grow, with a 52% increase in unique visitors per month from 145,000 in August 2012 to 220,000 in March 2013.

Our plans for 2013-14

Looking ahead, our objective is to make even more direct improvements for those who live with arthritis. In the short term, to illustrate how we will achieve this, we have two key research initiatives of strategic importance across the organisation. The Arthritis Research UK Centre for Sport, Exercise and Osteoarthritis will be launched in mid-2013. This Centre aims to develop better injury treatments and screening tools to predict an individual's risk of developing osteoarthritis following sports injury. The Centre is a consortium of seven universities, led by Nottingham University Hospitals and the Universities of Nottingham and Oxford, and it has the backing of leading sports organisations.

Another major new research centre to be established during 2013-14 intends to find out more about the causes of rheumatoid arthritis. The £2.5m Arthritis Research UK Rheumatoid Arthritis Pathogenesis Centre of Excellence is a collaboration between the Universities of Glasgow, Newcastle and Birmingham and aims to address the unmet needs of the 400,000 people who suffer from this crippling joint condition.

Our finances for the eight months to 31 March 2013

Financial review and results for the period

The Charity's consolidated financial statements for the eight month period to 31 March 2013 are on pages 14 to 41. A summary of the financial results for the period is set out below.

Incoming resources

Overall income for the eight month period was £26.0m, which is comparable (on a pro-rata basis) to the previous year (12 months to 31 July 2012: £40.2m). As in the past, the major components of income were Legacies (£11.0m for 8 months compared to £19.6m for the preceding 12 months) and Intellectual Property Royalty income (£8.1m for 8 months compared to £10.0m for the preceding 12 months). Mail order and trading activities performed well, but other fundraising and retail areas declined slightly, reflecting the on-going difficulty of raising funds in the current economic climate.

Investment Income increased slightly at £1.6m for the eight months (12 months to 31 July 2012: £2.3m), and there were significant realised and unrealised gains on investment assets of £18.2m (12 months to 31 July 2012: small gain of £289k).

Resources expended

Total expenditure in the eight month period amounted to £21.9m (12 months to 31 July 2012: £42.6m). The majority of this expenditure was on Charitable Activities, including Research (£12.2m) and Education (£1.8m). This expenditure continued our significant investment into the cause, treatment and cure for all forms of arthritis through a wide variety of projects and initiatives.

The expansion in fundraising activities continued during the period, but the costs decreased slightly (on a pro-rata basis) from the preceding year. The total costs of generating funds (excluding Retail and Trading) in the eight month period amounted to £4.7m (12 months to 31 July 2012: £7.7m).

Reserves policy

The Trustees have authorised an ambitious strategy which aims to increase the amount of charitable expenditure that Arthritis Research UK supports on a consistent long term basis. The policy requires a certain level of General Reserves in order to take account of any fluctuations in fundraising achievements and in investment values. The Trustees have therefore agreed a policy of holding General Reserves equivalent to not less than three month's operating expenses.

All outstanding commitments to charitable expenditure at the year-end (with the exception of the first three months, which are current liabilities) are held as Designated Funds. Other commitments that have been made internally but are not yet contractually agreed are also Designated Funds.

Reserves are defined as all cash, investments, current assets less current liabilities held in the name of Arthritis Research UK and its trading subsidiary. As at 31 March 2013, the Charity's free reserves, after designations, were £5.1m, which represented 4.7 months of forward operating expenditure (excluding Retail and Trading). The Trustees are comfortable with the level of reserves and do not consider them to be excessive.

Investment policy

The Charity's policy is to ensure that sufficient funds are held as cash and cash equivalents to meet its current forecast requirements. Surplus funds are available for investment by the Charity's investment managers.

Arthritis Research UK Finance Committee has set a benchmark for the distribution of the investment portfolio, against which the actual performance is monitored, with the aim of maximising long-term total return, within appropriate risk parameters.

Arthritis Research UK investment managers have discretion to manage the portfolio within this framework. Arthritis Research UK's ethical policy specifically excludes direct investments in the tobacco industry.

Our structure, governance and management

Legal status

The registered name of the Charity is Arthritis Research UK.

The governing documents of the Charity are its Memorandum and Articles of Association dated 13 January 1951 and last amended on 6 October 2012. The Charity is a company limited by guarantee, the liability of the members of the Board of Trustees being limited to £1 each.

The Charity is also registered with the Office of the Scottish Charity Regulator.

Our management

Arthritis Research UK is governed by the Board of Trustees who for the purpose of the Companies Act 2006 act as Directors of the Charity. The Board delegates operational planning and day-to-day management, including financial authority, to the Chief Executive and through him to the Executive Directors and staff, within approved limits.

The performance of the Chief Executive is overseen by the Board through reports and briefings presented by him and the Executive Directors and others at Board meetings.

The Charity promotes equal opportunities for all employees and at all times gives full and fair consideration to applications for employment made by disabled persons.

Our volunteers

The Charity's achievements are heavily reliant on the support of our donors and volunteers, many of whom have loyally supported our work over many years. The Charity receives no government funding and so we are extremely grateful to our supporters, who have provided the financial wherewithal for our Trustees and other committees to develop an impressive and effective range of research, education and information.

We have a network of local volunteer branches across the UK. Our local branches provide activities, mutual support and companionship for people with arthritis, their families and carers. Local branches also make a valuable contribution to the campaigning, fundraising and support work of the Charity at a local level.

Our trading subsidiary

The Charity owns 99.99% of the share capital of Arthritis Research UK Trading Limited, a company registered in England. The one remaining share is owned by a Trustee as a nominee. This company's activities include the mail order retail operation, the sale of bought-in goods through the Charity's shops and the trading element of any fundraising events. The Company donates all of its profits to the Charity. Its results are shown in note 14 to the financial statements on page 32.

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 very grateful for their efforts.

Our Board of Trustees

The Board of Trustees is responsible for the overall governance, policy and work of the Charity. It is also responsible for ensuring that the Charity delivers charitable outcomes for the benefit of people suffering from all forms of arthritis, in accordance with Charity Commission guidance. The Trustees are volunteers and do not receive any remuneration for their services, but may claim reasonable expenses properly incurred in connection with attendance at meetings or other duties. The Board of Trustees meets formally four times each year.

The current members of the Board are listed on page 2. Also listed are the Vice-Presidents of the Charity (who do not have Trustee status). The President and Chairman are elected for a maximum

term of five years, and may serve a maximum of two consecutive terms. Ordinary members are elected for a term of four years and may serve a maximum of two consecutive terms of office.

New Trustees are provided with an induction training pack, and site visits, and the continuing development of all Trustees is addressed through regular updates and refresher presentations (including invited expert speakers) at board meetings and an annual residential conference.

Statement of Trustees' responsibilities

The Trustees (who are also Directors of Arthritis Research UK for the purposes of company law) are responsible for preparing the Trustees' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees 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 Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK 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 charitable group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable 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 charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Trustees is aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

The Trustees 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.

Board committees

During the eight month period ended 31 March 2013, the Trustees were supported by the committees listed below:

- Appointments and Remuneration Committee;

- Finance Committee; and
- Scientific Strategy Committee, which was itself supported by:
- Research and Academic Capacity Committee;
- Programme Grant Sub-Committee;
- Clinical Studies Sub-Committee;
- Research Sub-Committee;
- Fellowships Implementation Committee; and
- USER Stakeholder Committee.

All committees operate under specific terms of reference drawn up by the Board of Trustees, which ratifies the decision of each committee. We have a formal documented approach to processing grant applications and utilise a peer review process. This culminates in either Committee approval, or rejection, of each grant application reviewed.

Internal controls and risk management

The Trustees have overall responsibility for ensuring that the Charity has an appropriate system of controls, including financial controls. The Charity's systems of internal control are designed to provide reasonable assurance against material financial misstatement or loss to the Charity.

The identification of risk and the progress against identified actions are formally reviewed biannually by Arthritis Research UK's Finance Committee and annually by the Board of Trustees. Within the current Business Plan activities have been identified to update the Risk Register and establish a fully operational Risk Management Policy.

The Charity seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and appropriately in a balanced investment portfolio.

The main risks continuing to face the Charity are:

- future fundraising growth plans failing to replace the anticipated decline in royalty income
- a significant fall in the value of investments
- a significant fall in the level of legacy income
- a further deterioration in UK economic activity

Auditors

Grant Thornton UK LLP, who are appointed as auditors during the year, having expressed their willingness to continue in office, 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.

This report was approved by the Board of Trustees on 2 October 2013



Mr Charles Maisey

Chair of the Board of Trustees

Independent Auditor's Report to the Trustees and Members of Arthritis Research UK

We have audited the financial statements of Arthritis Research UK for the period ended 31 March 2013 which comprise the consolidated statement of financial activities (incorporating the income and expenditure account), the consolidated and parent charitable company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members and trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable company's members and trustees 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 charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities set out on pages 8 to 10 the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2013 and of the group's incoming resources and application of resources, including the group income and expenditure, for the period 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, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial period for which the financial statements are prepared is consistent with the financial statement.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- the parent charitable company has not kept proper and adequate accounting records or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records or returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Grant Thornton UK LLP

Carol Rudge

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
2 October 2013

Grant Thornton UK LLP is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

Consolidated Statement of Financial Activities

(including Income and Expenditure Account and Statement of Total Recognised Gains & Losses)

For the 8 month period ended 31 March 2013 (12 months to 31 July 2012)

	Note	Un-restricted Funds £'000	Restricted Income Funds £'000	2013 Total Funds £'000	2012 Total Funds £'000
Incoming resources from generated funds:					
Voluntary income:					
Legacies	3&4	10,903	91	10,994	19,603
Donations	4	2,099	788	2,887	4,115
Activities for generating funds:					
Fundraising events	4	277	-	277	932
Charity shops	4	1,584	-	1,584	2,867
Mail order & other trading	4	319	-	319	386
Investment income	4&5	1,635	-	1,635	2,280
Intellectual property income	4&5	8,144	-	8,144	10,037
Incoming resources from charitable activities		0	120	120	1
Other incoming resources		21	-	21	3
Total incoming resources		24,982	999	25,981	40,224
Resources expended / Costs of generating funds:					
Costs of generating voluntary income:					
Legacies	9	558	-	558	879
Donations	9	2,583	-	2,583	4,181
Fundraising and trading: cost of goods sold and other costs					
Fundraising	4&9	1,568	-	1,568	2,609
Charity shops	4&9	1,938	-	1,938	2,819
Trading	4&9	580	-	580	781
Investment costs	9	281	-	281	382
		7,508	-	7,508	11,651
Charitable activities:					
Research	9	11,605	572	12,177	28,377
Education	9	1,779	-	1,779	1,916
Governance costs	9	419	-	419	679
		13,803	572	14,375	30,972
Total resources expended	9	21,311	572	21,883	42,623
Net incoming / (outgoing) resources before other recognised gains and losses and net income for the period		3,671	427	4,098	(2,399)

	Note	Un-restricted Funds £'000	Restricted Income Funds £'000	2013 Total Funds £'000	2012 Total Funds £'000
Net incoming/(outgoing) resources before other recognised gains and losses for the period		3,671	427	4,098	(2,399)
Other recognised gains and losses on investment assets	13	18,244	-	18,244	289
Net movement in funds		21,915	427	22,342	(2,110)
Total funds brought forward		109,452	(693)	108,759	110,869
Total funds carried forward		131,367	(266)	131,101	108,759

There are eight restricted income funds within the Group, detailed in note 2. The Group has no endowment funds. The notes on pages 18 to 40 form part of these financial statements. All results relate to continuing activities.

The deficit on restricted funds is as a result of grant payments being agreed, made and recognised by the Charity on a different profile to that proposed for the receipt of the associated restricted donations. Funds will be received in 2013-14 to rectify the balance.

Consolidated and Charity Balance Sheets

	Note	Group 31 March 2013 £'000	Group 31 July 2012 £'000	Charity 31 March 2013 £'000	Charity 31 July 2012 £'000
Fixed assets					
Tangible assets	12	5,472	5,598	5,472	5,598
Investments	13	119,006	100,315	119,256	100,565
		124,478	105,913	124,728	106,163
Current assets					
Stocks		45	69	0	0
Debtors	15	3,817	4,243	3,835	4,198
Cash at bank, on deposit and in hand		16,969	14,492	16,720	14,331
		20,831	18,804	20,555	18,529
Creditors – amounts falling due within one year					
Sundry creditors and accruals	16	(1,035)	(1,540)	(1,009)	(1,515)
Grant payments due within one year	6	(12,914)	(14,338)	(12,914)	(14,338)
		(13,949)	(15,878)	(13,923)	(15,853)
Net current assets		6,882	2,926	6,632	2,676
Total assets less current liabilities		131,360	108,839	131,360	108,839
Provisions for liabilities	26	(259)	(80)	(259)	(80)
Net assets		131,101	108,759	131,101	108,759
The funds of the group:					
Unrestricted income funds:					
General reserve	2	5,102	4,129	5,102	4,129
Designated funds	2&17	91,961	86,843	91,961	86,843
Revaluation reserve	2	34,304	18,480	34,304	18,480
Total unrestricted funds		131,367	109,452	131,367	109,452
Restricted income funds	2	(266)	(693)	(266)	(693)
Total funds	2	131,101	108,759	131,101	108,759

Approved by the Trustees on 2 October 2013

Charles Maisey

Mr Charles Maisey

Chair of the Board of Trustees

The notes on pages 18 to 40 form part of these financial statements

Company Number: 490500

Consolidated Cash Flow Statement

	Period ended 31 March 2013 £'000	Restated Year ended 31 July 2012 £'000
Net cash inflow/(outflow) from operating activities (Note a)	1,083	(1,729)
Returns on investments and servicing of finance (Note b)	1,635	2,280
Capital expenditure and financial investment (Note c)	(2,780)	3,062
(Decrease)/increase in cash	(62)	3,613
Reconciliation of net cash flow to movement in net funds (Note d)		
	0	0
(Decrease)/increase in cash in the period	(62)	3,613
Net funds at 1 August 2012	18,844	15,231
Net funds at 31 March 2013	18,782	18,844

Notes to the group cash flow statement:

a) Reconciliation of net income to net cash inflow/(outflow) from operating activities

	2013 £'000	2012 £'000
Net incoming/(outgoing) resources before other recognised gains and losses for the period	4,098	(2,399)
Depreciation charge	228	349
Profit on disposal of fixed assets	(21)	(3)
Investment Income	(1,635)	(2,280)
Decrease in stocks	24	118
Decrease/(Increase) in debtors	426	(411)
Profit on foreign exchange investments	(287)	(26)
Decrease in creditors	(505)	(206)
Increase in provisions	179	1
Research and education grants recognised during the period	10,703	25,405
Research and education grants paid during the period	(12,127)	(22,277)
Net cash inflow/(outflow) from operating activities	1,083	(1,729)

b) Analysis of cash flows for headings netted in the cash flow statement

	Period ended 31 March 2013 £'000	Year ended 31 July 2012 £'000
Returns on investments and servicing of finance		
Interest received	-	1
Investment income received	1,635	2,279
Net cash inflow for returns on investments and servicing of finance	1,635	2,280

c) Capital expenditure and financial investment

	2013 £'000	2012 £'000
Purchase of investments	(16,505)	(23,466)
Sale of investments	13,821	26,674
Purchase of tangible fixed assets	(105)	(158)
Re-invested income carried forward	(15)	(30)
Sale of tangible fixed assets	24	42
Net cash (outflow)/inflow for capital expenditure and financial investment	(2,780)	3,062

d) Analysis of changes in net funds

	At 1 August 2012 £'000	Cash Flow £'000	At 31 March 2013 £'000
Cash at bank, on deposit and in hand	14,492	2,477	16,969
Cash deposits included in investments (note 13)	4,352	(2,539)	1,813
Total	18,844	(62)	18,782

Notes to the Consolidated Financial Statements

For the period ended 31 March 2013

1. Accounting Policies

Basis of Accounting

The financial statements comply with the requirements of the Statement of Recommended Practice – Accounting and Reporting by Charities issued by the Charity Commissioners in March 2005 (SORP 2005), applicable accounting standards and the Companies Act 2006.

The consolidated financial statements which comprise the results of the Charity and its trading subsidiary Arthritis Research UK Trading Limited have been made up to 31st March 2013.

Advantage has been taken of the FRS 8 exemption from disclosure of certain intra-group transactions.

The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of listed investments at market value. The Charity's investment in its subsidiary has been included in the accounts at cost as there is no readily available market value and the Trustees consider that the cost of obtaining a valuation outweighs the benefit to the users of the accounts.

The Charity has not presented its own statement of financial activities as permitted by Section 408 (4) of the Companies Act 2006. The total incoming resources dealt with in the financial statements of the Charity were £26.0m (2011-12: £40.2m). The net increase in funds dealt with in the financial statements of the Charity was £22.3m (2011-12: £2.1m decrease).

Incoming Resources

All incoming resources are accounted for when the Charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, entitlement is the earlier of the Charity being notified of an impending distribution or the legacy being received. Gifts donated for resale are included as income when they are sold. No amounts are included in the financial statements for services donated by volunteers. Additionally no amounts have been included for donated use of facilities as such amounts are not considered to be significant and the Trustees are unable to reasonably quantify the value.

Resources Expended

Expenditure is accounted for on an accruals basis. Provision is made for the anticipated cost of onerous leases on empty shop properties. Where costs cannot be directly attributed to particular activities they have been allocated to activities on a basis consistent with the use of the resources. Publicity costs relating to raising the public awareness of the Charity are included within the costs of generating funds. Publicity costs incurred in furtherance of Arthritis Research UK's educational charitable objects are included within charitable activities as education costs. Governance costs are incurred in the general running of the Charity and compliance with constitutional and statutory requirements, as opposed to costs associated with charitable activities or generating funds. Support costs represent the principal office premises, central office functions, and general insurance and bank charges which are incurred in supporting charitable activities and generating funds. Support costs are allocated to activities on the basis of time spent on each activity by staff employed.

Grants Payable

Grant awards are charged to the financial statements as the obligation arises. Irrespective of the method of funding, and as a result of the termination clauses within the grants terms and conditions, the obligation is deemed to be a value equivalent to 3 months of the total grant

liability together with any amounts claimed at the year end. The balance of the potential grant liability is identified as Designated Funds.

Fixed Assets

Arthritis Research UK's tangible fixed assets are stated at cost.

Depreciation

Depreciation of tangible assets is provided on a straight line basis at the rates set out below which are sufficient to write them down to their residual value over their estimated useful lives.

- Freehold property -2%
- Long leasehold -2%
- Fixtures and fittings -10-25%
- Computer equipment -33%
- Motor vehicles -25%

Freehold land is not depreciated.

Assets with a cost below £250 are not capitalised.

Funds

Arthritis Research UK maintains the following types of fund:

- Restricted Income – funds which are subject to restrictions imposed by the donors.
- Designated – money set aside by the Trustees from unrestricted funds for a specific purpose. The aim and use of each designated fund is set out in the notes to the financial statements.
- General Reserve – unrestricted funds which can be used by the Trustees for the general purposes of Arthritis Research UK.
- Revaluation Reserve – the difference between the historic cost of investments and their re-valued amount.

Investments

Listed investments are shown in the balance sheet at their mid-market valuation.

Stock

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

Foreign Currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All monetary assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are included in the Statement of financial Activities.

Pensions

Pension contributions which are explained in note 19 are charged to the Statement of Financial Activities in the period in which they become payable.

Leases

Rental costs under operating leases are charged to the Statement of Financial Activities on a straight line basis over the lease term.

2. Movement in Funds and Total Recognised Gains and Losses

	Group General Reserve £'000	De-signated funds £'000	Re- valuation Reserve £'000	Re- stricted Funds £'000	Group Total £'000	Charity General Reserve £'000
Net incoming resources for the period	3,671	-	-	427	4,098	3,671
Net realised and unrealised investment gains	18,244	-	-	-	18,244	18,244
Transfer between funds	(20,942)	5,118	15,824	-	-	(20,942)
Total recognised gains for the financial period	973	5,118	15,824	427	22,342	973
Balance sheet at 1 August 2012	4,129	86,843	18,480	(693)	108,759	4,129
Balance sheet at 31 March 2013	5,102	91,961	34,304	(266)	131,101	5,102

The General Reserve arises from unrestricted funds held in accordance with the Reserves Policy.

Designated funds represent outstanding commitments, at the balance sheet date, in excess of three months, by Arthritis Research UK to third parties in respect of long term scientific projects that have been awarded by Arthritis Research UK committees and any planned extension of these projects. In addition it includes commitments to major long term scientific projects that Arthritis Research UK has agreed internally that it will make. They also include £5.5m for fixed assets. A full analysis of Designated Funds is provided in note 17.

The Revaluation Reserve represents the difference between the historic cost of investments and their re-valued (market value) amount.

2. Movement in Funds and Total Recognised Gains and Losses (continued)

Movement in Restricted Income Funds

	DONOR FUNDED PROJECTS								Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Note:	a	b	c	d	e	f	g	h	
Income	167	274	50	91	151	137	129	0	999
Expenditure	(196)	0	(212)	0	0	(147)	0	(17)	(572)
Total recognised (losses)/ gains for the financial period	(29)	274	(162)	91	151	(10)	129	(17)	427
Balance sheet at 1 August 2012	(725)	(261)	0	0	0	0	148	145	(693)
Balance sheet at 31 March 2013	(754)	13	(162)	91	151	(10)	277	128	(266)

The restricted income funds are as follows:

Donor Funded Projects:

- a. Genome-wide Association in Systemic Lupus Erythematosus in European populations.
- b. Investigation of the interaction of mast cells, T cells and dendritic cells in inflammatory arthritis.
- c. Randomised controlled trial of the clinical effectiveness, safety and cost effectiveness of adalimumab for the treatment of juvenile idiopathic arthritis associated uveitis.
- d. Arthritis Research UK Centre for Research into Adolescent Arthritis.
- e. Arthritis Research UK Experimental Arthritis Treatment Centre – Oxford, and Leeds Experimental Osteoarthritis Treatment Centre.
- f. For the development of new techniques for knee treatment/surgery.
- g. Other restricted funds.
- h. Arthritis Research UK Tissue Engineering Centre.
- i. Focus on Palindromic Rheumatism.
- j. National Garden Scheme – University of Strathclyde.

The deficit on restricted funds is as a result of grant payments being agreed, made and recognised by the Charity on a different profile to that proposed for the receipt of the associated restricted donations. Funds will be received in 2013-14 to rectify the balance.

3. Legacies

Arthritis Research UK has been notified of an estimated £10.0m (2012: £11.4m) of legacies receivable which have not been included in the Statement of Financial Activities as no notification of impending distribution has been received. This sum includes £10m of residuary legacies with the highest potential legacy receipt being £624k which represents 6% of the notified total.

4. Incoming Resources and Costs of Generating Funds

	Income £'000	Operatin g Costs £'000	Net Operatin g Income £'000
Voluntary Income			
Legacies	10,994	558	10,436
Donations	2,887	2,583	304
Fundraising Activities			
Fundraising	277	1,568	(1,291)
Charity shops	1,584	1,938	(354)
Trading	319	580	(261)
Other Incoming Resources			
Investment income	1,635	281	1,354
Intellectual property income	8,144	-	8,144
Incoming resources from charitable activities	120	-	120
Other incoming resources	21	-	21
Total Incoming Resources 2013 (8 months)			
	25,981	7,508	18,473
Total Incoming Resources 2012 (12 months)			
	40,224	11,651	28,573

The income of Charity shops shown above represents sales of donated and bought in goods. The shops also act on an agency basis as an outlet for sales of mail order catalogue goods, which are included in the mail order and other trading net income above, and detailed in note 14.

5. Investment and Intellectual Property Income

	8 month period 2013 £'000	2012 £'000
Investment Income		
Listed investments	1,586	2,125
Unlisted investments	5	9
Bank interest	44	146
Total Investment Income	1,635	2,280
Intellectual Property Income	8,144	10,037

£8.1m of intellectual property royalties for the eight months ended 31 March 2013 (12 months to 31 July 2012: £10.0m) were received from anti-TNF treatments developed with the Kennedy Trust for Rheumatology Research.

6. Grants Commitments and Creditors

	2013 £'000
Grant creditors – all awards	
Balance at 1 August 2012	14,338
Movement in the period:	
Awards recognised	10,703
Awards paid	(12,127)
Balance at 31 March 2013	12,914
Grant commitments	
Balance at 1 August 2012	48,045
Movement in the period:	
New awards (not included within the accounts)	14,947
Amounts paid during the period	12,127
Movement in creditor	(1,424)
Total awards recognised within the accounts	(10,703)
Balance at 31 March 2013	52,289
Total Grant Commitments and Creditors	
Balance at 31 March 2013	65,203
Balance at 1 August 2012	62,383

A value equivalent to 3 months of the total grant liability is maintained in short-term liabilities. The balance of the potential grant liability is identified as Designated Funds.

7. Research Centres

The costs of Charitable Activities: Research is calculated after the following charges:

	2013 £'000	2012 £'000
Awards		
The Kennedy Trust for Rheumatology Research	459	2,970
Arthritis Research UK Epidemiology Unit	1,885	2,214
Total awards recognised within the period	2,344	5,184
Depreciation	93	140
Other costs	16	21
	2,453	5,345

The Kennedy Trust for Rheumatology Research (Kennedy Trust)

Through the Kennedy Trust, Arthritis Research UK funds research at the Kennedy Division of the Faculty of Medicine, Imperial College of Science, Technology and Medicine in London ("Imperial College"). Arthritis Research UK provides the Kennedy Institute with rent-free accommodation against a peppercorn lease which expires in 2023. Funding is reviewed at 5 yearly intervals.

The full statutory accounts of the Kennedy Institute are available from the Company Secretary at:

The Kennedy Trust for Rheumatology Research
26-28 Hammersmith Grove
LONDON
W6 7BA

Arthritis Research UK Epidemiology Unit

This unit is based at the University of Manchester and the current level of funding is £2.2m per annum plus inflationary increases. This funding has been fixed for 4 years commencing on 1 August 2009.

8. Income and Expenditure

Net movement in funds is calculated after the following charges:

	8 month period 2013 £'000	2012 £'000
Depreciation of tangible fixed assets	228	349
Profit on disposal of fixed assets	21	3
Auditors' remuneration		
Fees payable to the charity's auditors for the audit of the charity's annual accounts	32	36
Other services – taxation compliance services	5	6
Amounts paid under operating leases on retail outlets	448	675

9. Analysis of Total Resources Expended

	Awards Recognised £'000	Staff Costs £'000	Other Direct Costs £'000	Support Costs £'000	8 month period 2013 Total £'000	2012 Total £'000
Charitable activities:						
Research grants	8,360	735	365	264	9,724	23,032
Research centres	2,344	-	109	-	2,453	5,345
Research	10,704	735	474	264	12,177	28,377
Education	-	634	650	495	1,779	1,916
Governance	-	133	129	157	419	679
	10,704	1,502	1,253	916	14,375	30,972
Cost of Generating Funds:						
Legacies	-	295	78	185	558	879
Donations	-	862	1,313	408	2,583	4,181
Fundraising and trading	-	1,616	1,765	705	4,086	6,209
Investment management costs	-	-	281	-	281	382
	-	2,773	3,437	1,298	7,508	11,651
Total Resources Expended	10,704	4,275	4,690	2,214	21,883	42,623

9. Analysis of Total Resources Expended (continued)

Support Costs Analysed:	8 month period	2012
	2013	2012
	£'000	£'000
Principal office premises	493	636
Central office functions	1,663	4,038
General insurance and bank charges	58	71
	2,214	4,745
Governance Costs Analysed:	2013	2012
	£'000	£'000
Staff costs	133	152
Support Costs Allocated	157	263
Legal & Professional Fees	70	54
Audit Fees	27	36
Board of Trustees Costs	14	18
Other Costs	18	156
	419	679

10. Staff Costs

	8 month period	2012
	2013	2012
	£'000	£'000
Gross salaries	3,705	4,789
Employers national insurance costs	363	473
Pension costs	202	808
Other staff costs	5	63
	4,275	6,133

10. Staff Costs (continued)

The average number of full-time equivalent employees during the period was:

	2013 (8 months) Number	2012 Number
Generating Funds	149	121
Charitable Activities	50	63
Governance	6	5
	205	189

The number of employees whose emolument in the respective periods (including taxable benefits in kind but excluding employer pension contributions) were above £60,000 is as follows:

	2013 (8 months) Number	2012 Number
Between £60,000-£70,000	2	1
Between £70,001-£80,000	0	2
Between £80,001-£90,000	1	0
Between £90,001-£100,000	1	2
Between £100,001-£110,000	1	0
Between £120,001-£130,000	0	1

The cost of employer pension contributions for the above employees was £30,751.

The Trustees of Arthritis Research UK receive no remuneration to their services in that capacity, but 10 Trustees (2011-12: 15) have been reimbursed for travel expenses directly incurred in carrying out their activities as Trustees at a cost of £4,576 for the period ended 31 March 2013 (2011-12: £4,412).

11. Indemnity Insurance

Arthritis Research UK has purchased a single professional indemnity insurance policy which indemnifies the Charity, its subsidiary and its trustees, employees, unpaid medical advisors, and volunteer supporters against loss arising from any wrongful act on their part. The total cost of this insurance for the period ended 31 March 2013 was £10,366 (2012: £9,825).

12. Tangible Assets

Group and Charity

	Long Leasehol d Buildings £'000	Freehold Land and Buildings £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
Cost						
At 1 August 2012	6,994	679	405	583	184	8,845
Additions	-	-	1	105	-	106
Disposals	-	-	-	-	(85)	(85)
At 31 March 2013	6,994	679	406	688	99	8,866
Depreciation						
At 1 August 2012	2,201	295	191	418	142	3,247
Charge for the year	93	9	35	76	15	228
Released on disposals	-	-	-	-	(81)	(81)
At 31 March 2013	2,294	304	226	494	76	3,394
Net Book Value						
At 31 March 2013	4,700	375	180	194	23	5,472
At 31 July 2012	4,793	384	214	165	42	5,598

13. Investments

Group	Market Value	Market Value	Cost	Cost
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Listed investments:				
- Fixed interest	9,978	12,818	10,194	11,614
- UK equities	39,321	30,293	23,359	23,083
- Overseas equities	57,758	43,329	42,724	36,626
- Hedge funds	-	-	-	-
- Emerging markets	10,136	9,523	6,626	6,169
Total listed investments	117,193	95,963	82,903	77,492
Cash deposits	1,813	4,352	1,799	4,344
Total	119,006	100,315	84,702	81,836
Charity				
As stated above for the group	119,006	100,315	84,702	81,836
Investment in subsidiary (Arthritis Research UK Trading Limited)	250	250	250	250
Total	119,256	100,565	84,952	82,086

13. Investments (continued)

	2013 £'000	2012 £'000
Carrying value (market value) at beginning of period	100,315	100,032
Add: additions at cost	16,505	23,466
(Deductions from)/additions to cash deposit investments	(2,539)	3,146
Re-invested income carried forward	15	30
Less: proceeds of sale	(13,821)	(26,674)
Add: net profit on currency revaluation	287	26
Add: net profit on revaluation of investments	18,244	289
Carrying value (market value) at end of period	119,006	100,315

Realised gains for the eight month period ended 31 March 2013 based on historic cost amounted to £2,691,488 (12 months to 31 July 2012: £5,584,610).

At the close of the financial period there was one investment held which was greater than 5% of the total investment portfolio, namely; the Baillie Gifford EM Lead Co Fund C Accum (6.1%). The portfolio of securities was managed on Arthritis Research UK's behalf by Baillie Gifford & Co and Ruffer LLP. The custodian of the securities is HSBC Bank Plc.

Arthritis Research UK Trading Limited:

	2013 £'000	2012 £'000
Investment in subsidiary (Arthritis Research UK Trading Limited)	250	250

Arthritis Research UK Trading Limited is a 100% subsidiary of the Charity, incorporated in England and is engaged in non-primary purpose trading activities, namely the mail order retail operation, the sale of bought-in goods through the Charity's shops and any other non-tax exempt trading. Taxable profits are transferred, under the Gift Aid scheme, to the Charity.

The auditors' report contained no qualifications, and the Directors' Report and Financial Statements for the period ended 31 March 2013 have been filed with the Registrar of Companies.

14. Subsidiary Company

The Charity owns 249,999 of the 250,000 issued ordinary shares of Arthritis Research UK Trading Limited, a company registered in England. A trustee of the Charity owns the 1 remaining share as a nominee trustee. The subsidiary is used for non-primary purpose trading activities, namely the mail order retail operation, the sale of bought-in goods through the Charity's shops and any other non-tax exempt trading. The results of Arthritis Research UK Trading Limited have been consolidated with those of the Charity. All taxable profits of the subsidiary are gifted to the Charity under deed of covenant. A summary of the results of the subsidiary is shown below:

Arthritis Research UK Trading Limited

	Charity Shops £'000	Mail Order £'000	Other Trading £'000	8 month period 2013 £'000	2012 £'000
Turnover	164	289	30	483	721
Cost of sales	(55)	(172)	0	(227)	(361)
Gross profit	109	117	30	256	360
Administrative expenses	(49)	(205)	0	(255)	(320)
Bank interest receivable	0	0	0	0	0
Net profit	60	(89)	30	1	40

The results are shown before the gift aid payment of £1k (2012: £40k) to the Charity.

The aggregate of the assets, liabilities and capital and reserves was:

	2013 £'000	2012 £'000
Assets	308	363
Liabilities	(58)	(113)
	250	250

15. Debtors

	Group		Charity	
	31 March	31 July	31 March	31 July
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Amount due from subsidiary company	-	-	15	79
Income tax/tax credits	127	118	127	118
VAT	3	34	17	34
Prepayments	399	379	388	303
Accrued income	3,227	3,589	3,227	3,589
Other debtors	61	123	61	75
	3,817	4,243	3,835	4,198

16. Sundry Creditors and Accruals

	Group		Charity	
	31 March	31 July	31 March	31 July
	2013	2012	2013	2012
	£'000	£'000	£'000	£'000
Amount due to subsidiary company	-	-	-	-
VAT	-	10	-	-
Other creditors	415	528	401	527
Other Taxes and Social Security	205	144	205	144
Accruals	415	858	403	844
	1,035	1,540	1,009	1,515

No interest is levied on inter-company balances.

17. Designated Funds – Group and Charity

	Grant £'000	Committed Restricted £'000	Research £'000	Centre of Excellence £'000	Fixed Asset Fund £'000	Total £'000
Balance at 1 August 2012	48,045	353	2,847	30,000	5,598	86,843
Net transfers (to)/from General Reserve	4,244	(353)	(2,847)	4,200	(126)	5,118
Balance at 31 March 2013	52,289	-	-	34,200	5,472	91,961

Designated funds represent existing commitments by Arthritis Research UK to third parties in respect of long term scientific projects that have been awarded by Arthritis Research UK committees and certain planned extension to those projects. In addition it includes commitments to long term scientific projects which Arthritis Research UK has agreed internally that it will make. These are all projects to which Arthritis Research UK is currently contractually or otherwise committed and which represents its ongoing research programme.

There are three elements to the designated fund which represent total amounts set aside:-

1. The recognition of all grant commitments, already processed, and approved, through the Arthritis Research UK committee peer review structure beyond the initial three months of the grants remaining life, at the balance sheet date. The first three month commitment being recognised as a currently liability.
2. Recognising the commitment of Arthritis Research UK to provide a series of major long term scientific projects and initiatives to 2017-18 (£34m). Funds 1 to 2 above illustrate our long-term commitment to excellence in medical science.
3. Fixed Asset Fund – represents the net book value of fixed assets held by Arthritis Research UK for its own use (note 12).

18. Analysis of Group and Charity Net Assets between Funds

	General Funds £'000	Designate d Funds £'000	Revaluatio n Funds £'000	Restricted Funds £'000	Total £'000
Fund balances at 31 March 2013 are represented by:					
Tangible fixed assets	-	5,472	-	-	5,472
Investments	(1,787)	86,489	34,304	-	119,006
Current assets	21,097	-	-	(266)	20,831
Current liabilities	(13,949)	-	-	-	(13,949)
Provisions	(259)	-	-	-	(259)
Total net assets	5,102	91,961	34,304	(266)	131,101

General funds comprise the General Reserve and the Revaluation Reserve which are unrestricted.

19. Pension Arrangements

Arthritis Research UK contributes to three pension funds whose assets are held separately from those of Arthritis Research UK in independently administered funds. Two of these schemes, one a defined contribution scheme and the other a Group Personal Pension plan administered by Prudential Assurance Company Limited, are closed to new members and combined contain less than five members. The Charity's current Group Personal Pension Plan is managed by Scottish Life. All employees are eligible for membership and are actively encouraged to join. All three schemes are accounted for as defined contribution schemes. The pension charge for the period ending 31 March 2013 represents contributions payable by Arthritis Research UK to the funds and amounted to £201,664 (2012: £807,539).

20. Operating Leases

The committed leasing charges for rent of land and buildings for the next financial year amount to £617,998 (2012: £639,950). **This amount comprises of committed leases due to expire in:**

	2013 £'000	2012 £'000
Less than 1 year	125	27
2 to 5 years	326	250
Over 5 years	166	363
	617	640

21. Related Party Transactions

Four Arthritis Research UK Trustees were based at UK institutions which received grant payments during the course of the year. The details are as follows:

Trustee	Institution	Amount Recognised £'000	Awarded 2013 £'000
Professor Mike Pringle	University of Nottingham	89	-
Professor Sir Patrick Sissons	University of Cambridge	(67)	-
Professor Sir Alex Markham	University of Leeds	360	150
Professor David Isenberg / Professor David Marsh	University College London	726	1,003

22. Capital Commitments

There were no capital commitments at 31 March 2013 or 31 July 2012.

23. Contingent Liabilities

There were no contingent liabilities at 31 March 2013 or 31 July 2012.

24. Research Grants Awarded (not included in the accounts)

	2013 £'000	2012 £'000
30 awards over £10,000 (2012: 185 awards)	15,410	25,499
0 awards less than £10,000 (2012: 27 awards)	-	22
Supplements to existing grants	-	3
Awards no longer required	(487)	75
	14,923	25,599

25. Education Grants Awarded (not included in the accounts)

	2013	2012
	£'000	£'000
0 awards over £10,000 (2012: 11 awards)	-	371
21 awards less than £10,000 (2012: 26 awards)	32	40
Awards no longer required	(8)	-
	24	411

All grant awards are made to institutions. Details of grants awarded over £10,000 are shown in note 27.

26. Provisions for Liabilities (Charity and Group)

	2013	2012
	£'000	£'000
At 1 August 2012	80	79
Charge during the period	179	1
At 31 March 2013	259	80

The above provision relates to those shops where there is a requirement to return the property at the end of the lease in a specific condition.

27. Detailed Schedule of Grants Awarded in the Year

	Recognised Awards (note 6 refers) £'000	Number of Grants	Awarded (over £10,000) £'000
Academic Rheumatology Unit	21		
Bath Royal United Hospital Trust	18		
Biomedical Research Centre	89		
Bone & Joint Research Unit	20		
Cardiff University	282	1	202
Centre for Experimental Medicine & Rheumatology	31		
Centre for Rheumatic Diseases	139		
Centre for Rheumatology & Connective Tissue Diseases	23		
Centre for Rheumatology Research	28		
Corbett Hospital	332		
Core Funding	719		
Dept of Computer Science	19		
Dept of Immunology & Molecular Pathology	67		
Dept of Infection, Immunity and Biochemistry	(18)		
Dept of Medical & Molecular Genetics	38		
Dept of Orthopaedics	(113)		
Dept of Public Health	11		
Dept of Rheumatology	16		
Dept of Social Medicine	(20)		
Dept of Veterinary Basic Sciences	75		
Division of Genetics & Molecular Medicine	18		
Division of Immune Cell Biology	25		
Division of Surgery & Oncology	16		
East Lancashire Hospital NHS Trust	13		
Human Pain Research Group	28		
Imperial College London	329		
Keele University	1,129	1	2,200
Kennedy Institute of Rheumatology	124		
King's College London	559	5	1,033
Laboratory of Molecular Biology	29		
MRC Human Immunology Unit	29		
Musculoskeletal Education & Research Unit	74		
National Centre for Prosthetics & Orthotics	48		
National Institute for Medical Research	47		
Newcastle PCT	0	1	176
Newcastle University	28	2	265
NHS Greater Glasgow & Clyde	693		
Nottingham University Hospitals NHS Trust	155	1	500
Nuffield Dept of Orthopaedics, Rheumatology & Musculoskeletal Sciences	(50)		
Paediatric Endocrinology	22		
Pharmaceutical Sciences			
	53		

Detailed Schedule of Grants Awarded in the year (continued)

Psychology	38		
Queen Mary University of London	(61)		
Queen's University Belfast	132		
Rheumatic Diseases Unit	(69)		
Robert Jones & Agnes Hunt Orthopaedic & District Hospitals Trust	47	1	100
Salford Royal Hospitals NHS Trust	86		
School of Community Based Medicine	123		
School of Health & Social Care	93		
School of Medicine & Dentistry	21		
Section of Musculoskeletal Disease	14		
The Royal Veterinary College	104		
Trauma and Orthopaedics	(50)		
University College London	726	4	1,003
University of Aberdeen	184		
University of Birmingham	(673)		
University of Bristol	101	1	256
University of Cambridge	(67)		
University of Dundee	34		
University of East Anglia	155	1	77
University of Edinburgh	460		
University of Glasgow	(427)	3	3,798
University of Leeds	360	1	150
University of Liverpool	194		
University of London	130		
University of Manchester	2,257	2	2,135
University of Nottingham	89		
University of Oxford	361	5	3,376
University of Salford	103		
University of Sheffield	81		
University of Southampton	586		
University of Strathclyde	40		
University of the West of England	82	1	139
University of Warwick	(118)		
University of York	(87)		
Wellcome Trust Sanger Institute	32		
Wrightington, Wigan & Leigh NHS Foundation Trust	34		
Recognised Grants of less than £10,000	45		
Total Research Grants Recognised and Awarded	10,306	30	15,410

28. Detailed Schedule of Grants Awarded in the Year - Education

	Recognised Awards (note 6 refers) £'000	Number of Grants	Awarded (over £10,000) £'000
University of Oxford	78		
Queen Mary University of London	44		
University Hospitals Coventry & Warwickshire NHS Trust	42		
Division of Physiotherapy Education	36		
Glasgow Caledonian University	36		
University College London	33		
University of Warwick	31		
Teesside University	21		
Newcastle University	20		
Leeds General Infirmary	18		
Newcastle Upon Tyne Hospitals NHS Foundation Trust	16		
University of Nottingham	14		
King's College London	13		
St George's University of London	13		
Cardiff University	(18)		
Research & Education	(29)		
Recognised Grants of less than £10,000	29	21	32
Total Education Grants Recognised and Awarded	397	21	32

Details of the Committees which support the Board of Trustees

Appointments and Remuneration Committee

Responsible for the appointment of Trustees and the Chief Executive and for agreeing the remuneration and pension arrangements for the organisation as a whole.

Mrs Charles Maisey (Chair)
Mr Tom Hayhoe

Professor Sir Alex Markham
Professor Mike Pringle

Finance Committee

Responsible for Arthritis Research UK's financial and investment policies and management.

Mr Tom Hayhoe (Chair)
Mr Jonathan Baker
Mr Joe Carlebach

Mr Peter Henderson
Mr Charles Maisey (ex officio)
Mr Alan Torry

Scientific Strategy Committee (SSC)

Advises the Medical Director on the necessary strategies to achieve the research goals of Arthritis Research UK and reports to the Board of Trustees.

Research and Academic Capacity Committee (RECAP)

Supports the career development of suitably qualified individuals across all relevant areas who can deliver on Arthritis Research UK's research and related academic goals.

Professor David Scott (Chair)
Professor Justin Mason (Vice Chair)
Professor Nigel Arden
Professor Deborah Bax
Professor Ian Clark
Professor Jon Cohen
Professor Anne Cooke

Mr Steve Gwilym
Professor Sarah Hewlett
Professor Rob Moots
Dr Ken Poole
Professor Drew Rowan
Professor Hamish Simpson
Professor Jim Woodburn

Programme Grant Sub-Committee (PGSC)

Undertakes the annual review of programme grant applications and reports recommendations for programme grant funding to the Scientific Strategy Committee.

Professor Graham Russell (Chair)
Professor Tim Cawston (Vice Chair)
Professor Gordon Blunn
Professor Andy Cope
Professor Dorian Haskard
Professor Eric Jenkinson

Professor Dermot Kelleher
Professor Iain McInnes
Professor David Murray
Professor Thomas Pap
Professor Brigitte Scammell

Clinical Studies Sub-Committee (CSS)

Reviews and makes recommendations on funding for clinical trials and other related studies across the breadth of rheumatology and musculoskeletal diseases. Reports to the Scientific Strategy Committee.

Professor Janet Darbyshire (Chair)
Professor Daniel Aletaha
Professor Sita Bierma-Zeinstra
Dr Angela Crook (joined 1 March 2013)
Dr Laure Gossec
Professor Hazel Inskip (joined 1 September 2012)

Professor Tore Kvien
Professor John Norrie (joined 1 September 2012)
Professor Danielle van der Windt
Professor Paula Williamson
(resigned 31 July 2012)

Research Sub-Committee (RSC)

Meets twice a year to consider applications for project and equipment grants and reports to the Scientific Strategy Committee.

Professor Gill Murphy (Chair)
Professor Derek Mann (Vice Chair)
Professor Charles Archer
Professor Anne Barton
Dr Alexandra Blakemore
Professor Ray Boot-Handford
Professor Anthony Bull
Professor Richard Cornall
Dr Alison Gartland

Professor Simon Jones
Professor Eugene McCloskey
Mr Dominic Meek
Professor Costantino Pitzalis
Professor Peter Taylor
Dr Tonia Vincent
Professor Stephen Ward
Mr Mark Wilkinson

Fellowships Implementation Committee (FIC)

Awards funding for Arthritis Research UK's fellowship schemes and PhD studentships, reporting to the Research and Academic Capacity Committee.

Professor Jon Cohen (Chair)
Professor Jackie Oldham
(Vice Chair, Health Sciences)
Professor David Abraham
Professor Ian Bruce
Professor Ian Clark
Professor Cyrus Cooper
Dr Fiona Cramp
Professor Cosimo De Bari
Professor Colin Farquharson
Professor Allen Goodship
Dr Gisli Jenkins
Dr Kika Konstantinou
Dr James Lieper

Professor Ann Morgan
Professor Mauro Perretti
Professor Andy Pitsillides
Professor Eva Qwarnstrom
Dr Tony Redmond
Dr Afsie Sabokbar
Professor David Sansom
Professor Blair Smith
Professor Lucy Wedderburn
Professor Paul Winyard
Professor Jane Worthington
Dr Weiya Zhang

NB: Arthritis Research UK's Chief Executive, Medical Director, Research Managers and Head of Research and Education are ex officio members of all the above medical committees.

USER Stakeholder Committee

Advises the funding committees on the relevance and importance of the research proposals Arthritis Research UK receives. This committee comprises clinically active and research inactive health professionals and appropriately selected members of the public.

Professor Alan Silman (Chair – programme grants)

Dr Robert Marshall (Chair – project/equipment grants)

Ms Alison Allam

Mrs Wendy Broderick

Dr Marwan Bukhari

Dr Claire Burton

Mr David Chandler

Professor Ian Clark

Dr Nicola Goodson

Mr Michael Green

Mrs Maureen Grossman

Mr Matthew Homfray

Dr David Hutchinson

Mr Phillip Knowles

Mrs Joanne Koukis

Mr Mark Ranson

Mr Manoj Sood

Ms Janet Suckley

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