



Annual Report
and Financial
Statements
2011–12

Charity details

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

A charity registered in England and Wales (207711) and in Scotland (SC041156)

Senior management

Chief Executive

Dr Liam O'Toole

Finance Director

Mrs Karen Everett

Honorary Vice-Presidents

Dr Colin Barnes

Dr Peter Copeman

Dr Alan St John Dixon

Dr Eric Hamilton

Dr Tom Scott

Patron

Her Royal Highness
The Duchess of Cornwall

Board of Trustees

Lord Lewis of Newnham (President)

Mr Charles Maisey (Chair)

Ms Nicky Bishop
(resigned 7 December 2011)

Mr Joe Carlebach

Mr Chris Cowpe

Professor Kevin Davies
(retired 21 March 2012)

Dr Josh Dixey

Mr Tom Hayhoe
(appointed 20 March 2012)

Mr Peter Henderson

Dr Sylvie Jackson

Mr Tom McGrath
(retired 7 December 2011)

Professor Sir Alex Markham

Professor Mike Pringle (Deputy Chair)

Mr Richard Raworth

Mr Paul Rowen

Professor Sir Patrick Sissons

The details of the committees which support the Board of Trustees are set out on pages 36 and 37 of this report.

Professional advisers

Auditors

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

Bankers

NatWest plc
5 Market Place
Chesterfield
S40 1TJ

Investment managers

Baillie Gifford & Co
Calton Square
1 Greenside Row
Edinburgh
EH1 3AN

Ruffer LLP
80 Victoria Street
London
SW1E 5JL

Solicitors

Hempsons
Hempsons House
40 Villiers Street
London
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99 Saltergate
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Lacon House
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Report from the Chair and Chief Executive

We reported last year considerable progress in creating an organisation that is fit for the future. We now have a new infrastructure and resources in place to help us achieve our ambitious plans and are poised to maintain our strong performance. Our mission is equally ambitious – to help the 10 million people in the UK living with the pain and disability of arthritis.

In a tough economic climate, fundraising is more important than ever before to provide long term, sustainable income growth to continue our substantial research investment into the cause, treatment and cure for all forms of arthritis.

During 2011–12 we ensured that all of our initiatives addressed at least one of our 10 goals. Key achievements included:

- The launch of our fourth centre of excellence with a focus on tissue engineering techniques using stem cells to treat osteoarthritis.
- Our £2.2m arcOGEN project, the world's biggest ever genome-wide study into osteoarthritis, made a significant breakthrough in the search for the genes that cause the condition.
- A new £1m network of seven experimental arthritis treatment centres around the country.

Further breakthrough initiatives have been announced – two £2.5m musculoskeletal ageing centres in conjunction with the Medical Research Council; the launch in early 2013 of a new research programme, the £3m Arthritis Research UK Centre for Sport, Exercise and Osteoarthritis, and the world's first centre specialising in research in adolescent rheumatology.



“I am delighted to report a strong performance for the year despite the economic downturn. In challenging circumstances we have continued to create the knowledge to change the lives of people with arthritis.”

Mr Charles Maisey,
Chair of the Board of Trustees

An ongoing programme of organisational growth and cultural change has been critical to bring all of these initiatives to fruition.

A greater emphasis on raising awareness of arthritis generally and also the profile of Arthritis Research UK in the media is vital to increase fundraising. We've achieved a significant increase in the levels of media coverage, supported by the introduction of new forms of media such as Facebook and Twitter, and a variety of new advertising outlets.

We have also established a policy and public affairs team, who are raising our profile among parliamentary audiences through a range of external events and active involvement in consultations and joint reports.

By building partnerships with other organisations and charities, we are creating deep and sustainable relationships with those who have the power and influence to shape the healthcare agenda in the UK.

Enhanced resources and improvements in infrastructure have included our new website, radically improved internal communications and intranet and helpdesk system.

We'd like to thank every person who has played a part in making all of this possible. From our dedicated supporters to our world-leading researchers and all the teams at Arthritis Research UK, thank you for your outstanding contribution.

Looking ahead, fundraising will remain our top priority so that we have the resources to ensure that our research is translated into direct benefits and improvements for those living with arthritis.

Mr Charles Maisey
Chair of the Board of Trustees

Dr Liam O'Toole
Chief Executive



“Our aim, quite simply, is to enable people with arthritis to remain active, doing the things they love. We’re now poised to make an even bigger impact.”

Dr Liam O'Toole, Chief Executive

Report of the Trustees

For the year ended 31 July 2012

The Board of Trustees presents its annual report and audited financial statements for the year ended 31 July 2012.

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

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

Our objectives and public benefit

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

Our work takes the pain away from people with arthritis, enabling them to remain active, doing the things they love.

We achieve this through our research into the best treatments for arthritis, aiming to prevent it or find a cure, whilst providing education and information to help the millions of people who have arthritis.

Arthritis comes in many forms. Osteoarthritis and rheumatoid arthritis are the most common and best known, but scientists can identify around 200 different conditions from lupus to fibromyalgia and gout.

Our achievements in 2011–12

During 2011–12 we placed a strategic emphasis on creating the knowledge to change the lives of people with arthritis – from funding research to educating health professionals and providing information for people with arthritis and their carers.

Fundraising is key to our success and vital to help achieve our aim, making a real difference to the 10 million people in the UK living with the pain and disability of arthritis.

Over the last year we raised £4.2m through our fundraising activity. Our thanks go to all the individuals, charitable trusts and companies who contributed in any way. Highlights included The Virgin London Marathon 2012 when we had our highest number of people participating, with 89 runners raising over £150,000 for Arthritis Research UK.

We sponsored our first show garden at RHS Chelsea Flower Show 2012, winning the People's Choice award and reaching an audience of over 78 million people through more than 70 pieces of media coverage. We also received over £100,000 in donations as a result of being at the Chelsea Flower Show.

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

In 2011–12, we had some ground-breaking research achievements. Our £2.2m arcOGEN project made a significant breakthrough in the search for the genes that cause osteoarthritis. The results of the first-ever trial of telephone-delivered cognitive behavioural therapy (CBT) for people with chronic widespread pain showed that this method of help can have a positive impact compared to the care provided by their GP. We showed that the practice of yoga can help people with low back pain and can, in fact, provide more effective treatment than more conventional methods.

Our latest research initiatives have the potential to revolutionise the treatment of arthritis. A fourth centre of excellence launched this year will carry out research which aims to regenerate bone and cartilage by using patients' own stem cells to repair the joint damage caused by osteoarthritis. We announced a £5m investment in conjunction with the Medical Research Council which will investigate why musculoskeletal tissue function and structure decline with age, exploring both risk factors and the biological processes involved.

We invested more than £1m in creating a new network of seven experimental arthritis treatment centres around the country, with an aim of facilitating and supporting the testing of new forms of treatment.

200+

different arthritic conditions.

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

Innovations in developing the work force of the future included our first student mentoring weekend and a competitive new scheme to fund summer research studentships for medical students. Our Education Strategy Day attracted over 80 delegates and a wide range of allied health professions were represented. A new education strategy was developed to create learning initiatives with health professionals.

High quality information empowers people with arthritis to make informed decisions.

We have revised and expanded our range of information booklets and launched a new website to make them even more valuable for health care professionals. From November 2011 to July 2012 we distributed 1.4m booklets and within six months of launch 250,000 people had visited our website.

In April 2012, a new digital marketing team was recruited to engage the public through online channels. Our popular quarterly magazine, Arthritis Today, reached more than 90,000 supporters, providing them with news on research, education and patient information resources.

We broadened our audiences through the appointment of a new policy and public affairs team. The brief was to raise the profile of arthritis in government and the campaign is already underway, developing partnerships with other charities and organisations. We also held our first parliamentary briefing for MPs and peers on the impact of arthritis and musculoskeletal conditions.

Raising awareness of all our initiatives in the media is vital to promote our work. In the first six months of this financial year we achieved an increase of 31 per cent for national media coverage.

10m

in the UK affected by arthritis.¹

1. Royal College of General practitioners Birmingham Research Unit Annual Prevalence report 2006

Our finances in 2011–12

Financial review and results for the year

The charity's consolidated financial statements for the year are on pages 15 to 35. A summary of the financial results for the year is set out below.

Incoming resources

Overall income has increased to £40.2m, an increase of nearly £4m compared to the previous year (2010–11: £36.3m). This increase has arisen primarily from legacies (an increase of £2.4m from £17.2m in 2010–11 to £19.6m) and intellectual property income (an increase of £1.1m from £8.9m in 2010–11 to £10.0m). Donations were higher than in the previous year by £660k, but other fundraising areas declined slightly, reflecting the ongoing difficulty of raising funds in the current economic climate.

Investment income remained stable at £2.3m (2010–11: £2.3m), but the significant realised and unrealised gains on investment assets that were seen in 2010–11 (£11.8m) were not repeated in 2011–12 (overall net gain of £0.3m).

Resources expended

Total expenditure in the year increased to £42.6m (2010–11: £37.0m). The majority of this increase in expenditure was on charitable activities, including research and education, where our expenditure increased by £4.2m (16%) from £26.7m in 2010–11 to £31.0m. This expenditure continued our significant investment into the cause, treatment and cure for all forms of arthritis through a wide variety of projects and initiatives.

The expansion in fundraising activities continued during the year, resulting in the costs increasing by £1.5m. The most significant increase related to the cost of generating funds within donations which, as noted above, resulted in an increased level of donations income. The total costs of generating funds (excluding retail and trading) amounted to £7.7m (2010–11: £6.2m). These costs equate to 20% of revenue, which is consistent with the previous year and still compares well against other leading medical research charities.

£40_m

income received by the charity in 2011–12.

Reserves policy

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

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

Reserves are defined as all cash, investments, current assets less current liabilities held in the name of Arthritis Research UK and its trading subsidiary. As at 31 July 2012, the charity's free reserves, after designations, were £4.1m, which represented 3.8 months of forward operating expenditure (excluding retail and trading). The Trustees are comfortable with the level of reserves and do not consider them to be excessive.

Investment policy

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

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

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

A large, bold, orange graphic of the number '28' with a pound sign (£) to its left and a small 'm' to its right, representing £28 million.

research expenditure during 2011–12.

Up to 7.6 million working days are lost every year due to musculoskeletal conditions.²

² Health and Safety Executive, Annual Statistics Report 2010/11.

Our plans for 2012–13

Looking ahead, our objective is to make even more direct improvements for those who live with arthritis. In the short term, to illustrate how we will achieve this, we have two key research initiatives of strategic importance across the organisation.

Adolescent arthritis is under researched. While most teenagers are focussed on gaining their independence, young people with arthritis are living in pain and with severe disabilities. By opening the world's first centre specialising in adolescent rheumatology in 2012–13, we believe this research gap will be filled and will give young people with arthritis the hope of a better future.

The £3m Arthritis Research UK Centre for Sport, Exercise and Osteoarthritis will be launched early in 2013, representing the first major UK programme of work investigating the long-term implications of sports injuries and providing some insight into how to prevent them. The centre, which will be run by a consortium of universities headed by Nottingham and Oxford, will investigate the risks associated with specific sports, whether certain individuals are more at risk and what are the best approaches to treatment.

A large orange graphic consisting of a pound sign (£), the number 3, and a lowercase 'm' for million, all in a bold, sans-serif font.

Arthritis Research UK Centre for Sport, Exercise and Osteoarthritis.

Our structure, governance and management

Legal status

The registered name of the charity is Arthritis Research UK.

The governing documents of the charity are its Memorandum and Articles of Association dated 13 January 1951 and last amended on 19 March 2008. 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 1985 act as Directors of the charity. The Board delegates operational planning and day-to-day management, including financial authority, to the Chief Executive and through him to the Executive Directors and staff, within approved limits.

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

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

Our volunteers

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

We have a network of 300 local volunteer branches across the UK. Our local branches provide activities, mutual support and companionship for people with arthritis, their families and carers. Local branches also make a valuable contribution to the campaigning, fundraising and support work of the charity at a local level.

Our trading subsidiary

The charity owns 99.99% of the share capital of Arthritis Research UK Trading Limited, a company registered in England. The one remaining share is owned by a Trustee as a nominee. This company's activities include the mail order retail operation, the sale of bought-in goods through the charity's shops and the trading element of any fundraising events. The Company donates all of its profits to the charity. It results are shown in note 14 to the financial statements on page 29.

300

local volunteer branches across the UK.

There were nearly 180,000 hip and knee joint replacements in 2010–11, the highest ever annual figure.³

3. National Joint Registry for England and Wales 2010/11 annual report, surgical data to 31st December 2010, <http://www.njrcentre.org.uk>

Much of the Company's turnover continues to be attributable to sales of catalogue goods through the parent charity's network of volunteer branches, which act for the trading company on an agency basis, and the Company is very grateful for their efforts.

Our Board of Trustees

The Board of Trustees is responsible for the overall governance, policy and work of the charity. It is also responsible for ensuring that the charity delivers charitable outcomes for the benefit of people suffering from all forms of arthritis, in accordance with charity Commission guidance.

The Trustees are volunteers and do not receive any remuneration for their services, but may claim reasonable expenses properly incurred in connection with attendance at meetings or other duties. The Board of Trustees meets formally four times each year.

The current members of the Board are listed on the inside front cover of this report. Also listed are the Vice-Presidents of the charity (who do not have Trustee status). The President and Chairman are elected for a maximum term of five years, and may serve a maximum of two consecutive terms. Ordinary members are elected for a term of four years and may serve a maximum of two consecutive terms of office.

New trustees are provided with an induction training pack, and site visits, and the continuing development of all trustees is

addressed through regular updates and refresher presentations (including invited expert speakers) at board meetings and an annual residential conference.

Statement of Trustees' responsibilities

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

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

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

- select suitable accounting policies and then apply them consistently.
- observe the methods and principles in the Charities SORP.

2,500

More than 2,500 children develop juvenile arthritis each year and over 15,000 are in pain due to arthritis.⁴

4. Arthritis Key Facts, Arthritis Research UK. www.arthritisresearchuk.org/pdf/Arthritis%20Key%20Facts.pdf

Our structure, governance and management

- make judgments and accounting estimates that are reasonable and prudent.
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the Trustees is aware:

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

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Board committees

During the year ended 31 July 2012, the Trustees were supported by the committees listed below:

Appointments and Remuneration Committee;

Finance Committee; and

Scientific Strategy Committee, which was itself supported by:

Education Strategy Committee;

Research and Academic Capacity Committee;

Fellowship Implementation Committee;

Research Sub-Committee;

Programme Grant Sub-Committee;

Clinical Studies Sub-Committee; and

Stakeholders Research Strategy Review Committee (USER).

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

A large orange number '8' with a smaller orange 'm' to its right, representing 8 million.

Around 8 million people have osteoarthritis – the most common form of the condition.⁵

5. Arthritis Key Facts, Arthritis Research UK. www.arthritisresearchuk.org/pdf/Arthritis%20Key%20Facts.pdf

Internal controls and risk management

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

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

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

The main risks continuing to face the charity are:

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

Auditors

Grant Thornton UK LLP, who are appointed as auditors during the year, having expressed their willingness to continue in office, will be deemed reappointed for the next financial year in accordance with section 487(2) of the Companies Act 2006 unless the company receives notice under section 488(1) of the Companies Act 2006.

This report was approved by the Board of Trustees on 24 October 2012.



Mr Charles Maisey
Chair of the Board of Trustees

1936

Arthritis Research UK was founded 76 years ago as the Empire Rheumatism Council

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

We have audited the financial statements of Arthritis Research UK for the year ended 31 July 2012 which comprise the consolidated statement of financial activities (incorporating the income and expenditure account, the consolidated and parent charitable company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members and trustees, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members and trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the statement of trustees' responsibilities set out on page 11 the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005

and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

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

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 July 2012 and of the group's incoming resources and application of resources, including the group 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 Trustees' Annual 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.

Grant Thornton UK LLP

Carol Rudge,
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP, Statutory Auditor, Chartered Accountants
London
24 October 2012

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

Consolidated Statement of Financial Activities (including Income and Expenditure Account and Statement of Total Recognised Gains & Losses) For the year ended 31 July 2012

	Note	Unrestricted Funds £'000	Restricted Income Funds £'000	2012 Total Funds £'000	2011 Total Funds £'000
Incoming resources from generated funds:					
Voluntary income:					
Legacies	3	19,603	–	19,603	17,187
Donations	4	3,382	733	4,115	3,458
Activities for generating funds:					
Fundraising events	4	932	–	932	863
Charity shops	4	2,867	–	2,867	3,062
Mail order & other trading	4	386	–	386	460
Investment income	5	2,275	5	2,280	2,262
Intellectual property income	5	10,037	–	10,037	8,855
Incoming resources from charitable activities		1	–	1	105
Other incoming resources		3	–	3	9
Total incoming resources		39,486	738	40,224	36,261
Resources expended					
Costs of generating funds:					
Costs of generating voluntary income:					
Legacies	4&9	879	–	879	865
Donations	4&9	4,181	–	4,181	3,078
Fundraising and trading: cost of goods sold and other costs					
Fundraising	4&9	2,609	–	2,609	2,277
Charity shops	4&9	2,819	–	2,819	2,918
Trading	4&9	781	–	781	870
Investment management costs	9	382	–	382	294
		11,651	–	11,651	10,302
Charitable activities:					
Research	9	27,139	1,238	28,377	22,668
Education	9	1,916	–	1,916	3,600
		29,055	1,238	30,293	26,268
Governance costs	9	679	–	679	462
		29,734	1,238	30,972	26,730
Total resources expended	9	41,385	1,238	42,623	37,032
Net outgoing resources before other recognised gains and losses and net income for the period		(1,899)	(500)	(2,399)	(771)
Other recognised gains on investment assets	13	289	–	289	11,754
Net movement in funds		(1,610)	(500)	(2,110)	10,983
Total funds brought forward		111,062	(193)	110,869	99,885
Total funds carried forward		109,452	(693)	108,759	110,868

There are four restricted income funds within the Group, detailed in note 2. The Group has no endowment funds. The notes on pages 19 to 35 form part of these financial statements. All results relate to continuing activities.

The deficit on restricted funds is as a result of grant payments being agreed, made and recognised by the Charity on a different profile to that proposed for the receipt of the associated restricted donations. Funds will be received in 2012–13 to rectify the balance.

Consolidated and Charity Balance Sheets

As at 31 July 2012

	Note	Group 2012 £'000	Group 2011 £'000	Charity 2012 £'000	Charity 2011 £'000
Fixed assets					
Tangible assets	12	5,598	5,829	5,598	5,829
Investments	13	100,315	100,032	100,565	100,282
		105,913	105,861	106,163	106,111
Current assets					
Stocks		69	187	–	–
Debtors	15	4,243	3,832	4,198	3,729
Cash at bank, on deposit and in hand		14,492	14,025	14,331	13,870
		18,804	18,044	18,529	17,599
Creditors – amounts falling due within one year					
Sundry creditors and accruals	16	(1,540)	(1,747)	(1,515)	(1,552)
Grant payments due within one year	6	(14,338)	(11,211)	(14,338)	(11,210)
		(15,878)	(12,958)	(15,853)	(12,762)
Net current assets		2,926	5,086	2,676	4,837
Total assets less current liabilities		108,839	110,947	108,839	110,948
Provisions for liabilities	26	(80)	(79)	(80)	(79)
Net assets		108,759	110,868	108,759	110,869
The funds of the group					
Unrestricted income funds					
General reserve	2	4,129	4,403	4,129	4,403
Designated funds	2&17	86,843	83,088	86,843	83,088
Revaluation reserve	2	18,480	23,570	18,480	23,570
Total unrestricted funds		109,452	111,061	109,452	111,061
Restricted income funds	2	(693)	(193)	(693)	(193)
Total funds	2	108,759	110,868	108,759	110,868

Approved by the Trustees on 24 October 2012.



Mr Charles Maisey
Chair of the Board of Trustees

The notes on pages 19 to 35 form part of these financial statements
Company Number: 490500

Consolidated Cash Flow Statement

For the year ended 31 July 2012

	2012 £'000	2011 £'000
Net cash outflow from operating activities (Note a)	(1,729)	(3,810)
Returns on investments and servicing of finance (Note b)	2,280	2,262
Capital expenditure and financial investment (Note c)	3,092	(365)
Increase/(decrease) in cash	3,643	(1,913)
Reconciliation of net cash flow to movement in net funds (Note c)		
Increase/(decrease) in cash in the year	3,643	(1,913)
Net funds at 1 August 2011	15,231	17,144
Net funds at 31 July 2012	18,874	15,231

Notes to the group cash flow statement:

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

	2012 £'000	2011 £'000
Net income before other recognised gains and losses for the year	(2,399)	(771)
Depreciation charge	349	340
(Profit)/loss on disposal of fixed assets	(2)	(10)
Investment Income	(2,280)	(2,262)
(Increase)/decrease in stocks	118	(145)
(Increase) in debtors	(411)	(414)
Profit/(loss) on foreign exchange investments	(26)	18
Increase in creditors	(207)	140
Increase in provisions	1	1
Research and education grants recognised during the period	25,405	21,796
Research and education grants paid during the period	(22,277)	(22,503)
Net cash outflow from operating activities	(1,729)	(3,810)

Consolidated Cash Flow Statement (continued)

For the year ended 31 July 2012

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

	2012 £'000	2011 £'000
Returns on investments and servicing of finance		
Interest received	1	1
Investment income received	2,279	2,261
Net cash inflow for returns on investments and servicing of finance	2,280	2,262

c) Capital expenditure and financial investment

	2012 £'000	2011 £'000
Purchase of investments	(23,466)	(21,934)
Sale of investments	26,674	21,889
Purchase of tangible fixed assets	(157)	(339)
Sale of tangible fixed assets	42	19
Net cash inflow/(outflow) for capital expenditure and financial investment	3,092	(365)

Analysis of changes in net funds

	At 1 August 2011 £'000	Cash Flow £'000	At 31 July 2012 £'000
Cash at bank, on deposit and in hand	14,025	467	14,492
Cash deposits included in investments (note 13)	1,255	3,097	4,352
Less movement on Long Term Global Growth Fund included within Baillie Gifford cash	(49)	79	30
Total	15,231	3,643	18,874

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

1. Accounting Policies

Basis of Accounting

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

The consolidated financial statements which comprise the results of the Charity and its trading subsidiary Arthritis Research UK Trading Limited have been made up to 31st July 2012. The results of any subsidiaries acquired or sold during the period are included in the consolidated Statement of Financial Activities from the date of acquisition or to the date of disposal. In the case of any acquisitions, the acquisition method of accounting is used.

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

The Charity has not presented its own statement of financial activities as permitted by Section 408 (4) of the Companies Act 2006. The total incoming resources dealt with in the financial statements of the Charity were £40.2m (2010–11: £36.3m). The net decrease in funds dealt with in the financial statements of the Charity was £1.6m (2010–11: £11.0m increase).

Incoming Resources

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

Resources Expended

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

Grants Payable

Grant awards are charged to the financial statements as the obligation arises. Irrespective of the method of funding, and as a result of the termination clauses within the grants terms and conditions, the obligation is deemed to be a value equivalent to 3 months of the total grant liability together with any amounts claimed at the year end. The balance of the potential grant liability is identified as Designated Funds.

Fixed Assets

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

Depreciation

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

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

Freehold land is not depreciated

Assets with a cost below £250 are not capitalised

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

Funds

Arthritis Research UK maintains the following types of fund:

Restricted Income – funds which are subject to restrictions imposed by the donors.

Designated – money set aside by the Trustees from unrestricted funds for a specific purpose. The aim and use of each designated fund is set out in the notes to the financial statements.

General Reserve – unrestricted funds which can be used by the Trustees for the general purposes of Arthritis Research UK.

Revaluation Reserve – the difference between the historic cost of investments and their re-valued amount.

Investments

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

Both realised gains/losses and unrealised movements in market value from one year-end to another are recognised in the Statement of Financial Activities.

The investment in the Charity's subsidiary company is stated at market value, the best approximation of which is net assets which are equal to the original cost.

Stock

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

Foreign Currency

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

Pensions

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

Leases

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

2. 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	Charity General Reserve £'000
Net incoming/(outgoing) resources for the year	(1,899)	–	–	(500)	(2,399)	(1,899)
Net realised and unrealised investment gains	289	–	–	–	289	289
Transfer between funds	1,336	3,755	(5,090)	–	–	1,336
Total recognised (losses)/ gains for the financial period	(274)	3,755	(5,090)	(500)	(2,110)	(274)
Balance sheet at 1 August 2011	4,403	83,088	23,570	(193)	110,868	4,403
Balance sheet at 31 July 2012	4,129	86,843	18,480	(693)	108,759	4,129

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

Designated funds represent outstanding commitments, at the balance sheet date, in excess of three months, by Arthritis Research UK to third parties in respect of long term scientific projects that have been awarded by Arthritis Research UK committees and any planned extension of these projects. In addition it includes commitments to major long term scientific projects that Arthritis Research UK has agreed internally that it will make. They also include £5.6m for fixed assets. A full analysis of Designated Funds is provided in note 17.

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

Movement in Restricted Income Funds

	Paediatric Fellowships £'000	Donor Funded Projects			Total £'000	
	£'000	£'000	£'000	£'000		
Income	5	585	–	148	–	738
Expenditure	(907)	–	(261)	0	(70)	(1,238)
Total recognised (losses)/ gains for the financial period	(902)	585	(261)	148	(70)	(500)
Balance sheet at 1 August 2011	902	(1,310)	–	–	215	(193)
Balance sheet at 31 July 2012	–	(725)	(261)	148	145	(693)

The restricted income funds are as follows:

Paediatric Fellowships

- Establishment of fellowships in Paediatric Rheumatology resulting from a legacy received in a previous year from Dr Barbara Ansell.

Donor Funded Projects:

Special Strategic Awards

- Genome-wide Association in SLE in European populations.
- Development of a wrist-hand orthosis for use in the management of patients with rheumatoid arthritis.

Project Grants:

- Evaluation of the roles of TPL-2 kinase and ABIN-2 ubiquitin-binding protein in arthritis.
- Development of a latent IL-17 antagonist for effective gene therapy of rheumatoid arthritis.
- Investigation of the interaction of mast cells, T cells and dendritic cells in inflammatory arthritis.

Clinical Studies

- Randomised controlled trial of the clinical effectiveness, safety and cost effectiveness of adalimumab for the treatment of juvenile idiopathic arthritis associated uveitis.

The deficit on restricted funds is as a result of grant payments being agreed, made and recognised by the Charity on a different profile to that proposed for the receipt of the associated restricted donations. Funds will be received in 2012–13 to rectify the balance.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

3. Legacies

Arthritis Research UK has been notified of an estimated £11.4m (2011: £10.5m) of legacies receivable which have not been included in the Statement of Financial Activities as no notification of impending distribution has been received. This sum includes £10.4m of residuary legacies with the highest potential legacy receipt being £994k which represents 9% of the notified total.

4. Incoming Resources and Costs of Generating Funds

	Income £'000	Operating Costs £'000	Net Operating Income £'000
Voluntary income			
Legacies	19,603	879	18,724
Donations	4,115	4,181	(66)
Fundraising activities			
Fundraising	932	2,609	(1,677)
Charity shops	2,867	2,819	48
Trading	386	781	(395)
Other incoming resources			
Investment income	2,280	382	1,898
Intellectual property income	10,037	–	10,037
Incoming resources from charitable activities	1	–	1
Other incoming resources	3	–	3
Total incoming resources 2012	40,224	11,651	28,573
Total incoming resources 2011	36,261	10,302	25,959

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

5. Investment and Intellectual Property Income

	2012 £'000	2011 £'000
Investment income		
Listed investments	2,125	2,122
Unlisted investments	9	16
Bank interest	146	124
Total investment income	2,280	2,262
Intellectual property income	10,037	8,855

£10.0m of intellectual property royalties for the year ended 31 July 2012 (2010–11: £8.9m) were received from anti-TNF treatments developed at the Mathilda and Terence Kennedy Institute of Rheumatology Trust.

6. Grants Commitments and Creditors

	2012 £'000
Grant creditors – all awards	
Balance at 1 August 2011	11,211
Movement in the year:	
Awards recognised	25,405
Awards paid (Note 27)	(22,277)
Balance at 31 July 2012	14,338
Grant commitments	
Balance at 1 August 2011	47,440
Movement in the year:	
New awards (not included within the accounts)	26,010
Amounts paid during the year	22,277
Movement in creditor	3,128
Total awards recognised within the accounts	(25,405)
Balance at 31 July 2012	48,045
Total Grant Commitments and Creditors	
Balance at 1 August 2011	58,651
Balance at 31 July 2012	62,383

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

7. Research Centres

	2012 £'000	2011 £'000
Awards		
The Kennedy Trust for Rheumatology Research	2,970	3,886
Arthritis Research UK Epidemiology Unit	2,214	2,595
Total recognised within the year	5,184	6,481
Depreciation	140	140
Other costs	21	21
	5,345	6,642

The Kennedy Trust for Rheumatology Research (Kennedy Trust)

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

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

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

Arthritis Research UK Epidemiology Unit

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

8. Income and Expenditure

The income and expenditure account is arrived at after charging the following:

	2012 £'000	2011 £'000
Depreciation of tangible fixed assets	349	340
Profit on disposal of fixed assets	3	9
Auditors' remuneration:		
Fees payable to the auditor for the audit of the annual financial statement	36	30
Fees payable for other audit services	6	6
Amounts paid under operating leases on retail outlets	675	682

The audit fee included above in respect of the Charity for the year ended 31 July 2012 is £33,500 (2011: £30,000).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

9. Analysis of Total Resources Expended

	Recognised Awards £'000	Staff Costs £'000	Other Direct Costs £'000	Support Costs £'000	2012 Total £'000	2011 Total £'000
Charitable activities:						
Research grants	20,221	1,501	867	443	23,032	16,026
Research centres	5,184	–	161	–	5,345	6,642
Research	25,405	1,501	1,028	443	28,377	22,668
Education	–	607	–	1,309	1,916	3,600
	–	2,109	1,028	1,752	30,293	26,268
Governance	–	152	264	263	679	462
	25,405	2,260	1,292	2,015	30,972	26,730
Cost of Generating Funds:						
Legacies	–	363	155	361	879	865
Donations	–	1,218	1,938	1,025	4,181	3,078
Fundraising and trading	–	2,267	2,598	1,344	6,209	6,065
Investment management costs	–	–	382	–	382	294
Other operating costs	–	–	–	–	–	–
	–	3,848	5,073	2,730	11,651	10,302
Total resources expended	25,405	6,108	6,365	4,745	42,623	37,032

Support Costs Analysed

	2012 £'000	2011 £'000
Principal office premises	636	439
Central office functions	4,038	4,493
General insurance and bank charges	71	56
	4,745	4,988

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

10. Staff Costs

	2012 £'000	2011 £'000
Gross salaries	4,789	3,670
Employers national insurance costs	473	356
Pension costs	808	209
Other staff costs	63	62
	6,133	4,297

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

	2012 £'000	2011 £'000
Generating funds	121	122
Charitable activities	63	33
Governance	5	3
	189	158

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

	2012 £'000	2011 £'000
Between £60,001–£70,000	1	2
Between £70,001–£80,000	2	1
Between £80,001–£90,000	0	1
Between £90,001–£100,000	2	1
Between £100,001–£110,000	0	0
Between £110,001–£120,000	0	0
Between £120,001–£130,000	1	1

The Trustees of Arthritis Research UK receive no remuneration to their services in that capacity, but 15 Trustees (2012:11) have been reimbursed for travel expenses directly incurred in carrying out their activities as Trustees at a cost of £4,412 for the year ended 31 July 2012 (2011: £3,777).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

11. Indemnity Insurance

Arthritis Research UK has purchased a single professional indemnity insurance policy which indemnifies the Charity, its subsidiary and its trustees, employees, unpaid medical advisors, and volunteer supporters against loss arising from any wrongful act on their part. The total cost of this insurance for the year ended 31 July 2012 was £9,825 (2011: £9,825).

12. Tangible Assets

Group and Charity

	Long Leasehold Buildings £'000	Freehold Land and Buildings £'000	Fixtures and Fittings £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
Cost						
At 1 August 2011	6,994	679	382	449	294	8,798
Additions	–	–	23	133	–	157
Disposals	–	–	–	–	(110)	(110)
At 31 July 2012	6,994	679	405	583	184	8,845
Depreciation						
At 1 August 2011	2,061	281	137	332	158	2,969
Charge for the year	140	14	54	86	55	349
Released on disposals	–	–	–	–	(72)	(72)
At 31 July 2012	2,201	295	191	418	142	3,247
Net Book Value						
At 31 July 2012	4,793	384	214	165	42	5,598
At 31 July 2011	4,933	398	245	117	136	5,829

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

13. Investments

	Market Value 2012 £'000	2011 £'000	Cost 2012 £'000	2011 £'000
Listed securities:				
– Fixed interest	12,818	8,399	11,614	8,034
– UK equities	30,293	29,674	23,083	20,781
– Overseas equities	43,329	50,623	36,626	40,816
– Hedge funds	–	–	–	–
– Emerging markets	9,523	10,081	6,169	5,597
Listed investments	95,963	98,777	77,492	75,228
Cash deposits	4,352	1,255	4,344	1,234
Investment property	–	–	–	–
Total	100,315	100,032	81,836	76,462
Charity				
As stated above for the group	100,315	100,032	81,836	76,462
Investment in subsidiary (Arthritis Research UK Trading Limited)	250	250	250	250
Total	100,565	100,282	82,086	76,712

	2012 £'000	2011 £'000
Carrying value (market value) at beginning of year	100,032	87,864
Add: additions at cost	23,466	21,934
Additions to cash deposit investments	3,176	387
Investment property revaluation	–	–
Transfer of shares from investments	–	–
Less: proceeds of sale	(26,674)	(21,889)
Less: sale of investment property	–	–
Add: net profit/(loss) on currency revaluation	29	(18)
Add: net profit on revaluation of investments	286	11,754
Carrying value (market value) at end of year	100,315	100,032

Realised gains for the year ended 31 July 2012 based on historic cost amounted to £5,584,610 (2011: £2,897,371).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

13. Investments continued

At the close of the financial year there were two investments held which were greater than 5% of the total investment portfolio, namely; the Baillie Gifford EM Lead Co Fund C Accum (9.5%) and the Baillie Gifford Active Gilt Plus Fund C Gross (7.8%). The portfolio of securities was managed on Arthritis Research UK's behalf by Baillie Gifford & Co and Ruffer LLP. The custodian of the securities is HSBC Bank Plc.

Arthritis Research UK Trading Limited:

	2012 £'000	2011 £'000
Investment in subsidiary (Arthritis Research UK Trading Limited)	250	250

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

14. Subsidiary Company

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

Arthritis Research UK Trading Limited

	Charity Shops £'000	Mail Order £'000	Other Trading £'000	2012 £'000	2011 £'000
Turnover	335	332	53	720	858
Cost of sales	(151)	(210)	-	(361)	(435)
Gross profit	184	122	53	359	423
Administrative expenses	(74)	(245)	-	(319)	(383)
Bank interest receivable	-	-	-	-	-
Net profit / (loss)	110	(123)	53	40	40

The results are shown before the gift aid payment of £40k (2011: £29k) to the Charity.

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

	2012 £'000	2011 £'000
Assets	363	468
Liabilities	(113)	(218)
Capital and reserves	250	250

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

15. Debtors

	Group 2012 £'000	2011 £'000	Charity 2012 £'000	2011 £'000
Amount due from subsidiary company	-	-	79	22
Income tax/tax credits	118	74	118	74
VAT	34	40	34	40
Prepayments	379	320	303	242
Accrued income	3,589	3,270	3,589	3,270
Other debtors	123	128	75	81
	4,243	3,832	4,198	3,729

16. Sundry Creditors and Accruals

	Group 2012 £'000	2011 £'000	Charity 2012 £'000	2011 £'000
Amount due to subsidiary company	-	-	-	-
VAT	10	17	-	-
Other creditors	528	1,037	527	983
Other Taxes and Social Security	144	107	144	103
Accruals	858	586	844	466
	1,540	1,747	1,515	1,552

No interest is levied on inter-company balances.

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

17. Designated Funds – Group and Charity

	Committed Grant £'000	Committed Restricted Grant £'000	Committed Research £'000	Centre of Excellence £'000	Fixed Asset Fund £'000	Total £'000
Balance at 1 August 2011	47,440	353	9,466	20,000	5,829	83,088
Net transfers to/from General Reserve	605	–	(6,619)	10,000	(231)	3,755
Balance at 31 July 2012	48,045	353	2,847	30,000	5,598	86,843

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

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

1. The recognition all grant commitments, already processed, and approved, through the Arthritis Research UK committee peer review structure beyond the initial three months of the grants remaining life, at the balance sheet date. The first three month commitment being recognised as a currently liability.
2. Recognising the expenditure previously agreed with the Kennedy Trust for Rheumatology Research to 2013, for £4,566K and recognising the expenditure agreed with the Arthritis Research UK Epidemiology Unit (EU) to 2013, for £5m. The full analysis being:-

Year	KIR £'000	EU £'000	Total £'000
2011–12	612	2,310	2,922
2012–13	–	500	500
Total	612	2,810	3,422
Less: current liability	(154)	(421)	(575)
Designation	458	2,389	2,847

3. Recognising the commitment of Arthritis Research UK to provide a series of major long term scientific projects and initiatives to 2017–18 (£30m).

Funds 1 to 3 above illustrate our long-term commitment to excellence in medical science.

4. Fixed Asset Fund – represents the net book value of fixed assets held by Arthritis Research UK for its own use (note 12).

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

18. 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 July 2012 are represented by:					
Tangible fixed assets	–	5,598	–	–	5,598
Investments	590	81,245	18,480	–	100,315
Current assets	19,497	–	–	(693)	18,804
Current liabilities	(15,878)	–	–	–	(15,878)
Provisions	(80)	–	–	–	(80)
Total net assets	4,129	86,843	18,480	(693)	108,759

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

19. Pension Arrangements

Arthritis Research UK contributes to three pension funds whose assets are held separately from those of Arthritis Research UK in independently administered funds. Two of these schemes, one a defined contribution scheme and the other a Group Personal Pension plan administered by Prudential Assurance Company Limited, are closed to new members and combined contain less than five members. The Charity's current Group Personal Pension Plan is managed by Scottish Life. All employees are eligible for membership and are actively encouraged to join. All three schemes are accounted for as defined contribution schemes. The pension charge for the year ended 31 July 2012 represents contributions payable by Arthritis Research UK to the funds and amounted to £807,539 (2011: £208,689).

20. Operating Leases

The committed leasing charges for the next financial year amount to £639,950 (2011: £681,572). This amount comprises of committed leases due to expire in:

	Property 2012 £'000	Property 2011 £'000
Less than 1 year	27	53
2 to 5 years	250	291
Over 5 years	364	337
	641	681

21. Related Party Transactions

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

Trustee	Institution	Amount Paid £000	Awarded 2012 £000
Professor Sir Alex Markham	University of Leeds	829	511
Professor Mike Pringle	University of Nottingham	611	150
Professor Patrick Sissons	University of Cambridge	340	156

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

22. Capital Commitments

There were no capital commitments at 31 July 2012 or 31 July 2011.

23. Contingent Liabilities

There were no contingent liabilities at 31 July 2012 or 31 July 2011.

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

	2012 £'000	2011 £'000
185 awards over £10,000 (2011: 267 awards)	25,499	20,753
27 awards less than £10,000 (2011: 9 awards)	22	36
Supplements to existing grants	3	393
Awards no longer required	75	(2,857)
	25,599	18,325

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

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

	2012 £'000	2011 £'000
11 awards over £10,000 (2011: 12 awards)	371	635
26 awards less than £10,000 (2011: 22 awards)	40	16
Supplements to existing grants	-	-
	411	651

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

26. Provisions for Liabilities (Charity and Group)

	2012 £'000	2011 £'000
At 1 August	79	78
Charge during the year	1	1
At 31 July	80	79

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

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

27. Detailed Schedule of Grants Awarded in the Year

	Recognised Awards (note 6 refers) £'000	Number of Grants	Awarded* (over £10,000) £'000
Addenbrooke's Hospital NHS	206	–	–
Brunel University	0	3	355
Cardiff University	1,331	13	1,160
Dudley Group of Hospitals NHS Trust	0	1	99
East Lancashire Hospitals NHS Trust	21	–	–
Genome Research Limited	18	–	–
Glasgow Caledonian University	-30	–	–
Imperial College	631	2	168
Kennedy Institute of Rheumatology	–	10	4,760
Kings College London (Guys)	1,120	12	810
Kings College London (Psychiatry)	94	–	–
Kings College London (USE A/C KIN01)	25	–	–
Medical Research Council (Swindon)	213	–	–
NHS Greater Glasgow and Clyde	150	–	–
Nottingham University Hospitals NHS Trust	–	5	2,500
Queen Mary University of London (Westfield College)	1,332	19	1,764
Queen's University of Belfast	204	–	–
Royal Cornwall Hospitals Trust	–	1	50
Royal National Hospitals	105	–	–
Solent Healthcare	–	3	170
The Royal Veterinary College	-57	–	–
The University of Aberdeen	587	9	467
University College London	1,648	15	2,346
University College London Hospital Trust	–	2	60
University Hospital Coventry and Warwickshire NHS Trust	18	–	–
University Hospitals Bristol	114	–	–
University Newcastle Upon Tyne	1,289	12	790
University of Birmingham	1,438	14	2,524
University of Bristol	182	4	156
University of Cambridge	378	5	156
University of Dundee	201	–	–
University of East Anglia	523	1	96
University of Edinburgh	675	5	770
University of Glasgow	1,430	8	1,478
University of Keele	1,116	1	144
University of Leeds	829	6	511
University of Liverpool	146	1	625
University of Manchester	3,500	7	2,606
University of Nottingham	809	3	150
University of Oxford	3,691	13	105
University of Salford	88	2	80
University of Sheffield	164	–	–
University of Southampton	392	3	180
University of Strathclyde	50	1	70
University of the West of England, Bristol	134	–	–
University of the West of Scotland	9	–	–
University of Warwick	158	3	181

Notes to the Consolidated Financial Statements

For the year ended 31 July 2012

27. Detailed Schedule of Grants Awarded in the Year continued

	Recognised Awards (note 6 refers) £'000	Number of Grants	Awarded* (over £10,000) £'000
University of York	262	–	–
Wrightington Wigan & Leigh NHSFT	12	1	50
Strategic	59	4	117
Recognised Grants of less than £10,000	-24	27	22
Total Research Grants Recognised and Awarded	25,240	216	25,521

* not included in the Financial Statements

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

	Recognised Awards (note 6 refers) £'000	Number of Grants	Awarded (over £10,000) £'000
University College London	–	2	139
Teeside University	–	1	30
St George University London	–	2	42
Newcastle Upon Tyne NHS Foundation Trust	23	2	59
Kings College London	–	1	26
Glasgow Caledonian University	–	1	45
Dudley Group of Hospitals NHS Trust	–	2	30
University of Southampton	12	–	–
University of Oxford	27	–	–
Newcastle University	32	–	–
University Hospitals Coventry & Warwickshire NHS Trust	42	–	–
Recognised Grants of less than £10,000	29	26	40
Total Education Grants Recognised and Awarded	165	37	411

Details of the Committees which support the Board of Trustees

For the year ended 31 July 2012

Appointments and Remuneration Committee

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

Mr Charles Maisey (Chair)
Mr Tom Hayhoe (appointed 20 June 2012)
Professor Sir Alex Markham
Mr Richard Raworth (retired 20 June 2012)

Finance Committee

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

Mr Richard Raworth (Chair) (retired 20 June 2012)
Mr Tom Hayhoe (appointed Chair 20 June 2012)
Mr Jonathan Baker
Mr Joe Carlebach
Mr Peter Henderson
Mr Charles Maisey
Mr Alan Torry

Scientific Strategy Committee (SSC)

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

Professor Sir Alex Markham (Chair)
Professor David Marsh (Vice Chair)
Professor Ferry Breedveld (resigned 14 December 2011)
Professor Janet Darbyshire
Professor Steffen Gay (retired 1 March 2012)
Professor Dorian Haskard
Dr Sylvie Jackson (appointed 27 October 2011)
Professor Eric Jenkinson
Mr Charles Maisey (ex officio)
Professor Sir Andrew McMichael
Professor Gill Murphy
Professor Di Newham (retired 1 March 2012)
Professor Bill Ollier (retired October 2010)
Mr Martyn Porter
Professor Mike Pringle (appointed 28 May 2012)
Professor Graham Russell
Professor Steven Sacks (retired 1 March 2012)
Professor David Scott (retired 31 March 2012)
Professor Tim Skerry (retired 1 March 2012)
Professor Leo van de Putte (retired 13 January 2012)

Research and Academic Capacity Committee (RECAP)

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

Professor David Scott (Chair)
Professor Justin Mason (Vice Chair)
Dr Simon Allard (resigned 7 September 2011)
Professor Paul Bacon
Professor Deborah Bax (appointed 24 November 2011)
Professor Anne Cooke

Professor Mike Doherty
Professor Krysia Dziedzic
Professor Andrew McCaskie (retired 30 November 2011)
Professor Rob Moots
Professor Drew Rowan
Professor Hamish Simpson (appointed 1 December 2011)

Programme Grant Sub-Committee (PGSC)

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

Professor Graham Russell (Chair)
Professor Tim Cawston (Vice Chair)
Professor Gordon Blunn
Professor Andy Cope
Professor Dorian Haskard
Professor Eric Jenkinson
Professor Dermot Kelleher
Professor Frank Luyten
Professor Iain McInnes
Professor David Murray
Professor Thomas Pap
Professor Brigitte Scammell

Clinical Studies Sub-Committee (CSS)

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

Professor David Scott (Chair)
Professor Justin Mason (Vice Chair)
Dr Simon Allard (resigned 7 September 2011)
Professor Paul Bacon
Professor Deborah Bax (appointed 24 November 2011)
Professor Anne Cooke
Professor Mike Doherty
Professor Krysia Dziedzic
Professor Andrew McCaskie (retired 30 November 2011)
Professor Rob Moots
Professor Drew Rowan
Professor Hamish Simpson (appointed 1 December 2011)

Research Sub-Committee (RSC)

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

Professor Gill Murphy (Chair)
Professor Graham Anderson (Vice Chair to 31 October 2011) (retired 30 June 2012)
Professor Charles Archer
Professor Tim Arnett (retired 31 October 2011)
Professor Robert Barker (retired 30 June 2012)
Professor Anne Barton (appointed 1 May 2012)
Dr Alexandra Blakemore (appointed 1 November 2011)
Professor Ray Boot-Handford (appointed 1 November 2011)
Professor Anthony Bull

Details of the Committees which support the Board of Trustees For the year ended 31 July 2012

Professor Richard Cornall
Dr Alison Gartland (appointed 1 November 2011)
Professor Simon Jones (retired 6 July 2011)
Professor Raymond Lee (retired 30 June 2012)
Professor Alexander MacGregor (retired 30 June 2012)
Professor Derek Mann (appointed Vice Chair 1 November 2011)
Professor Eugene McCloskey
Mr Dominic Meek
Professor Costantino Pitzalis
Dr Jennifer Potts (retired 30 June 2012)
Professor Peter Taylor
Dr Tonia Vincent
Professor Stephen Ward (appointed 1 May 2012)
Professor Timothy Vyse (retired 31 October 2011)
Mr Mark Wilkinson

Fellowships Implementation Committee (FIC)

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

Professor Paul Bacon (Chair)
Professor Mike Hurley (Vice Chair, Health Sciences) (retired 29 February 2012)
Professor Rob Moots (Vice Chair, Clinical)
Professor Bernard Morley (Vice Chair, Non-Clinical)
Professor Jackie Oldham (Vice Chair, Health Sciences)
Professor David Abraham
Professor Nigel Arden
Professor Ian Bruce
Professor Ian Clark
Professor Cyrus Cooper
Dr Mark Cooper (retired 29 February 2012)
Professor John Couchman (retired 29 February 2012)
Dr Fiona Cramp (appointed 1 March 2012)
Professor Peter Croucher (resigned 31 October 2011)
Professor Cosimo De Bari (appointed 1 February 2012)
Professor Vic Duance
Professor Colin Farquharson (appointed 1 March 2012)
Professor Allen Goodship
Professor Sarah Hewlett (retired 29 February 2012)
Professor David Hukins
Dr Gisli Jenkins (appointed 1 March 2012)
Dr Kika Konstantinou (appointed 1 March 2012)
Dr James Lieper (appointed 1 March 2012)
Professor John Loughlin
Professor Justin Mason (retired 29 February 2012)
Professor Ann Morgan

Professor Mauro Perretti (appointed 1 March 2012)
Professor Andy Pitsillides
Professor Eva Qvarnstrom
Dr Tony Redmond (appointed 1 March 2012)
Professor Mike Rogers (retired 29 February 2012)
Dr Afsie Sabokbar (appointed 1 March 2012)
Professor David Sansom
Professor Blair Smith (appointed 1 March 2012)
Professor Martin Underwood
Professor Lucy Wedderburn
Professor Paul Winyard (appointed 1 February 2012)
Professor Jim Woodburn (retired 29 February 2012)
Professor Jane Worthington
Dr Weiya Zhang

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

Stakeholders Research Strategy Review Committee (USER)

Advises the funding committees on the relevance and importance of the research proposals Arthritis Research UK receives. This committee is chaired by Arthritis Research UK's medical director and comprises clinically active, but predominantly research inactive, health professionals and appropriately selected members of the public.

Professor Alan Silman (Chair)
Ms Alison Allam
Mrs Wendy Broderick (appointed 20 September 2011)
Dr Marwan Bukhari
Mr Stephen Cannon
Mr David Chandler
Professor Ian Clark (appointed 2 November 2011)
Mrs Trish Cornell (retired 19 April 2011)
Mr Martin Eve
Dr Nicola Goodson
Mr Michael Green
Professor Paul Gregg
Mrs Maureen Grossman
Mr Matthew Homfray
Mr Phillip Knowles
Ms Joanne Koukis
Mr Mark Ranson
Mr Manoj Sood
Ms Janet Suckley
Ms Jane Taylor

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Charity Number: 207711
Scottish Charity Number: SC041156
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