



2015/16

Annual Report
& FINANCIAL STATEMENTS

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Report from the Chair and Chief Executive Officer

We will contribute
to make changes
and enhancements
to ensure that we
meet the highest
standards

Welcome to the Arthritis Research UK Annual Report

A future free from the pain of arthritis? It is possible – we believe it as passionately now as we ever did; since our inception, this ambition has driven all that we are and all that we do.

It is a vision that unites everyone at Arthritis Research UK – from the researchers in our labs, to the GPs that we train; from the people at the end of our information and enquiries line to the accountants who ensure that generous donations from our supporters are managed properly.

And it is a vision that has been the consistent, driving force behind all our activities, strategic decisions and progress this year.

We welcome greater transparency now and in the future

To achieve our vision and create a better future for the one in six people in the UK affected by arthritis¹, we need the complete trust and confidence of our supporters. Which is why we have welcomed the greater scrutiny of the charity sector this year. It is right that we are held accountable for how we raise our money, what we spend it on and the impact that we are having. We are also committed to working closely with the Institute of Fundraising and the new Fundraising Regulator to address the issue of shaken confidence amongst the public when it comes to fundraising methods.

We have reviewed our policies and procedures relating to compliance, permissions, supporter care and fundraising practice. We will continue to make changes and enhancements to ensure that we meet the highest standards set out by the various regulatory bodies as well as our organisational ethics.

1. We use the term arthritis throughout this report. Arthritis and other musculoskeletal conditions are disorders of the joints, bones and muscles – including osteoarthritis, rheumatoid arthritis, back pain and osteoporosis – along with rare but serious systemic autoimmune diseases such as lupus. Together, these conditions affect around ten million peoples across the UK. Our remit covers all these conditions.

Our finances in 2015/16 – three important developments

We have increased the proportion of our income spent on charitable activities from 69% in 2014/15 to 70%. The amount we spend on raising funds has remained relatively static at £7.34m (2014/15 £7.25m).

We are clear that all of our sources of income must deliver an appropriate return on investment. We took the difficult decision this year to close our shop based retail operation after a careful review. We believe that the investment required to deliver a strong and sustainable profit from our shop network can be more effectively redeployed. By the end of 2017 we will have closed all our existing shops. We would like to take this opportunity to thank all of our retail colleagues for their hard work and commitment to the organisation.

Last year, as you may recall, we committed to spending our reserves on the ambitious and transformational elements of our new five-year corporate strategy. 2015/16 has been about developing the plans, which means that the first tranche of our expenditure will begin in 2016/17. It will focus on ambitious new initiatives, aimed at making a positive impact on the quality of life for people with arthritis.

You can read more about the details of our finances in the financial review.

Refocusing our purpose to address the needs of people with arthritis

Our work over the last 80 years has changed the lives of the millions of people around the world who live with arthritis. Our research has led to real change and medical advancement in particular. But there is so much more that needs to be done, and our work over 2015/16 made this starkly clear.

As part of our commitment to engaging with people with arthritis to better understand their unmet needs, we carried out new research. We found that nearly two-thirds (57%) of people with arthritis experience pain every day and that they have lived with that pain for decades. Many are dissatisfied with the quality of their pain treatments and medication, as well as the level of information and advice available. This adds to a general sense of hopelessness and fear for the future. The physical effects of arthritis impact on every aspect of mobility and independence, influencing social and family relationships, sometimes leading to an undermining of confidence, often causing mood swings and depression.

As well as revealing individual stories, our research confirmed the wider impact of arthritis on UK society. Less than two thirds of working-age people with a musculoskeletal condition are in work and these conditions are now the leading cause of sickness absence, resulting in a fifth of all absence. It also highlighted the ongoing stigma around arthritis, leading to people feeling invisible and misunderstood, not only in day-to-day life, but also by their health care professionals.

We now have a much richer and deeper understanding of the needs of people living with arthritis, what would improve their quality of life and what we can do to have the greatest impact. It is why – as we reported last year – we are passionately and ambitiously refocusing our approach for the years to 2020. We remain committed to researching a cure for arthritis in all its forms, but also looking beyond traditional ‘biomedical’ research to behavioural research and non-research activities aimed at prevention. We are also resolutely focused on changing lives today, as well as those of future generations with investment in a broader range of activities.

We are passionately
and ambitiously
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approach for the
years to 2020

There are now
158 newly-elected
MPs committed to
championing the
needs of people
with arthritis

Putting our new approach into practice in 2015/16 and beyond

We have developed the blueprint for a range of new charitable activities aimed at informing and supporting people with arthritis, which are set to launch in 2016/17. We have re-launched our successful Royal College of General Practitioner training, improving how musculoskeletal conditions are diagnosed and managed in primary care. We have increased the involvement that people with arthritis have in our research decision making; we have launched new research calls in innovative science and moved into health services research. And we have given people with arthritis an opportunity to share their experiences of living with arthritis as part of National Arthritis Week.

Building on our influencing and campaigning work, there are now 158 newly-elected MPs committed to championing the needs of people with arthritis in the current parliament. We have also been working on changing our governance structure, to ensure that our board and committees reflect our change in focus and can continue to hold the charity to account.

In 2016/17 we will be building on our successes. We will be launching our enhanced enquiries service and personalised information portal, designed to support and empower those struggling with the pain of arthritis. We will champion best practice in musculoskeletal services, delivering better care and support. We will be developing our income generation further. And with our colleagues in the research sector, we will be setting a strategic road map for how we can crack pain.

Thank you

As always, we acknowledge that none of our work would be possible without the incredible support from our donors, partners, researchers, volunteers and staff. A huge thank you to everyone for their commitment and contribution over the year.

Mr Charles Maisey
Chair of the Board of Trustees

Dr Liam O'Toole
Chief Executive Officer



Report of the Trustees (including the Strategic Report)

The Board of Trustees presents its report and audited financial statements for the year ended 31 March 2016. The trustees confirm that the report and financial statements presented here comply with the current statutory requirements, the requirements of the charity's governing documents and the requirements of the Charities Statement of Recommended Practice (Financial Reporting Standard 102), issued by the Charity Commission in July 2014.

The Trustees 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 purpose

Over the next five years to 2020 we want to make a positive and tangible change in the quality of life of people with arthritis so that they can say: "I am in control, independent and recognised." Our long-term commitment is to:

- Prevent arthritis – we need to build on our heritage of medical advances and look beyond traditional 'biomedical' research to behavioural research and non-research activities aimed at prevention.
- Find a cure – finding a cure for arthritis in all its forms remains at the heart of everything we do.
- Transform the lives of people with arthritis – prevention and cure may not be achieved for decades. The beneficiaries of this work and investment will be future generations. We have the opportunity, the resources and expertise to transform lives today. This requires an investment in a broader range of charitable activities aimed at impacting directly the lives of people living with arthritis.

During 2015/16, we have made considerable progress towards our vision but there is still a lot to do.

- Arthritis remains 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.

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What we have achieved this year

Our key aims for 2015/16 to progress in achieving our 2020 objectives were:

- To speak to more people with arthritis to better understand what quality of life means for them, so that we can prioritise what we will do to meet their unmet needs.
- To develop a new approach that builds on the research we have traditionally funded to extend it into new areas to support improving quality of life.
- To contribute to filling the gap in musculoskeletal data and explain how we will collect, use and communicate health intelligence to reduce the impact of arthritis on quality of life.

Over the course of the year we have achieved these aims and more.

Jane Whitehead

Mother of Lily aged 7

Juvenile Idiopathic Arthritis (JIA)

Lily has had JIA since she was 3 years old. The condition started with a limp and went rapidly downhill. She was unable to walk and developed a painful eye condition that put her sight at risk.

“

When Lily's eyesight was at risk and the eye consultant suggested she take part in a trial, I was reluctant at first, but then what was the alternative? It was an 18-month clinical trial, testing anti-TNF injections. From the very first injection it was clear that Lily wasn't on the placebo, and the effect on her health and energy levels was amazingly quick.

Now she does gymnastics, bounces about and is a very good swimmer. In fact, you wouldn't know there was anything wrong with her. We found out the drug was Adalimumab and that Arthritis Research UK had funded the drug. All I can say is that we are very grateful to the work the charity does and would really encourage people to get involved in any of their research programmes.

”



£21 million of new
research grant
commitments were
made in 2015/16

Through our research

Listening to the needs of people with arthritis

We conducted two important pieces of research drawing directly on the experience of people living with arthritis: a review of information and support needs, along with a comprehensive piece of social market research. Together, this research has greatly increased our knowledge base from an individual's perspective. As a result, we have developed our comprehensive Quality of Life model reflecting the needs of people living with arthritis, which is now informing our work, as well as a range of new interconnected products and services that empower people with the support they need to make the right choices for them.

In July 2015 the Trustees approved a new approach to research funding which is opening up new areas of activity based on our five-year strategy and putting people with arthritis at the heart of our decision-making.

Musculoskeletal data

We're also furthering our collaboration with many organisations to address the gaps in musculoskeletal data. This has resulted in us launching a Musculoskeletal Health Questionnaire pilot, in partnership with NHS England, the first tool of its kind in the UK to estimate the prevalence of a range of musculoskeletal conditions. Introducing the routine and systematic use of such tools throughout musculoskeletal health services will address the gaps in current levels of health intelligence. It will support clinical decision-making, drive forward improvements in quality and ensure that the best services are rewarded for their achievements.

Patient involvement

Building on the success of our USER group we expanded our patient and public involvement (PPI) in research to include:

- **Working with the Chronic Fatigue Syndrome Research Collaborative to facilitate a workshop for researchers and patients to discuss and identify common unmet needs for people who live with profound levels of fatigue.**
- **Developing researcher training on PPI to equip researchers with the tools and knowledge they need to effectively implement PPI in their own research activities.**
- **Funding researchers at the University of Manchester's Epidemiology Unit to run the world's first smartphone-based study to investigate the association between pain and weather.**
- **Asking fourteen people with arthritis from the Arthritis Research UK Pain Centre PPI group in Nottingham to evaluate grant applications.**

£21 million of new research grant commitments were made in 2015/16 (see note 4).

Expanding our research funding

We have also carried on with the important funding of transformative research including:

- Investing £5 million in new grants focussed on unlocking the link between gut bacteria and the development of immune diseases. If successful, this could one day lead to a vaccination for arthritis.
- We joined with the Medical Technologies Innovation and Knowledge Centre to provide strategic funding and project management support to progress research ideas with commercial potential. Three applications, that have both genuine commercial promise and answer a huge unmet need in patient treatment, were funded.
- Our research shows that pain and fatigue have a huge impact on quality of life. This year, five new pieces of research were funded to directly address these issues:
 - 1) Active immunisation approach to combat chronic pain.
 - 2) Behavioural and neural biomarkers of fatigue in inflammatory arthritis.
 - 3) Sleep and Rheumatoid Arthritis health-related quality of life.
 - 4) Dissecting the tripartite relationship of fatigue, autonomic dysfunction and immune dysregulation.
 - 5) Viscero-sensory processes and neural responses to inflammation.
- Health services research, focusing on musculoskeletal conditions, is currently underfunded. We decided to fill this gap by joining with partners and committing to new and innovative grants across Health Services Research. The Awards will be announced in 2016/17.
- We believe that there is a need for better developed products which address some of the challenges faced by people with arthritis in their daily life, for example how to do up a zip if you have severe arthritis in your hands? This year we collaborated with the Design Council to fund a new research call to encourage designers to develop new products and living aids to help people with arthritis.

Important outcomes of our funded research

Our funded research also generated interesting and important outcomes, some of the key findings are:

- Tight control of disease activity in psoriatic arthritis, using a targeted approach, significantly improves the joint and skin outcomes for newly diagnosed patients, with no unexpected side-effects. These findings should provide clinicians with clear evidence of an intensive, targeted treatment approach in the conditions.
- Individual stem cells that can regenerate tissue, cartilage and bone, have been identified. This is an exciting step towards developing an injectable, safe, stem cell therapy for people with osteoarthritis.

We have scoped
our information and
support for people
with arthritis

- A blood test that looks for antibodies could reliably show those who will suffer from rheumatoid arthritis up to 16 years before the condition takes effect. This research provides the basis of tests that could improve diagnosis and, importantly, detect disease at a very early stage, with the promise that people at risk of developing rheumatoid arthritis can be followed before the disease begins.

Through our information, influence and awareness

Influence

We have worked persistently this year to ensure that the voice and needs of people with arthritis are recognised by decision-makers, and to position Arthritis Research UK as an authoritative voice of the musculoskeletal sector.

People with arthritis won a massive victory through our #NoTimeToLose campaign in the run up to the Government's Spending Review. This helped to prevent further planned cuts to disability benefits, and secured Government spending for science for the next five years, including for research into a cure for arthritis.

Over 115 Arthritis Champion MPs, including the Prime Minister David Cameron, Rt Hon David Cameron MP entered Parliament after our campaign. These champions are committed to standing up for people with arthritis. In total, there are now 158 Arthritis Champion MPs in Parliament. Additional highlights this year include:

- A roundtable on 'multi-morbidities', to explore the impact of living with multiple long-term conditions including arthritis, and areas of common interest to empower and support people living with more than one long-term condition.
- We became a member of the Richmond Group of Charities, a collective voice to influence health and social care policy with the aim of improving care and support for the 15 million people living with long-term conditions like arthritis.
- We worked in coalition with the Disability Benefits Consortium to successfully prevent changes to Personal Independence Payments for disabled people, and campaigned alongside people with arthritis against the proposed cut to Employment and Support Allowance.

Information and advice

In response to our new five-year strategy, we appointed a new director of strategic development to realign and lead the health promotion and engagement teams. We have scoped and developed the activities underpinning our new information and support offered to people with arthritis including: the development of a multi-channel enquiries service and a new information portal to improve access to our information content.

Jane Taylor

55 years old

Rheumatoid arthritis and antiphospholipid syndrome (APS)

Our research has made a huge difference to Jane's life since she was diagnosed with rheumatoid arthritis aged 26. As a chair of our USER committee Jane has used her experience of living with arthritis to ensure we make the best use of the donations we receive.



“

Without doubt I'm a real success story. After a number of miscarriages I was finally diagnosed with antiphospholipid syndrome (APS) and received treatment. I now have three beautiful children, and it's fair to say that Arthritis Research UK was instrumental in the research that allowed me to have my kids.

In my late 40s I then started anti-TNF therapy for my rheumatoid arthritis and the results have been amazing. The treatment over the last seven to eight years has given me back a quality of life I never thought I'd have.

The charity does amazing work, they're behind lots of the research that goes into finding treatments and cures for lots of diseases, not just arthritis. I'm really looking forward to getting that message out there and feel positive about the future.

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As reported in last year's annual report, we tested an approach to changing behaviour of people over the age 50 who have knee and hip osteoarthritis. We engaged with 200 people with arthritis, 52 people signed up to take part in our 12-week pilot exercise intervention and 46% of these completed the programme. While we will not be scaling up the pilot, the learnings are informing future activity.

We continued to provide information content to people with arthritis and health care professionals. We distributed over a million pieces of print information and 5 million people visited our website for information, with 450,000 downloading our information booklets.

Increasing GPs' confidence

We launched our Core Skills package in musculoskeletal care which aims to help GPs and professionals working in primary care to increase their confidence in assessment, diagnosis, investigation and treatment of musculoskeletal problems, and incorporates the very latest clinical guidance.

The training package has received educational endorsement from The National Institute for Health and Care Excellence (NICE) for embedding NICE recommendations and use of the quality standards. This year we reached over 3,500 GPs at conferences and through our core skills e-learning package. As a result, we estimate over 2.1 million musculoskeletal-related consultations in 2015/16 were held by a GP who had accessed our core skills programme.

Giving people with arthritis a voice

We engaged with people with arthritis, giving them an opportunity to share their experiences. Our National Arthritis Week 'Share Your Day' campaign resulted in nearly 1,000 people sharing their story with the organisation to influence our pain and fatigue research. People with arthritis have also had the opportunity to share their experiences through our Joint Pain and You survey.

Via our volunteers

The work of our volunteers is felt across all spheres of our activities, but is particularly important in three key areas – information provision, community fundraising and retail.

We are extremely grateful for the continued support of over 200 expert authors and reviewers, who give their time to contribute to our patient information, helping us to ensure that the content is clear, accurate, relevant and current. With their support and input we have updated over 30 of our publications in the last 12 months.

We currently have 115 branches, which are volunteer fundraising groups, and approximately 1,188 volunteers. We also have 178 volunteers in our retail network. Many of our volunteers have been generously giving their time to help us for over 20 years. Our volunteers fundraise on our behalf across England, Wales, Scotland and Northern Ireland, and have raised as much as £235,000 through street and supermarket collections, bake sales, coffee mornings and public events.

Our retail operation currently has 16 shops and a total of 185 volunteers. The volunteers carry out a variety of tasks such as steaming garments, working on the tills, arranging displays and cleaning. They also play a part in shop fundraising activities during special events. Each shop only has between 1 and 2.6 full-time paid staff (or the equivalent) and without volunteers our shops would not be able to open full time.

Through our income generation

There are now over 10 million people in the UK living with the pain of arthritis. This means we need to maximise our income to make sure we're best able to deliver programmes that will make a real difference to as many people as possible.

Changes to our retail portfolio

It's critical that all our income-generation streams deliver strong and sustainable return on investment. In July 2015, we made the decision that the level of investment required to deliver strong and sustainable profit from our shop network can be more effectively deployed elsewhere. Six shops closed over the last year and the rest are due to close by the end of 2017.

Leveraged funding

For each £1 of funding received from Arthritis Research UK, an additional 72 pence has been secured from other funding organisations by those researchers¹. In total, this approximates to £85 million of follow-on funding gained from these grant holders.

1. Based on information reported to us from award holders, through the most recent analysis of Researchfish data we estimate the amount of leveraged funding to be £0.72, represented across our grants.

Legacy income

This continues to provide the organisation with over half its funds, and is, of course, essential in helping us deliver our charitable activity. Our legacy income decreased by 9% on the previous year and we will continue to protect and look to grow this source of income over the coming years. We are, as ever, most grateful for our legacy contributions.

Fundraising

Income generated through donations and sponsorship achieved a small increase of 2% on the previous year despite a challenging external fundraising environment. We recognise that we need to make ongoing, necessary investment in maintaining and increasing our donor base in order to protect our voluntary income streams in the future. This investment was reinstated in 2015/16 and will continue each year.

Income generated by our trading and shop based retail activities decreased by 15% on the previous year.

We recognise that our donors are central to us achieving our charitable purpose and we are grateful for their continued trust and generous support. Given some of the challenges around more traditional methods of fundraising we will be exploring new income sources over the next few years.

By changing our governance structure

It is essential for us to ensure the rigour of our governance structure. As we develop as an organisation, it's crucial that our governance structure changes to meet the needs of the charity.

As we have broadened the type of activities we are undertaking, with the development of our information and advice offerings, we have changed the oversight of our charitable activities. Our scientific strategy committee has, therefore, been stood down and a new Charitable Purposes Committee set up, with a broader spread of expertise and wider remit.

We will also be developing a new governance structure in research, to ensure that we continue to gain the expertise of the research and scientific community.

We have also welcomed two new members of the board of trustees to ensure that we have the right mix of skills and experience to oversee our organisations role. And in 2015/16 we conducted additional training for our entire board of trustees.

Looking to 2016/17...

Drawing on our deep understanding and expanding knowledge of the needs of people living with arthritis, there are six areas that we will focus on to achieve our objective to 2020:

- 1) We will find and engage with people with arthritis to increase the number of people seeking help from us.
- 2) We will deliver our information and advice offer so people feel informed and supported.
- 3) We will influence the local and national environment, piloting new activity so that we improve all environments and provisions for people with arthritis.
- 4) We will deliver impactful research into prevention, treatment and cure that transforms people's lives.
- 5) We will develop the organisation's infrastructure, capacity, capability and skills.
- 6) We will raise income that is integrated with our activities and allows us to do more.

Over 2016/17, we have identified eight deliverables that we must achieve to get us closer to achieving our objective.

- Launch a user-centred enquiries service that responds effectively to the needs of those who contact us.
- Establish a peer-to-peer grant fund to support local groups and an innovations/scale-up fund.
- Launch a 'pain challenge' research call to the value of £5m, with a roadmap for future pain research to be funded from a major integrated fundraising appeal in 2017.
- Launch a research call and roadmap designed to promote a new understanding of arthritis and to find a cure.
- Build and launch an online 'information portal' that provides interactive access and user-generated information to support those most in need.
- Develop a clear plan for UK research investment in musculoskeletal conditions to 2030, with an associated multi-million pound investment in a partner institute.
- Change the profile of the organisation with new roles and teams that add capacity and bring in new skills, as well as investing in our offices to support best practice in achieving good musculoskeletal health in the workforce.
- Put in place the foundations to launch a targeted marketing campaign in spring 2017 to increase understanding of the significance of arthritis and recognition of our role.

As we head further into 2017 we aim to increase the adoption of interventions, practices and guidance that we have identified as good care for people with musculoskeletal conditions. We will also broaden the range of healthcare and fitness professionals that we consult with, increasing the number of our professional 'alumni'. And when it comes to financing our initiatives, we will diversify our fundraising audience and increase our income streams in order to support growth in our voluntary income.

We will be supporting people with arthritis in a way we haven't done before, with new services and offers that enable and empower them to improve their quality of life. We will monitor our progress in achieving these deliverables using milestones and indicators in our regular performance reporting, and provide a summary of our successes and impact in the next annual report.

Carrie Thompson

23 years old

Rheumatoid arthritis and Ehlers-Danlos syndrome

Carrie is a gifted singer, who is studying for a Postgraduate Degree at the Royal College of Music.

“

From my very first diagnosis, Arthritis Research UK has been an important, trustworthy source of information. I was 18 when I was first diagnosed and my immediate reaction was that it was an old person's condition so I couldn't possibly have it.

I think this shows that arthritis is still much misunderstood in society, so it's really important that Arthritis Research UK continues its work raising the profile of the condition. The social aspect of Arthritis Research UK is another side of the charity that helped me – and it's one of the reasons I'm happy to be involved today.

”



Thank you

We would like to thank all our staff, volunteers, donors, campaigners, trusts, foundations, corporate supporters, celebrity supporters, contributors, reviewers, researchers, advocates, spokespeople and partners.

We would also like to say a special thank you to the many people living with arthritis that have spoken out and shared their stories. Through interviews, fundraising activities and campaigning, we have been able to raise awareness of the impact arthritis has on everyday lives and generate much needed funds.

Quite simply, our work wouldn't be possible without you. Through your generous contributions you have helped make a real difference in the advancement of arthritis research and crucially, to the lives of people living with arthritis.

- Shelagh and Tom Allen
- The AMW Charitable Trust
- Aviva Health UK Limited
- Bill Brown Charitable Trust
- The Binks Trust
- The Bothwell Charitable Trust
- The Cadogan Charity
- David and Claudia Harding Foundation
- The Constance Travis Charitable Trust
- Derbyshire Clay Shoot & Committee
- Donald Forrester Trust
- The Edith Murphy Foundation
- The Elizabeth & Prince Zaiger Trust
- The Eveson Charitable Trust
- Richard Froomberg
- The Joan Lynette Dalton Charitable Trust
- The Harry Bacon Foundation
- The James and Patricia Hamilton Charitable Trust
- Kathleen Laurence Trust
- Knowle & Dorride Lions
- The Liz and Terry Bramall Foundation
- Andrew Lumley
- Miss M B Reekie's Charitable Trust
- Next plc
- P F Charitable Trust
- Pfizer Ltd
- Patterson Medical Limited
- David Pocknell
- Sir Edward Lewis Foundation
- The Sir James Reckitt Charity
- The Souter Charitable Trust
- Miss Mary Stokes
- St Patrick White Charitable Trust
- The Swire Charitable Trust
- The Tyrrell family
- The Violet M Richards Charity
- William A Cadbury Charitable Trust
- All donors from The Lantern Opera 2015
- The Royal College of Surgeons
- Medical Research Council
- Design Council
- National Institute of Health Research
- Great Ormond Street Children's Charity
- Kennedy Trust
- Rheumafonds
- Academy of Medical Sciences
- Medical Technologies, Innovation and Knowledge Centre, University of Leeds
- Chartered Society of Physiotherapy
- NHS England
- Chief Scientific Officer Scotland

We also acknowledge those generous donors who wish to remain anonymous.

Financial Review

Through the generosity of our supporters we received £22.90m this year

Financial results and highlights for the period

A summary of the financial results for the year ending 31 March 2016 are set out below while the charity's full set of financial statements can be found on pages 33 to 51.

Arthritis Research UK saw a consolidated net movement in funds of £1.57m (2015: £17.91m) arising from income of £36.68m and expenditure of £33.77m, together with an overall investment & investment property loss of £1.33m.

The net movement in funds of £1.57m contributed to our reserves increasing to £170.39m. From next year to 2020 we plan to drawdown against our designated reserves to fund our six identified areas (see page 15) in order to help achieve our strategic objectives.

Income for the period

Total income of £36.68m has reduced by £3.19m compared to the previous year. The majority of the reduction has been due to lower recognised legacies and intellectual property royalties in relation to anti-TNF treatments developed by the Kennedy Trust for Rheumatology Research.

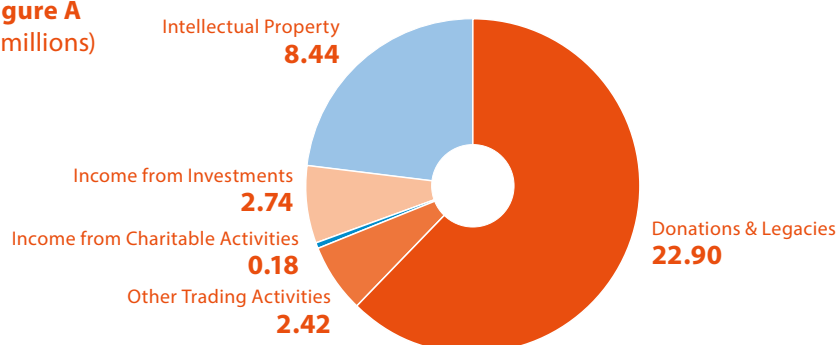
Figure A shows our total income for 2015/16 split by key activities.

We have increased the proportion of our income spent on charitable activities from 69% in 2014/15 to 70%.

Donations and Legacies

Through the generosity of our supporters we received £22.90m this year. The total of our voluntary income varies from year to year due to a range of factors and was £1.89m lower than the previous year arising predominantly from lower legacy income.

Figure A
(£millions)



Other trading activities

This income comprises predominately of mail order catalogue and shops. £2.42m was generated in 2015/16 compared with £2.84m in 2014/15. A significant element of this reduction in income arose from the decision to close our shop network (see significant events overleaf).

Investment income

This category consists of service charge income and interest and dividend income from our investment portfolio which makes up the majority of the £2.74m (2015: £2.73m). Our three investment funds all have an objective to optimise our return within the parameters of our investment policy. Two saw returns in the last year ahead of sector benchmark performance while the third saw a loss in the year compared to a benchmark gain.

Intellectual Property income

This income relates to royalties received for anti-TNF treatments developed with the Kennedy Trust for Rheumatology Research. Our patents for these treatments are set to expire in 2017/18 and we received £8.44m in 2015/16 which compares to £9.45m in 2014/15. This reduction in income is being planned for as part of our new strategy.

Income from Charitable & Other Activities

£0.18m was received (2015: £0.06m) which mainly consists of restricted income relating to specific research activities.

Significant Events

In July 2015, following detailed consideration of progress against our retail strategy and proposals for the future, the Board of Trustees made a strategic decision to close our existing shop network (currently 16 shops) over the next three years. As a charity we have ambitious plans to 2020 and believe it essential that all of our income generation streams deliver strong, sustainable return on investment. It was felt that in order to deliver a strong and sustainable profit from our shop based retail we would need to make significant further investment in our related infrastructure and governance. Based on analysis of previous years' performance and all of the available evidence, the Board concluded that this increased investment was not justified at this time.

Expenditure for the period

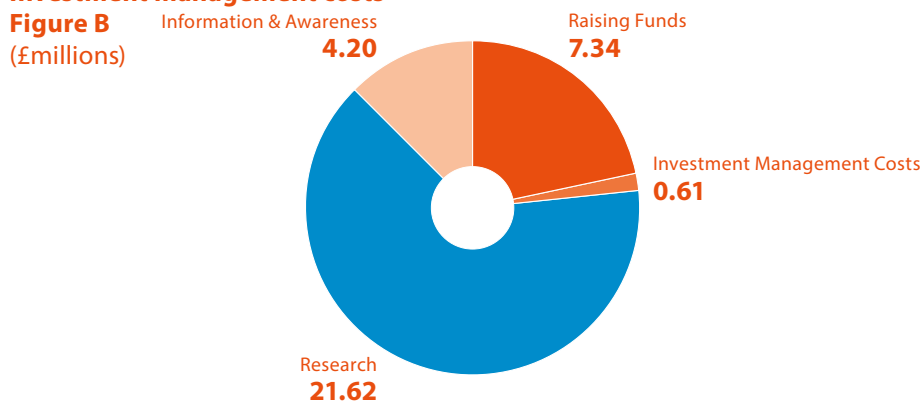
Total expenditure for the year was £33.77m which is made up of key categories summarised in figure B.

Raising Funds

This category of spend captures the costs incurred to generate legacies, donations, staging of events and operating charity shops. For 2015/16 total spend was £7.34m which was up marginally on the previous year by £0.09m.

Investment management costs

Figure B
(£millions)



Our investments are managed by Baillie Gifford & Co, Ruffer LLP and Royal London Asset Management in accordance with our investment policy. These services resulted in a total charge of £0.61m (2015: £0.56m).

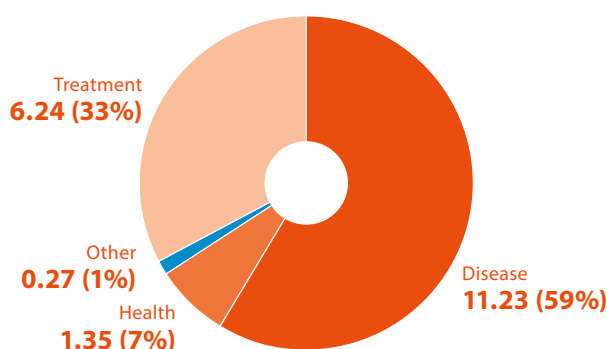
Research

Total spend was £21.62m (2015: £23.18m) which consists of research grants and related support costs.

Research grants recognised for the year totalled £19.09m (see note 4). Figure C shows research spend by key area. Note 21 on page 51 provides more detail on the grants awarded and the recipient institutions in year.

Highlights of what we have achieved this year in our Research can be found from page 9 in the annual report.

Figure C
(£millions)



Information and Awareness

We invested £4.20m in this charitable element of our work in the last year which has covered key aspects of work including the initial stage of planning and designing our online information portal, continued influence and awareness activity to position us as an authoritative voice of the musculoskeletal sector and information gathering in order to make continued improvements to our work with those living with arthritis. Our key highlights for the year are included from page 7.

Future periods

2016/17 will see more our focus move from planning to actual delivery of our strategy, including investment in charitable activities from our reserves.

Operational Savings

We continuously review our operational costs to identify savings and we expect additional annual savings of just over £0.40m from 2016/17 as a result of effective procurement in the year across a range of expenditure elements.

Balance Sheet

Our total consolidated net assets at 31 March 2016 were £170.39m, including the additional net assets arising from our 2015/16 surplus of £1.57m. Total net assets consist of £150.62m of fixed assets of which £141.46m are investments along with £20.21m of net current assets which includes £14.00m of debtors mostly made up of legacies and intellectual property investment, £19.13m of cash at bank, £0.01m of stock and £12.97m of creditors, most of which relates to grants.

In addition there is provision of £0.44m to cover potential dilapidation costs.

Trading Company

Arthritis Research UK Trading Limited is a 100% subsidiary of the charity, incorporated in England and Wales, that is engaged in non-primary purpose trading activities, namely the mail order retail operation, the sale of brought-in-goods through the charity's shops and other trading. Taxable profits are transferred, under the Gift Aid scheme, to the charity which for 2015/16 was £68,522.

Reserves policy

The charity has significant ongoing commitments to research expenditure, and a clear strategic objective to invest in new areas of charitable expenditure to improve the quality of life for people with arthritis. Investment is required in fundraising activity to sustain strategic plans, and other investment to maintain fit for purpose charity infrastructure.

The Trustees have authorised an excess of expenditure over income in future periods to fund these commitments.

Income levels are expected to fall over the coming years with the expiry of intellectual property income. Other fundraised income sources are inherently subject to fluctuation. Investment values are also subject to unpredictable market movements. Reserves are required to underpin all these factors in line with sound financial management practice.

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 held as Designated Funds.

The Trustees have further agreed a policy of holding general reserves equivalent to not less than three months' operating expenses (£3.78m).

As at 31 March 2016, the charity's total funds were £170.39m (2015: £168.82m) made up of the following categories:

		Restated
Restricted funds	£1.21m	(2015: £4.58m)
Designated funds	£142.87m	(2015: £115.21m)
Revaluation reserve	£20.13m	(2015: £42.68m)
General reserves	£6.18m	(2015: £6.35m)

The last year saw funds increase by £1.57m but there have been material fluctuations within revaluation and designated reserves arising from the reallocation of investments held with Baillie Gifford to a new investment strategy, crystallising investment gains.

The general reserves of £6.18m represent free reserves comprising of 4.9 months of forward operating expenditure. The Trustees are comfortable with the level of reserves and do not consider them to be excessive.

Funds are defined as all cash, investments, current assets less current liabilities held in the name of Arthritis Research UK and its trading subsidiary.

The charity reserves policy is kept under review by the Finance Committee with annual consideration by the Board of Trustees.

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 companies with more than 10% of disclosed sales in the tobacco industry.

Remuneration policy

Pay levels for all Arthritis Research UK employees is reviewed annually and any overall percentage increases are authorised by the Board of Trustees. Pay increases for all employees, including the Chief Executive Officer and members of the Senior Leadership Team, are subject to individual performance assessed in line with the performance appraisal criteria agreed as part of the Charity's performance management system.

Our remuneration policy for all employees is based on transparency and equality. We do this by:

- making sure that our roles are paid at a similar level to other roles in the sector – we use relevant benchmarking information when we set salaries and participate in a number of charity sector pay and benefit surveys
- paying salaries that recognise the specific skills that employees bring to their particular role
- reviewing our pay levels annually
- paying all our employees at or above the UK living wage
- recognising and rewarding the individual contribution of each employee through our annual appraisal system
- applying the same terms and conditions of employment and eligibility for employment benefits to all of our people, including our senior leadership team
- being open about how much we pay our employees.

Grants Policy

Applications for research funding are received via our online grant system in response to a specific grant call. Applications received are then validated and in accordance with the requirements of the Association of Medical Research Charities (AMRC), they are subject to external peer review. The applications and the expert peer review comments are then considered by an independent review panel who make a recommendation on whether to make an award or reject the application. All reviewers are checked for any conflicts of interest prior to being asked to review an application.

Once applications have been recommended for an award they are approved in accordance with our schedule of authority, and letters of award are then issued.

Internal controls and risk management

The Board of Trustees is responsible for ensuring that the charity has effective and adequate risk management and internal control systems in place to manage the major risks to which the Charity is exposed. It discharges this responsibility through its review of the Charity's risk management framework.

The risk management framework consists of the risk management policy and risk management toolkit which includes templates and guidance materials for each stage of the risk management cycle. Processes are in place to identify risks and mitigating actions, with operational risks being captured on directorate risk registers and major or strategic risks being captured on the corporate risk register.

The identification of risk and the progress against identified actions are reviewed quarterly by Arthritis Research UK's Finance Committee and annually by the Board of Trustees.

The main risks continuing to face the Charity are:

Risk	Management
Increased competition, economic pressures and changes in consumer behaviour impact negatively on donations and sponsorship.	<p>Fundraising strategy in place with detailed operational plans for each income stream.</p> <p>Regular financial planning and forecasting, including improved financial modelling aligned to the Charity's strategy.</p>
Incidents and events that could impact reputation and operations. This could include serious fraud, data security breach or a significant health and safety incident.	<p>Proactive monitoring, reporting and investigation of any potential adverse events and incidents.</p> <p>Proactive and reactive media and communication management in place, including ongoing digital and traditional media monitoring.</p> <p>Dedicated specialist resource in key areas such as health and safety, risk, data security and legal to support the organisation.</p> <p>Continuing programme of training and awareness for all employees.</p> <p>Continuing programme to drive improvements in IT and infrastructure security to protect Charity assets.</p>
Changes to government policy and regulations negatively impact on the Charity's strategy and activities.	<p>Ongoing engagement with key decision-makers and influencers including relevant professional membership and representative bodies.</p> <p>Representation at key events and forums to ensure the needs of people with arthritis are represented and taken into account.</p> <p>Charity teams, including policy, legal, governance and fundraising, monitor public policy and regulatory environment on an ongoing basis to ensure potential risks are proactively managed.</p> <p>Communications team actively monitoring public opinion and evolve our responses appropriately.</p>
Attracting, developing and retaining talented people in a competitive employment market.	<p>Ongoing development and effective communication of our employment offer.</p> <p>Regular external benchmarking of pay, benefits and employment policies and procedures to ensure our offer is competitive.</p> <p>Investment in internal communications, employee engagement, recognition and learning and development programmes.</p> <p>Commitment to the development of working practices that support health and wellbeing.</p> <p>Clearly articulated values and behavioural competencies that underpin recruitment and performance management.</p>
The Charity's investment portfolio is subject to adverse risk exposure and market movements.	<p>Expert financial and investment resource utilised to protect capital reserves.</p> <p>Oversight of investment performance by the Finance Committee.</p> <p>Investment policy includes capital preservation, maintenance of liquidity and reserves in real terms.</p>

Going Concern

Trustees have reviewed our financial position and plans along with our risk management and believe the Charity and the Group have adequate resources to continue operational existence for the foreseeable future and support the going concern basis for these annual accounts.



Our Structure, Governance and Management

The Charity is
extremely grateful
to its supporters

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 31 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 are Directors of the Charity. The Board delegates operational planning and day-to-day management, including financial authority, to the Chief Executive Officer and through him to the Executive Directors and staff, within approved limits.

The performance of the Chief Executive Officer 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.

The trading company Directors consist of the Chief Executive Officer and Chair of the Finance Committee who delegate day-to-day management to Executive Directors and staff, within approved limits.

Our supporters

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 is extremely grateful to its supporters, who have provided the financial wherewithal for our Trustees and other committees to develop an impressive and effective range of research, information and awareness.

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 of 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, the trading element of any fundraising events and licencing the intellectual property of Arthritis Research UK.

The Company donates all of its profits to the Charity. Its results are shown in note 11 to the financial statements.

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 as the trading company on an agency basis, and the Company is very grateful for their efforts.

During the last year we have incorporated two dormant companies as wholly owned companies; Arthritis Matters Ltd and Arthritis Matters Trading Ltd. Arthritis UK Ltd is also a wholly owned dormant company incorporated in 1997.

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 the 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 56. Also listed are the Vice-Presidents of the Charity (who do not have Trustee status). The Chair of the Board is elected for a maximum of term 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.

As set out in the Articles of Association new Trustees are appointed for their first term of office by the Appointments and Remuneration Committee and continue in office until the next Annual Board Meeting, where the appointment is approved by the Trustees. In accordance with the regulations of the Charity, the Appointments and Remuneration Committee must seek candidates for any vacancy by an external process.

New Trustees are provided with an induction training pack, and site visits. 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 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 judgements 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.

The Trustees confirm that in so far as each of the Trustees is aware:

- **There is no relevant audit information of which the charitable company's auditor is not aware.**
- **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 in 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 year ended 31 March 2016, the Trustees were supported by the committees listed below:

- **Appointments and Remuneration Committee**
- **Finance Committee**
- **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
 - 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.

*In December 2015 the Board of Trustees approved the establishment of a single, broad-based committee to oversee the complete portfolio of Arthritis Research UK's charitable activities. This Charitable Purposes Committee will replace the Scientific Strategy Committee's role in maintaining strategic oversight and will advise the Board accordingly. The inaugural meeting of this new committee was held on 2 June 2016.

Auditors

BDO LLP were appointed as auditors for the year ending 31st March 2016 and will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006. This Report including the Strategic Report was reviewed by the Board of Trustees at their meeting on 6 July 2016, and approved on 6 July 2016.



Mr Charles Maisey
Chair of the Board of Trustees



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

We have audited the financial statements of Arthritis Research UK for the year ended 31 March 2016 which comprise the Consolidated Statement of Financial Activities, 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 charity's members and trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity's 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, 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 Financial Reporting Council's (FRC'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 FRC's website at www.frc.org.uk/auditscopeukprivate.

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 2016 and of the group's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulations 6 and 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

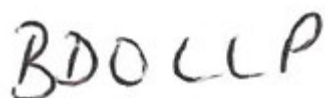
Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Report of the Trustees, which includes the Strategic Report, for the financial year for which the financial statements are prepared is consistent with the financial statements.

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.



Fiona Condron

Senior Statutory Auditor
for and on behalf of BDO LLP, Statutory Auditor
Gatwick, United Kingdom

Date: 12 July '16

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

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



Consolidated Statement of Financial Activities

(Including Income and Expenditure Account and Statement of Total Recognised Gains & Losses).
For the year ended 31 March 2016.

	Note	Un-restricted Funds £'000	Restricted Income Funds £'000	2016 Total Funds £'000	RESTATED 2015 Total Funds £'000
Income from:					
Donations and legacies	2	20,765	2,135	22,900	24,787
Other trading activities	2	2,419	–	2,419	2,839
Investment income	2	2,740	–	2,740	2,734
Intellectual property income	3	8,437	–	8,437	9,447
Charitable activities	2	47	121	168	59
Other	2	13	–	13	5
Total Income		34,421	2,256	36,677	39,871
Expenditure:					
Raising Funds	7	7,343	–	7,343	7,251
Investment management costs	7	608	–	608	556
Charitable activities:					
– Research	7	15,987	5,632	21,619	23,182
– Information & Awareness	7	4,204	–	4,204	4,459
Total Expenditure	7	28,142	5,632	33,774	35,448
Net (losses)/gains on investments	10	(1,334)	–	(1,334)	13,482
Transfer between funds	14	0	0	0	0
Net movement in funds		4,945	(3,376)	1,569	17,905
Reconciliation of funds					
Funds brought forward		164,237	4,583	168,820	150,915
Total funds carried forward		169,182	1,207	170,389	168,820

The restricted income funds are detailed in note 14. The Group has no endowment funds. The notes on pages 36 to 51 form part of these financial statements. All results relate to continuing activities.



Consolidated and Charity Balance Sheets

As at 31 March 2016.

	Note	Group 2016 £'000	RESTATED Group 2015 £'000	Charity 2016 £'000	RESTATED Charity 2015 £'000
Fixed assets					
Tangible assets	9	627	711	627	711
Investments	10	141,460	140,550	141,710	140,800
Investment property	10	8,530	7,840	8,530	7,840
Total Fixed Assets		150,617	149,101	150,867	149,351
Current assets					
Stocks		53	51	6	5
Debtors	12	14,003	12,476	14,151	12,729
Cash at bank, on deposit and in hand		19,129	20,716	18,923	20,354
Total Current Assets		33,185	33,243	33,080	33,088
Creditors – amounts falling due within one year					
Creditors	13	(1,130)	(1,176)	(1,275)	(1,271)
Grant payments due within one year	4	(11,841)	(11,683)	(11,841)	(11,683)
Total Creditors		(12,971)	(12,859)	(13,116)	(12,954)
Net current assets		20,214	20,384	19,964	20,134
Total assets less current liabilities		170,831	169,485	170,831	169,485
Provisions for liabilities	20	(442)	(665)	(442)	(665)
Net assets		170,389	168,820	170,389	168,820
The funds of the group:					
Unrestricted income funds:					
General reserve	14	6,181	6,351	6,181	6,351
Designated funds	14 & 15	142,868	115,212	142,868	115,212
Revaluation reserve	14	20,133	42,674	20,133	42,674
Total unrestricted funds		169,182	164,237	169,182	164,237
Restricted income funds	14	1,207	4,583	1,207	4,583
Total funds	14	170,389	168,820	170,389	168,820

Approved by the Trustees on 6 July 2016 and signed on 6 July 2016.



Mr Charles Maisey

Chair of the Board of Trustees

The notes on pages 36 to 51 form part of these financial statements.

Company Number: 490500



Consolidated Cash Flow Statement

For the year ended 31 March 2016.

	2016 £'000	RESTATED 2015 £'000
Cash flows from operating activities		
Net cash used in operating activities (Note a)	(1,322)	(1,112)
Cash flows from investing activities		
Dividends, interest and rents from investments	2,387	2,659
Investment income accrued	(13)	18
Proceeds from the sale of property, plant and equipment	28	6
Purchase of property, plant and equipment	(100)	(100)
Proceeds from the sale of investments	102,546	23,964
Purchase of investments	(105,466)	(20,476)
Net cash (used in)/ provided by investing activities	(618)	6,071
Change in cash and cash equivalents in the reporting period	(1,940)	4,959
Cash and cash equivalents at the beginning of the reporting period (Note b)	20,716	15,682
Cash and cash equivalents due to the exchange rate movements	353	75
Cash and cash equivalents at the end of the reporting period (Note b)	19,129	20,716

Notes to the group cash flow statement:

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

	2016 £'000	RESTATED 2015 £'000
Net income for the reporting period (statement of financial activities)	1,569	17,905
Depreciation charge	168	212
Profit on disposal of fixed assets	(13)	(5)
Dividends, interest and rent from investments	(2,740)	(2,734)
Losses / (gains) on investments	1,334	(13,483)
Increase in stocks	(2)	(10)
Increase in debtors	(1,527)	(2,476)
(Decrease) / increase in creditors	(46)	182
(Decrease) / increase in provisions	(223)	121
Research and education grants recognised during the period	19,088	20,346
Research and education grants paid during the period	(18,930)	(21,170)
Net cash used in operating activities	(1,322)	(1,112)

b) Analysis of cash and cash equivalents

	2016 £'000	2015 £'000
Cash in hand	19,129	20,716
Total cash and cash equivalents	19,129	20,716



Notes to the Consolidated Financial Statements

For the year ended 31 March 2016

1. Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with the new Charity Statement of Recommended Practice, Financial Reporting Standard 102 (Charities SORP FRS102) issued by the Charity Commission in July 2014 and the Companies Act 2006.

The consolidated financial statements comprise the Charity and its trading subsidiary Arthritis Research UK Trading Limited and cover the year ending 31 March 2016. They 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 income dealt with in the financial statements of the Charity were £36.25m (2015: £39.25m). The net increase in funds dealt with in the financial statements of the Charity was £1.47m (2015: £17.91m increase).

FRS102 Transition & Other Restatements

The transition date to Charities SORP FRS102 was 1 April 2014 with financial statements complying with this new accounting standard for the year ending 31 March 2016 and the prior year. Restated adjustments resulting from the transition are illustrated on the following page.

Reconciliation of group funds and balances	31st March 2015	1st April 2014
	£'000	£'000
Fund balances previously reported	161,674	148,494
FRS 102 adjustments:		
– Investment valuation from mid to bid market valuation (Note 1 below)	(54)	(69)
Other adjustments and restatements		
– Understated investment (Note 2 below)	3,780	–
– Revaluation of property investment (Note 3 below)	3,420	2,490
Total funds restated	168,820	150,915

Notes

1. Per FRS102 investments have been revalued from mid to bid price.
2. Private equity fund not previously included within reported investments.
3. Investment property is the reclassification of a fixed asset due to current tenants not undertaking activities in line with our charitable purpose. A net book value of £4.28m for 2016 was removed and reclassified (2015: £4.42m). The investment property has been valued by an external independent qualified surveyor on the basis of the asset being sold in its current capacity and by applying indexes produced by Costar and IPD in respect of the Hammersmith market and in particular rents and yields which have been applied to reports undertaken in July 2013 and previously in 2007 which had the basis of market value per the RICS definition: "The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion."

Net movement in funds	31st March 2015
	£'000
Previously reported movement in funds	13,180
FRS 102 adjustments:	
- Investment valuation from mid to bid market valuation	(54)
Other adjustments and restatements	
- Understated investment	3,780
- Revaluation of investment property	860
- Depreciation reclassified as investment gain	139
Restated movements in funds	17,905

Income

All income is accounted for when the Charity is entitled to the income, the amount can be quantified with reasonable accuracy and the probability of receipt of the income is more likely than not. Legacies are accounted for when probate has been granted, the estate has an estimated value, and there are no material uncertainties relating to the estate.

Gifts donated for resale are included as income when they are sold, except for new goods which have been donated for resale which are valued at wholesale cost. 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. All incoming resources are attributable to the United Kingdom.

Expenditure

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 raising funds. Publicity costs incurred in furtherance of Arthritis Research UK's educational charitable objects are included within charitable activities as education costs. Governance costs incurred consist of audit, legal advice for trustees and costs associated with constitutional and statutory requirements.

Support costs represent the principal office premises, central office functions, and general insurance and bank charges which are incurred in supporting charitable activities and raising funds. Support costs are allocated to activities on the basis of staffing resource within activities. Irrecoverable VAT costs are included with the expenditure on which the VAT was charged in the Statement of Financial Activities.

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

Fixed Assets

Arthritis Research UK's tangible fixed assets are stated at cost less 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 bid-market valuation. Property leased to commercial tenants is treated as an investment property and is valued at open market value per an independent external valuation.

Stock

Stocks consist of goods for resale and are stated at the lower of cost and net realisable value, except for new goods which have been donated for resale which are valued at wholesale cost.

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 17 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.

Debtors

A debtor arises when future economic benefits are expected to flow to entity and is recognised at its recoverable amount.

Creditors

A liability is recognised at its settlement amount when there is a present obligation to the entity arising from past events.

2. Income

	Unrestricted Income £'000	Restricted Income £'000	2016 Total Income £'000	Unrestricted Income £'000	Restricted Income £'000	2015 Total Income £'000
Donations & Legacies						
Legacies*	17,956	1,244	19,200	20,262	897	21,159
Donations	2,428	891	3,319	2,398	750	3,148
Sponsorship	381	-	381	480	-	480
Total	20,765	2,135	22,900	23,140	1,647	24,787
Other Trading Activities						
Registration and raffle	339	-	339	354	-	354
Charity shops	1,909	-	1,909	2,186	-	2,186
Mail order and other trading	171	-	171	299	-	299
Total	2,419	-	2,419	2,839	-	2,839
Investment Income						
Listed Investments	2,455	-	2,455	2,622	-	2,622
Unlisted Investments	179	-	179	10	-	10
Bank Interest	106	-	106	102	-	102
Total	2,740	-	2,740	2,734	-	2,734
Intellectual property income	8,437	-	8,437	9,447	-	9,447
Income from charitable activities	47	121	168	59	-	59
Other income	13	-	13	5	-	5
Total Income	34,421	2,256	36,677	38,224	1,647	39,871

*Arthritis Research UK has been notified of an estimated £2.5m (2015: £2.6m) of legacies receivable which have not been included in the Statement of Financial Activities as there are material uncertainties present on the estate.

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 11.

3. Intellectual Property Income

	2016 £'000	2015 £'000
Intellectual Property Income	8,437	9,447

Intellectual property royalties were received from anti-TNF treatments developed with the Kennedy Trust for Rheumatology Research.

The Kennedy Trust holds a legal expense fund for all parties involved in the development of the anti-TNF treatments and is used to protect the related patents. Arthritis Research UK is entitled to 22% of the fund which at 31 March 2016 was £11,528k. This is not accounted for as an asset in our financial statements until clarity over the absolute value due to Arthritis Research UK is concluded.

4. Grants Commitments and Creditors

	2016
	£'000
Grant creditors – all awards	
Balance at 1 April 2015	11,683
Movement in the year:	
Awards recognised	19,088
Awards paid	(18,930)
Balance at 31 March 2016	11,841

	2016
	£'000
Grant commitments	
Balance at 1 April 2015	59,886
Movement in the year:	
New awards (not included within the accounts)	20,785
Amounts paid during the year	18,930
Movement in creditor	158
Total awards recognised within the accounts	19,088
Balance at 31 March 2016	61,583

Total Grant Commitments and Creditors

Balance at 1 April 2015	71,569
Balance at 31 March 2016	73,424

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.

5. Auditors Remuneration

	2016	2015
	£'000	£'000
Fees payable to the Charity's auditors for the audit of the Charity's annual accounts	38	39
Other services – taxation and pension compliance services	10	1
Total Audit Remuneration	48	40

6. Operating Leases

The amounts paid under operating leases during the year were £456k (2015-14: £471k). Committed leases for future periods are as follows:

	2016 £'000	2015 £'000
Less than 1 year	296	326
2 to 5 years	700	713
Over 5 years	80	620
Total Operating Leasing Charges	1,076	1,659

7. Expenditure Analysis

	Awards Recognised £'000	(note 8) Staff Costs £'000	Allocated Costs £'000	Support Costs £'000	2016 Total £'000	2015 Total £'000
Raising Funds						
Legacies	-	294	186	146	626	783
Donations	-	1,692	989	677	3,358	3,306
Other Activities	-	1,511	1,041	807	3,359	3,163
Total Cost of Raising Funds	-	3,497	2,216	1,630	7,343	7,251
Investment Management Costs	-	-	607	1	608	556
Charitable Activities						
Research	19,122	1,346	702	449	21,619	23,182
Information & Awareness	-	1,783	1,264	1,157	4,204	4,459
Total Charitable Activities	19,122	3,129	1,966	1,606	25,823	27,641
Total Expenditure	19,122	6,626	4,789	3,237	33,774	35,448

Support Costs

	Administration £'000	External Affairs £'000	Fundraising £'000	Legacies £'000	Retail £'000	Governance £'000	Total £'000
Legacies	145	-	-	-	-	1	146
Donations	542	128	-	-	-	7	677
Activities	672	128	-	-	-	7	807
Investments	-	-	-	-	-	1	1
Research	402	-	-	-	-	47	449
Information & Awareness	293	385	247	46	176	10	1,157
Grand Total	2,054	641	247	46	176	73	3,237

The apportionment basis for the support costs is staffing resource within activities except governance which has been apportioned by total expenditure incurred by activities.

	Unrestricted Expenditure £'000	Restricted Expenditure £'000	2016 Total Expenditure £'000	Unrestricted Expenditure £'000	Restricted Expenditure £'000	2015 Total Expenditure £'000
Raising Funds						
Legacies	625	-	625	783	-	783
Donations	3,358	-	3,358	3,306	-	3,306
Other activities	3,360	-	3,360	3,162	-	3,162
Total	7,343	-	7,343	7,251	-	7,251
Investment Management Costs						
	608	-	608	556	-	556
Charitable Activities						
Research grants	15,987	5,632	21,619	21,522	1,660	23,182
Information & Awareness	4,204	-	4,204	4,459	-	4,459
Total	20,191	5,632	25,823	25,981	1,660	27,641
Total Expenditure	28,142	5,632	33,774	33,788	1,660	35,448

Governance Costs Analysed	2016 £'000	2015 £'000
Audit Fees	38	36
Board of Trustees Costs	28	23
Other Costs	7	0
Total Governance Costs	73	59

8. Staff Costs

	2016 £'000	2015 £'000
Gross salaries	5,618	5,613
Employers national insurance costs	569	567
Pension costs	408	389
Other staff costs	31	36
	6,626	6,605

Total redundancy payments for the year ending 31 March 2016 was £0.04m (2015: £0.05m). For the year ending 31 March 2016 total remuneration to the Senior Leadership Team was £0.64m (2015: £0.72m) while pension contributions were £0.06m (2015: £0.06m).

The average number of employees (headcount) during the period was:

	2016 Number	2015 Number
Generating Funds	103	109
Charitable Activities	84	85
	187	194

The table below summarises the number of employees who received £60,000 or more in the year along with the related collective payments.

	2016 Actual Pay Headcount	2016 Actual Payments	2015 Actual Pay Headcount	2015 Actual Payments
Gross annual salary				
Between £60,000-£64,999	1	£60k	–	–
Between £85,000-£89,999	–	–	3	£264k
Between £90,000-£94,999	3	£272k	–	–
Between £95,000-£99,999	1	£98k	1	£96k
Between £100,000-£104,999	–	–	1	£103k
Between £130,000-£134,999	–	–	1	£133k
Between £135,000-£139,999	1	£138k	–	–

All employees are eligible for a range of benefits which can be viewed on our website at:

<http://www.arthritisresearchuk.org/about-us/our-finances-and-pay.aspx>

The Trustees of Arthritis Research UK receive no remuneration for their services in that capacity but, in line with the Charity's expenses policy, 8 Trustees (2015: 9) have been reimbursed for expenses directly incurred in carrying out their activities as Trustees at a cost of £11,231 for the year ended 31 March 2016 (2015: £21,006). The expenses policy applies to all staff, including the Senior Leadership Team.

Trustees collectively made donations of £3k in 2015/16 (2015: £5k).

9. Tangible Assets

Group and Charity

	Freehold Land and Buildings £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 April 2015	679	510	927	44	2,160
Additions	-	-	68	32	100
Disposals	-	(32)	(45)	(42)	(119)
At 31 March 2016	679	478	950	34	2,141
Depreciation					
At 1 April 2015	331	329	747	42	1,449
Charge for the year	14	36	115	3	168
Released on disposals	-	(32)	(44)	(27)	(103)
At 31 March 2016	345	333	818	18	1,514
Net Book Value					
At 31 March 2016	334	145	132	16	627
At 31 March 2015	348	181	180	2	711

10. Investments

Group	Market Value	RESTATED Market Value	Cost	RESTATED Cost
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Listed investments:				
Private Equities	0	3,780	0	1,476
UK Equities	13,063	46,947	8,303	30,604
Overseas Equities	98,956	62,661	85,811	43,193
Emerging Markets	11,444	9,935	10,295	6,040
Index Linked	10,728	6,171	9,933	5,225
Other	5,577	2,129	6,829	3,288
Accrued Income	190	177	190	177
Listed Investments	139,958	131,800	121,361	90,003
Cash deposits	1,502	8,750	1,502	7,849
Sub Total	141,460	140,550	122,862	97,852
Investment Property	8,530	7,840	6,994	6,994
Total Investments	149,990	148,390	129,857	104,846
Charity				
As stated above for the group	149,990	148,390	129,857	104,846
Investment in subsidiary (Arthritis Research UK Trading Limited)	250	250	250	250
Total	150,240	148,640	130,107	105,096

	2016 £'000	RESTATED 2015 £'000
Carrying value (market value) at beginning of period	148,390	138,412
Add: additions at cost	105,466	18,233
Accrued Income	13	(18)
(Deductions) / additions from/ to cash deposit investments	(7,239)	2,243
Less: proceeds of sale	(95,306)	(23,962)
(Loss)/ profit on revaluation of investments	(1,334)	13,482
Carrying value (market value) at end of period	149,990	148,390

The portfolio of securities was managed on Arthritis Research UK's behalf by Baillie Gifford & Co, Ruffer LLP and Royal London Asset Management.

Arthritis Research UK Trading Limited:	2016 £'000	2015 £'000
Investment in subsidiary (Arthritis Research UK Trading Limited)	250	250

See note 11.



11. 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 on a line-by-line basis. 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	2016 £'000	2015 £'000
Turnover	244	175	12	431	623
Cost of sales	(102)	(80)	-	(182)	(196)
Gross profit	142	95	12	249	427
Administrative expenses	-	(61)	(21)	(82)	(240)
Net profit	142	34	(9)	167	187

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

	2016 £'000	2015 £'000
Assets	424	531
Liabilities	(173)	(281)
Net Assets	251	250

Group Transactions

For the year ending 31 March 2016:

- Arthritis Research Trading Limited gift aided its net profit of £68,522 to the Charity
- There was a management fee from the Charity to Arthritis Research Trading Limited of £11,125

Dormant Subsidiaries

During the last year we have incorporated two dormant companies as wholly owned companies; Arthritis Matters Ltd and Arthritis Matters Trading Ltd. Arthritis UK Ltd is also a wholly owned dormant company incorporated in 1997.

12. Debtors

	Group		Charity	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Amount due from subsidiary company	-	-	165	265
VAT	60	113	60	113
Prepayments	446	328	446	418
Accrued income	13,347	11,861	13,347	11,861
Other debtors	150	174	133	72
	14,003	12,476	14,151	12,729

13. Creditors

	Group		Charity	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Amount due to subsidiary company	-	-	165	110
VAT	3	-	-	-
Other creditors	256	371	249	369
Other Taxes and Social Security	376	329	376	329
Accruals	495	476	485	463
	1,130	1,176	1,275	1,271

No interest is levied on inter-company balances and any balances are repayable on demand.

14. Movement in Funds and Total Recognised Gains and Losses

	Group General Reserve £'000	Designated Funds £'000	Revaluation Reserve £'000	Restricted Funds £'000	Group Total £'000
Balance sheet at 1 April 2015 (RESTATED)	6,351	115,212	42,674	4,583	168,820
Incoming resources for the year	34,421	-	-	2,256	36,677
Outgoings for the year	(28,142)	-	-	(5,632)	(33,774)
Net realised and unrealised investment gains	(1,334)	-	-	-	(1,334)
Transfer between funds	(5,115)	27,656	(22,541)	0	-
Total recognised losses for the financial year	(170)	27,656	(22,541)	(3,376)	1,569
Balance sheet at 31 March 2016	6,181	142,868	20,133	1,207	170,389

The General Reserve arises from unrestricted funds held in accordance with the Reserves Policy. A full analysis of Designated Funds is provided in note 15.

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

Movement in Restricted Income Funds

Donor Funded Projects	Balance Sheet as at 1 April 2015 £'000	Income £'000	Expenditure £'000	Balance Sheet as at 31 March 2016 £'000
a Adolescent	466	23	(489)	0
b Centre of Excellence	1,075	563	(1,638)	0
c Genes	410	58	(468)	0
d Musculoskeletal Ageing	216	37	(253)	0
e Palindromic Arthritis	268	0	(268)	0
f Patient Care	154	197	(351)	0
g Rheumatology	983	0	(738)	245
h Treatment Centres	142	37	(179)	0
i Understanding Arthritis	162	392	(554)	0
j Research with Glasgow University	0	61	0	61
k Health Service Research	0	300	0	300
l Research within Scotland	0	200	0	200
m Other projects	707	388	(694)	401
Total Restricted Funds	4,583	2,256	(5,632)	1,207

The Restricted income funds are as follows:

Donor Funded Projects:

- a.** Adolescents
 - Centres, treatments and information specifically aimed at Adolescents
- b.** Centre of Excellence
 - Our research centres bring together experts and resources to target arthritis research topics that will deliver significant national benefit
- c.** Genes
 - Research and treatments focused on genetics
- d.** Musculoskeletal (MSK) Ageing
 - Understand how aging results in the loss of MSK function
- e.** Palindromic Arthritis
 - To investigate Palindromic rheumatism, a devastating but poorly understood form of arthritis
- f.** Patient Care
 - Research and development to improve patients lives who live with arthritis
- g.** Rheumatology
 - Support for skilled people in the field of Rheumatology
- h.** Treatment Centres
 - A network to facilitate and support the testing and early development of novel interventions
- i.** Understanding Arthritis
 - Research into causes and effects of Arthritis
- g, j,** Projects collectively have £806k of remaining balances which will be spent in future years in line
- k, l.** with their respective restrictions.
- m.** Other projects which individually have restricted balances of less than £100k

15. Designated Funds – Group and Charity

	Note 4 Grants £'000	Strategic charitable commitments £'000	Fixed asset fund £'000	Total £'000
Balance sheet at 1 April 2015	59,886	54,615	711	115,212
Net transfers to General Reserve	1,697	26,043	(84)	27,656
Balance at 31 March 2016	61,583	80,658	627	142,868

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 committed and which represents its ongoing research programme.

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

- 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.
- Recognising the commitment of Arthritis Research UK to provide a series of long-term scientific projects and other charitable initiatives.
- Fixed Asset Fund – represents the net book value of fixed assets held by Arthritis Research UK for its own use (see note 9).

16. Analysis of Group and Charity Net Assets between Funds

	General Funds £'000	Designated Funds £'000	Revaluation Funds £'000	Restricted Funds £'000	Total £'000
Fund balances at 31 March 2016 are represented by:					
Tangible fixed assets	-	627	-	-	627
Investments	13,659	116,198	20,133	-	149,990
Current assets	5,935	26,043	-	1,207	33,185
Current liabilities	(12,971)	-	-	-	(12,971)
Provisions	(442)	-	-	-	(442)
Total net assets	6,181	142,868	20,133	1,207	170,389

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

17. 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 Royal London. 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 2016 represents contributions payable by Arthritis Research UK to the funds and amounted to £0.41m (2015: £0.39m).

18. Related Party Transactions

Six 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 2015 £'000
Professor David Isenberg / Professor David Marsh	University College London	192	2,354
Professor Patrick Sissons	University of Cambridge	166	2,549
Professor Mike Pringle	University of Nottingham	584	(57)
Professor Sarah Lamb	University of Oxford	291	3,072
Professor Jonathan Cohen	University of Sussex	21	250

In addition we also paid £22k to ARMA for subscriptions and attending a clinical seminar where Mr Phil Gray is a Trustee.

There is a standard item of each committee and board meeting for members to declare any conflicts of interest in relation to the agenda. In advance of the meeting the governance team will check the register of interests and as appropriate make a note within the chairs brief to invite any conflicted trustees / committee members to vacate the room during discussions of the relevant agenda item.

19. Research & Education Grants Commitments

	2016 £'000	2015 £'000
68 awards over £10,000 (2015: 75 awards)	21,400	22,833
0 awards less than £10,000 (2015: 97 awards)	-	121
Supplements to existing grants	400	1,095
Awards no longer required	(1,015)	(649)
	20,785	23,400

All grant awards are made to institutions. Details of grants awarded over £10,000 are shown in note 21.

20. Provisions for Liabilities (Charity and Group)

	£'000	£'000
At 1 April 2015	665	543
Charge during the year	(223)	122
	442	665

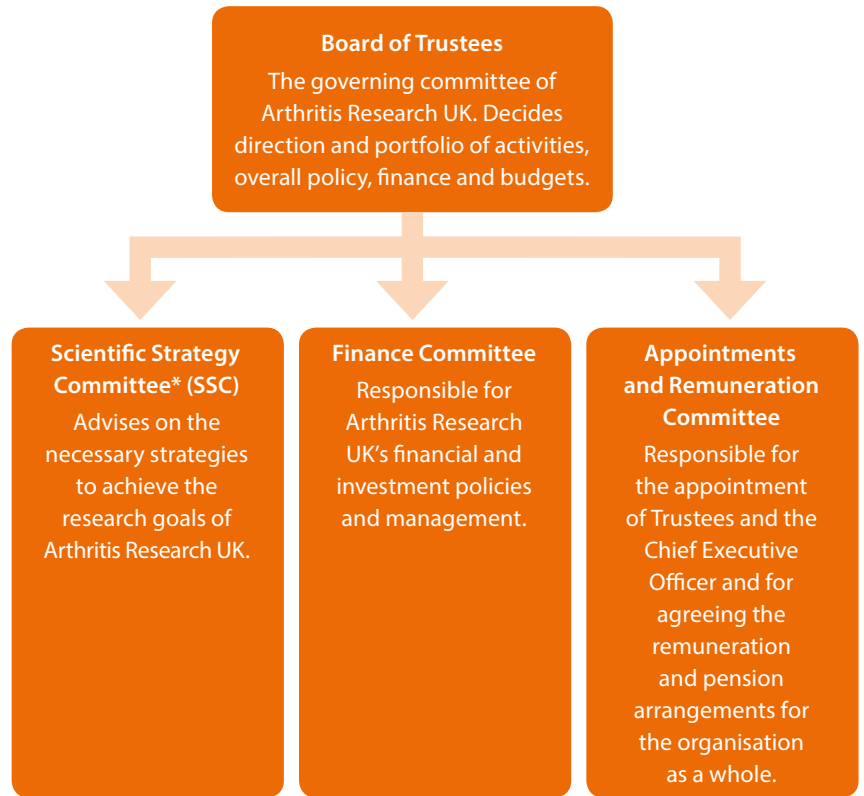
The provision relates to those shops where there is a requirement to return the property at the end of the lease in a specific condition.

21. Detailed Schedule of Research & Education Grants Awarded in the Year

	Recognised Awards (note 4) £'000	Number of Grants	Awarded (over £10,000) £'000
Cambridge University Hospital	41	1	290
Cardiff University	107	2	2,012
Design Council	126	1	210
Imperial College London	154	4	1,010
Kennedy Institute of Rheumatology	-	1	153
King's College London	69	2	1,343
Newcastle University	65	2	229
Norfolk & Norwich University Hospital	32	1	129
Queen Mary University of London	101	5	1,019
Queen's University Belfast	30	1	190
Royal College of Art	48	1	178
The Royal Veterinary College	33	2	535
University College London	192	6	2,354
University of Aberdeen	17	3	1,414
University of Birmingham	-	1	154
University of Bristol	19	1	210
University of Cambridge	166	5	2,549
University of East Anglia	12	1	134
University of Glasgow	96	3	790
University of Leeds	25	2	241
University of Manchester	403	11	2,411
University of Oxford	291	7	3,072
University of Sheffield	56	2	361
University of Southampton	48	2	560
University of Sussex	21	1	250
Educational Grants – under £10k	172	92	(48)
Research Grants - under £10k	16,898	292	(965)
Strategic Awards	(134)	-	-
Total Grants Recognised and Awarded	19,088	452	20,785



Details of the Committees which support the Board of Trustees



*In December 2015 the Board of Trustees approved the establishment of a single, broad-based committee to oversee the complete portfolio of Arthritis Research UK's charitable activities. This Charitable Purposes Committee will replace the Scientific Strategy Committee's role in maintaining strategic oversight and will advise the Board accordingly. The inaugural meeting of this new committee is scheduled for 2 June 2016.

Charitable Purposes Committee

The Charitable Purposes Committee is a committee of the Board of Trustees of Arthritis Research UK, created to exercise on behalf of the Board strategic oversight of charitable activities. Its primary role is to consider the relative balance and alignment of activities to address the needs of people with arthritis, whilst supporting the charity's horizon scanning by providing a wider external perspective and intelligence.

Appointments and Remuneration Committee

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

Mr Charles Maisey (Chair)

Mr Tom Hayhoe

Professor Jon Cohen

Ms Karin Hogsander

Mr Phil Gray

Professor Mike Pringle

Finance Committee

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

Mr Tom Hayhoe (Chair)	Dr Andrew Holford
Councillor Joe Carlebach	Mr Richard Lanyon
Ms Julie France	Mr Charles Maisey (ex officio)
Mr Peter Henderson	Mr Paul Rowen
Ms Karin Hogsander	

Scientific Strategy Committee

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

Professor Jon Cohen (Chair)	Dr Sylvie Jackson
Professor David Marsh (Vice Chair)	Professor Eric Jenkinson
Professor Simon Bowman	Mr Charles Maisey (ex officio)
Professor Cyrus Cooper	Dr Rodger McMillan
Professor Janet Darbyshire	Professor Luke O'Neill
Professor Ray Fitzpatrick	Professor Mike Pringle
Professor Dorian Haskard	Professor Amar Rangan
Mr Tom Hayhoe (ex officio)	Professor Sir Patrick Sissons
Professor David Isenberg	Professor Jane Worthington

Research and Academic Capacity Committee

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 Justin Mason (Chair)	Professor Rob Moots
Professor Anne Cooke (Vice Chair)	Dr Ken Poole
Professor Nigel Arden	Professor Drew Rowan
Professor Deborah Bax	Professor Hamish Simpson
Professor Ian Clark	Professor Jim Woodburn
Professor Sarah Hewlett	

Programme Grant Sub-Committee

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

Professor Eric Jenkinson (Chair)	Professor Iain McInnes
Professor Gordon Blunn	Professor David Murray
Professor Andy Cope	Professor Thomas Pap
Professor Dermot Kelleher	Professor Brigitte Scammell

Clinical Studies Sub-Committee

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 Hill Gaston
Professor John Norrie (Vice Chair)	Dr Laure Gossec
Professor Daniel Aletaha	Professor Hazel Inskip
Professor Sita Bierma-Zeinstra	Dr John Kirwan
Dr Angela Crook	Professor Linda Sharples

Research Sub-Committee

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

Professor Luke O'Neill (Chair)	Professor Markus Heller
Professor Simon Jones (Vice Chair)	Professor Anthony Hollander
Professor Frank Barry	Professor Anthony Jones
Professor Anne Barton	Professor David Leon
Dr Alexandra Blakemore	Mr Dominic Meek
Professor Ray Boot-Handford	Dr Chris Murphy
Professor Francesco Dell'Accio	Professor Karim Raza
Professor Mike Ehrenstein	Professor Stephen Ward
Dr Alison Gartland	

Fellowships Implementation Committee

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

Professor Jane Worthington (Acting Chair)	Professor Ann Morgan
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