

orthopaedic
research **UK**



Annual Report & Accounts 2019-2020



Charity No. 1111657
Company No. 05585452

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ORTHOPAEDIC RESEARCH UK
Reference and Administrative Details
for the Year Ended 31 March 2020

Charity registration number	1111657
Company registration number	5585452
Trustees	Dr C J Ball (appointed 09/03/20) Mr A H Downing (appointed 29/10/19) Mr A J Edge (resigned 9/3/20) Mr M Gouldstone Mrs S Harkness Mr P E Harrison Baroness J A Jolly (resigned 17/09/20) Mr P Latham (resigned 01/08/19) Professor N Rushton (appointed 30/9/20) Professor M Santin Mr J K Tucker Mr R R Vallings (resigned 28/10/19)
Chief executive officer ORUK leadership team	Dr A Angadji Mrs D Palmer (Executive Officer) Miss R Threadgold (Head of Education and Events)
Registered office	Rosemount House Rosemount Avenue West Byfleet Surrey KT14 6LB
Principal place of operations	Furlong House 10a Chandos Street London W1G 9DQ
Auditor	Sayer Vincent Chartered Accountants & Statutory Auditors 108-114 Golden Lane London EC1Y 0TL
Solicitor	Radcliffes LeBrasseur 85 Fleet Street London EC4Y 1AE
Bankers	National Westminster Bank plc 10 Marylebone High Street London W1U 4BT
Investment managers	Sarasin & Partners LLP Juxon House, 100 St Paul's Churchyard London EC4M 8BU Rathbone Brothers Plc 8 Finsbury Circus, London, EC2M 7AZ

Message from our Chair

My first year as chair of Orthopaedic Research UK would have coincided with a time of change for the charity, irrespective of external events. Even before the pandemic, we had recognised the need to change our model of delivery in response to the inexorable growth in demand for orthopaedic treatment. The volume of people on waiting lists is now so much greater than the available capacity. And we know that the longer people spend on waiting lists, the more they deteriorate, placing even more pressure on an already over-stretched system.

This is neither a sustainable nor a satisfactory state of affairs. It demands a fundamentally different approach that embraces prevention, diagnostics, treatment, ongoing management and most importantly, has to be capable of being delivered at scale. This can only be achieved by empowering the whole orthopaedic eco-system – not simply clinicians working within the NHS, but also GPs, physios and the private sector – through education and targeted funding.

During our recent strategic review, the trustees and executive team agreed that our core purpose should be to focus on diagnostics and treatment to support bone, joint and muscle health. We identified three core areas in which, by unlocking additional capacity within the system, we can make a real difference to the lives of the millions of people suffering poor orthopaedic health – training, grant giving and partnerships.

We will expand our training and education programmes to include not only surgeons but also allied healthcare professionals and individuals within primary care. Our research grant giving will be extended to diagnosis and wider treatments, not only surgical intervention but also funding for related disciplines such as physiotherapy. This will, in turn, help to reduce the demand for surgical intervention. We will also invest in more developed research projects to help people benefit more quickly from advances in product development and clinical methods.

We have to recognise that, as a small charity, we can only make a significant contribution by working with others. We will therefore increase collaboration with funders, academics, clinicians and business start-ups. We have already announced partnerships with the Royal Academy of Engineers and the Royal College of Surgeons of England and plan to build a network of influencers in bone, joint and muscle health.

My priority for the next 12 months will be to work with the executive team to embed this new strategy. I also believe it is essential that charities are accountable for their actions and especially their funding. We will therefore start to measure our social benefit - how many people we help every year directly or indirectly – and publish this for all to see. There is much to do, but it promises to be an exciting year for the charity. I look forward to your continued support.

Adrian Downing
Chair of the Board of Trustees

Message from our Chief Executive

This has been a remarkably challenging year for everyone. Like many charities we have been forced to make some difficult decisions in response to reductions in our core funding.

COVID-19 has placed a tremendous strain on the healthcare system as a whole, causing significant delays in diagnosing and treating patients with musculoskeletal conditions. This pressure is unlikely to change in the foreseeable future, at a time when the demands created by an ageing society will only increase. This combination places an unprecedented level of pressure on healthcare providers, causing severe gaps in support for those who are in desperate need of diagnosis and treatment.

As one of the few charities devoted to addressing the most important gaps in research funding and professional education in bone, joint and muscle wellbeing, we have a critical role to play in enabling pain-free movement for all. The stark reality is that poor musculoskeletal health is a major and debilitating drain on society. It is the third largest area of expenditure for the NHS. Tragically, it is also linked to rising levels of obesity, anxiety, isolation and depression. With such a huge societal impact, we must never accept the inevitability of pain, or indeed its cost. We must keep pushing at research boundaries and help to educate the next generation of multi-disciplinary healthcare professionals.

It is a cliché that every crisis creates opportunities but, as with other healthcare organisations, the pandemic has encouraged us to embrace new ideas and approaches, especially when it comes to the use of technology, for example in the delivery of virtual training courses. This will be reflected in our new three-year strategy, which will reinforce and reinvigorate our core purpose of addressing the unmet needs of people suffering from bone and joint disorders. We will continue to show that the impact of what we do, through research and education, contributes meaningfully towards improving mobility, economic independence and healthy ageing of our society.

I would like to pay special tribute to those Trustees who recently completed their term of office; in particular, Mr Robert Vallings, Chair of the Board of Trustees (2010-19), Mr John Edge, Mr Patrick Latham and Baroness Judith Jolly, all of whom dedicated their time and energy to support ORUK and further our charitable objectives.

To all the supporters who believe in what we do – the patients, donors, volunteers, influencers, researchers, educators, clinicians and partners – I would like to sincerely thank you for your continued and unconditional support to help us achieve our vision of pain-free movement for all.

Dr Arash Angadji
Chief Executive

INTRODUCTION

The trustees present their report and the audited accounts for the year ended 31st March 2020.

The trustees have adopted the provisions of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the charity's governing document, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

OBJECTIVES AND ACTIVITIES

Objectives and aims, including achievements and performance, and significant activities

Our principal, and over-riding, objective is the advancement and dissemination of knowledge in the area of orthopaedic and musculoskeletal research, for the benefit of patients suffering from debilitating bone and joint conditions. This is being achieved through research and education.

Our specific aims and significant activities to achieve those aims are:

- To fund high quality **research**, at centres of excellence in the field of musculoskeletal medicine, to support bone, joint and muscle health. We publish the results of this research at the end of the studies to demonstrate the impact of our funding. Our measures for success are:

1. Increased awareness of our research among both professionals and patients;
2. The nurturing of talent within the field of musculoskeletal medicine and the recruitment of advocates for our research.
3. The recruitment of partners to jointly fund our research projects.

- To fund **education**, primarily through the organisation of workshops, training courses, lectures, seminars and symposia, that will improve knowledge of the treatment of bone and joint disease and of prevention, diagnosis, treatment and the management of patients. During the past year we staged 18 events, 13 of which were fully booked and we generated £42,530 in sponsorship revenue. In total we educated 893 people with the support of 232 faculty members and 94% of participants rated our events as 'excellent' or 'good' in terms of educational value. Income from events amounted to £162,801 in 2019/20 compared to £179,878 in 2018/19. The lockdown forced the cancellation of the last two events of our financial year, which would have generated additional income in the region of £12k and brought income from events broadly in line with that of the prior year.

- To provide information about our charitable activities to the general public through **publishing** and the funding of awards and prizes for outstanding publications and presentations in the field of orthopaedics. We have two books in publication which provide preparation aids for the FRCS (Orth) examinations and complement our basic

science training courses. Sales to orthopaedic trainees of both publications form part of our fundraising strategy. They are available to buy online or at our course events. During the year we sold 136 books, a 30% increase on the previous year, which was a good result considering that the books were published some years ago. We are in the process of producing another educational book for publication in 2021.

Public benefit

The Trustees 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 in planning future activities.

We aim to bring together all relevant stakeholders to identify patients' priorities for diagnosis and treatment and to support innovative ideas with the clear aim of delivering substantive and safe solutions. We aim to tackle debilitating bone, joint and muscle disorders and ultimately enhance the quality of life, not only of patients but also of their carers and families.

We have raised the public profile of the organisation through the staging of high-quality educational events. We hope to further raise the quality of and public benefit from these events by engaging thought-provoking opinion leaders as speakers and meeting organisers.

- Clinical and scientific research is the keystone of medical schools in universities and hospitals. Through our funding, these institutions are able to provide academic research positions or research fellowships that may not otherwise be possible. This opens-up new research areas and directly benefits students at all levels, up to post-doctorates. Surgeons also benefit from access to cutting-edge research and improved training, helping them to provide better treatment and outcomes to patients.

- The results of research are generally readily available in the public domain through the publication of results in the media and the public presentation of research projects. These presentations and publications are always peer reviewed to ensure a consistently high quality of research. By adopting these measures, we are able to satisfy the public benefit funding requirements.

ACHIEVEMENTS AND PERFORMANCE

We believe that we make a significant difference to beneficiaries and wider society in the following areas:

- Our funding enables researchers to obtain academic positions and enhance their skills;
- Our work helps to educate and train the orthopaedic surgeons and scientists of the future;
- Our publishing of research results to the public helps improve general awareness of orthopaedic and musculoskeletal conditions;
- Our strategy places patients at the forefront of all of our activities.

Short-term and longer-term aims and objectives

Given that we are a medical research charity, patients are always our focus. Our aim is to reduce the demands on the NHS, from poor bone, joint and muscle health, by investing in innovative research programmes that have the capability to deliver the maximum impact on the population as a whole.

Our short-term objectives include the management of our existing research portfolio, monitoring the performance of the researchers we fund, increasing the number of educational events, increasing our use of digital media, enhancing our profile by interacting with key opinion leaders, investigating partnerships with likeminded corporates and continuing to fundraise to increase the scope of our charitable activities.

Our longer-term objectives are to continue to increase brand awareness, increase our impact through strategic partnerships and to become the 'go to' place for influencers and opinion formers with the musculoskeletal field.

Grant making policy

We consider the support of grant applications that are within the scope of our charitable aims; that is to promote the advancement of orthopaedic research and education and, in particular, the encouragement of innovation and partnerships to advance bone, joint and muscle health in the UK.

Investing in startups

We consider that investing in early stage start-ups, that are active in the musculoskeletal field, accelerates the innovation process and therefore brings benefits to patients much quicker. We launched a new initiative (The Ronald Furlong Fund for Start-ups) during the year, which resulted in the choice of Renovos as our first investment start-up. Our aim is to commercialise innovative ideas to both benefit society and generate revenue that can be reinvested in supporting our charitable activities and increasing our overall impact.

STRATEGIC REPORT

FINANCIAL REVIEW

Financial position

In the 12 months to 31st March 2020, we generated total income of £1,241,261 (11 month period to 31st March 2019 £959k). Until the middle of March 2020, our financial performance was as expected, but as noted above, the final two events of our financial year were cancelled as a result of Covid-19 and the associated lockdown. All courses during the year to date have either been cancelled or postponed, with delegates offered refunds or the opportunity to rebook on a rearranged course. We initially replaced our traditional face-to-face training with free online courses. Since August 2020 we have been charging for these online courses.

Fortunately, our long-term investments in property have maintained their value during the financial year, as have broadly our investments in the stock-market. Income generated from these investments is our principal funding source and we are confident that this will be sustained - albeit temporarily impacted by the challenges to the global economy arising from the Covid-19 pandemic. This will allow us to continue to invest in quality research, which in the short-term will drive our fundraising strategy and in the long-term will benefit our educational offering. Our reserves policy on page 8 explains how we are seeking to protect these assets for the future. More detail on our income and expenditure is given on page 16. At 31st March 2020, our net assets were £24.9 million, compared to £26.1 million at 31st March 2019. Our listed investments represent a significant portion of our asset base and the market value of these was impacted notably when share prices tumbled in February 2020. Although the stock-market has since stabilised and returned broadly to the position it was prior to that decline (see note 30), the value at the balance sheet was depressed. The market value of the investments was £16.5m at 31st March 2020 compared to £15.1m at 31st March 2019, although this apparent increase does not include

£3m of cash invested by the fund managers during the year that was not reflected in the values at 31st March 2020.

We are fortunate to have these assets, and recognise that we are reliant on them to generate the income that we intend to spend on research in the future. We have reviewed and adapted our reserves policy accordingly.

The principal risks and uncertainties we face at this time are three-fold:

Firstly, as with all organisations, our revenues and investments have been impacted by the C-19 pandemic and associated lockdown, forcing the cancellation of events. We are fortunate that in the short-term we can rely on cash balances and that in the long-term our investments should recover and our face-to-face events programme will recommence.

Secondly, we need our investments to continue to generate the income required to fund our research. The Board considers that the choice of two investment managers spreads this risk, with each manager deploying different investment strategies. The Board meets both managers regularly (at least twice a year) to carefully review their performance against our objectives. Uncertain times, both politically and economically, mean that risks can never be completely removed, but the Board has put in place as many checks and balances as possible to mitigate these risks.

Finally, we have witnessed the decline of fundraising income across the charity sector as result of the pandemic. The long-term impact on our fundraising is unclear, although what is certain is that we will be entering a particularly challenging and volatile landscape. The trustees are reviewing our plans in this area, to ensure that any future investment in fundraising will generate a positive return.

Indemnity provisions – as part of the agreement relating to the sale of JRI, there were a number of indemnity provisions that related to past events of that entity. A number of those indemnity provisions came to an end during the 19/20 accounting year. The Trustees undertook a judgement exercise at 31 March 2020 to reassess the varying degrees of probability for the remaining provisions and as a result it was considered that no material change should be made to the total provision in relation to indemnities of £250,000. The Trustees reviewed the purpose of the provision and decided to redesignate the provision from 'unrestricted funds' to 'designated funds', given that it related to the sale of JRI and therefore to monies that were invested. This redesignation is reflected in our reserves policy below.

Investment policy and objectives

The Board receives quarterly reports from Sarasin & Partners and Rathbones, two investment management companies specialising in the charity field, each of whom handles an investment portfolio on our behalf. It has been a difficult to establish benchmarks their activity given the financial uncertainty in the UK and overseas, even before 'coronavirus' became a widely used term.

Our income target for each fund was £320,000 per annum, once the funds were fully invested and, in addition, the trustees were looking for a capital return of RPI plus 4% per annum on a 3-year rolling basis. Although both funds were nearly fully invested at 31st March 2020, this is not conveyed in the market value at that date, as referred to above.

The charity has set ethical investment policies for its investment managers, for example, we will not invest in companies trading in tobacco.

Reserves policy

Our reserves policy ensures that we have sufficient funds to cover ongoing commitments and we are able to continue to fund our charitable activities. The trustees review our reserves policy annually and keep the position under careful review at Board meetings to ensure that it evolves with our strategy.

Our key income-generating assets are our two properties and listed investments. Maintaining the 'capital' value of those assets will be imperative in order to generate sufficient income to sustain our future plans.

After the sale of our trading subsidiary in April 2018, the trustees collectively agreed that the proceeds of the sale should be spent carefully, as this will be the key to enabling us to invest in the long-term, not only in our charitable activities but also in strategic initiatives.

We consider that these key assets are effectively ring-fenced to enable us to use the income that is generated from them to support our routine and ongoing running costs. The trustees consider that although there is no legal endowment in place to separate these assets, they should be considered to be endowed and in doing so, the trustees are acting in the spirit of the original intention of the founder of our charity.

At the balance sheet date our designated funds amounted to £24,580,770. Part of this represents our 'Capital Fund' [£23,080,770] and the remainder represents our 'Strategy Development Fund' (SDF) [£1,500,000]. It is the SDF that will be used to resource our immediate grant commitments (which totalled £255,064 at the balance sheet date) and to fund our planned activities over the next 36 months, which are:

1. New Research (both academic and non-academic projects);
2. Infrastructure and resources to successfully deliver the new 3-year strategy.

Our free reserves

Our **free reserves** are identified as **£402,524**; being £409,252 as calculated below, less £6,728 of tangible fixed assets which are illiquid. Although the free reserves figure represents approximately nine months of our fixed running costs (being salaries and overheads), our ongoing target is to hold between £500k and £550k in readily available liquid funds in order to cover the running costs of the charity for 12 months.

At 31st March 2020, cash in our current accounts amounted to £854k and we are therefore satisfied that we achieved our 'liquid funds' target.

Net assets	Unrestrict ed	Designated (unrestricted)	TOTAL
Tangible fixed assets	£6,728	£918,992*	£925,720
Investments	nil	£23,911,778*	£23,911,778
Net current assets	£440,024	nil	£440,024
Long-term liabilities	(£37,500)	nil	(£37,500)
Provisions	nil	(250,000)	(£250,000)
Total	<u>£409,252</u>	<u>£24,580,770</u>	<u>£24,990,022</u>

THE COVID-19 IMPACT

Covid-19 has created not only a global health crisis but the economic costs of the associated shutdown is likely to lead to a financial recession. Not surprisingly, we envisage that the short and long-term impact on fundraising will be significant. We know from other charities that community/event and corporate fundraising have been badly hit and Trusts and Foundations will face increasing demand.

The impact is likely to be severe across all medical research charities. The Association of Medical Research Charities reports the long-term impact of COVID-19 on its members to be:

- 41% decrease in medical research spend over the next year;
- £310 million shortfall in UK medical research spend;
- 4.5 years for medical research spend to recover to 'normal' levels.

We fear that junior investigators and post-docs may decide to move out of science simply because funding becomes ever harder to come by. In the last research call in July 2020, we were forced to reduce our research budget by £250K to adjust to the ongoing financial challenges.

All our educational and training events that were due to take place from the end of March through to July were either postponed or cancelled, which had a significant impact on our income. However, this has encouraged us to look at alternative methods of providing our events and from August these have all been taking place online. We envisage that they will continue to be delivered in this way until at least the end of 2020 and we have been very encouraged by the positive response of delegates to this alternative offering.

The uncertainty of global stock markets is likely to have a negative impact on the level of income we are hoping to achieve from our investments over the next 12 months, although a healthy level of income is still being generated. We have supported the tenants of our two properties, who have been impacted by the pandemic and associated lockdown (by as much as we have been able), offering delayed or 'spread' payment options.

Whilst the past five months have been difficult for us, there have also been positive developments. The executive team has worked tirelessly and dynamically, utilising new technology, to continue to deliver our aims and objectives.

PLANS FOR FUTURE PERIODS

Our work is an investment in the future that will benefit all of our tomorrows. It will ease the burden on the NHS, reduce workplace sickness and improve quality of life for millions of people. Pain, immobility and the resulting isolation are critical issues; we do not believe they are inevitable.

A new three-year strategy is currently being developed to achieve our vision. This will focus on two core activities – sponsoring progressive and high impact research and funding highly-specialist education courses for the next generation of healthcare professionals.

There will be strategic partnerships and collaborations with other organisations to support a wide range of charitable activities, with a specific focus on two areas:

1. Early diagnosis to effectively control the onset of musculoskeletal disease and pain development; and
2. Treatment strategies to tackle existing musculoskeletal disorders to improve quality of life.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The charity is controlled by its governing document, a deed of trust, and constitutes a limited company, limited by guarantee, as defined by the Companies Act 2006.

Committees

In addition to the Board of ORUK, there are 3 sub-committees that oversee the various activities of the charity: Governance, Research and Finance. The Governance committee's over-arching responsibility is to review our current governance arrangements and recommend how ORUK will meet and exceed the expectations of the Charity Commission's Code of Good Governance. The Research committee's responsibility is to ensure the integrity of the charity's programme of scientific research support and its relevance and importance to people affected by musculoskeletal conditions. Finally, the Finance, Investment and Audit committee's responsibility is to help the Board of ORUK Trustees to discharge its fiduciary duties and responsibilities.

Decision making

The Charity has a Board of Trustee Directors who have the requisite skills, knowledge and experience to discharge their duties as trustees of this incorporated charitable organisation. Day-to-day management of the charity is delegated to ORUK's leadership team, as detailed on page 1.

At periodic meetings, the trustees agree broad strategic activities including investments, reserves, risk management and grant making. On-going performance of the research projects is also reported, as is the performance of the listed investments. The Scientific Advisory Committee (SAC) meets at regular intervals to assist with the review process of research applications and to recommend to the Trustees the best projects submitted for grant funding.

Induction and training of new trustees

New trustees are recruited either by recommendation or by advertising in relevant publications or media. A potential trustee then meets the trustees to receive a briefing on the Charity's activities and structure and is given a package of information which includes the agendas and minutes of the Board meetings of the last twelve months. He or she will then be invited to attend a trustee meeting at which they can ask any further questions before being appointed as a trustee and member of the board.

Key management personnel remuneration

Key management personnel of the charity are considered to be the CEO and the trustees. To set the CEO's salary, a sub-committee of trustees undertakes research to benchmark average CEO salaries which is then discussed at an appraisal. None of the current trustees are remunerated.

Risk management

The risks to which the charity may be exposed are under regular review, and systems and procedures have been established to address and manage those risks. As explained above, the major risk facing the charity is the income return on its investments to enable it to

fund its objectives. A Risk Register is in place and regularly updated and reviewed to identify and mitigate those risks.

FUND-RAISING STANDARDS INFORMATION

All of our fund-raising practices meet the values and principles of ORUK as an organisation. We are registered with the Fundraising Regulator. Our fund-raising team is internal and we do not currently use external professional fund-raisers, nor do we employ the services of any fund-raising agencies or third parties. Most of our fund-raising activities during the period were focused on Trust and Foundations and as such there is currently little public fund-raising. As a result of there being several moratorium years for research grants, fund-raising activities were limited but we met our objectives by developing relationships with possible funders of the future. We have ensured that we meet the criteria set by the GDPR data protection regulations and all other relevant codes of conduct. To ensure that we take all reasonable care to protect vulnerable people, we comply with the guidance set out by the Institute of Fundraising. We received no complaints about our fundraising practices during the period.

TRUSTEES' RESPONSIBILITIES STATEMENT

The trustees (who are also directors of Orthopaedic Research UK for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and regulations. Company law requires the trustees to prepare financial statements for each financial period. 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), including FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland). 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 of the incoming resources and application of resources, including the statement of financial activities, of the charitable company 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 (FRS 102);
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company 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 charitable 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees confirm that:

- So far as each trustee is aware, there is no relevant audit information of which the charitable company's auditor are unaware; and
- The trustees have taken all the steps that they ought to have taken as trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

Going concern

The financial statements of the charitable company have been prepared on a going concern basis as the trustees have assessed the going concern position and have no reason to believe that there are any material uncertainties that would affect the ability of the charitable company to continue as a going concern for the foreseeable future. Clearly the Covid-19 global pandemic is a material uncertainty, but this does not automatically mean that the going concern basis is inappropriate. The trustees have carefully considered the impact on the charity, both in the short and longer term. In order to plan for future cashflow requirements, the trustees have considered the period covering the next 12 months and have reviewed forecasts for that period in making their assessment.

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

The Report of the Trustees, incorporating a strategic report, is approved by order of the board of trustees, as the company directors, on and signed on the board's behalf by:

.....
Mr A H Downing – Trustee

Independent Auditor's Report to the Trustees of Orthopaedic Research UK

Opinion

We have audited the financial statements of Orthopaedic Research UK (the 'charitable company') for the year ended 31 March 2020 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 March 2020 and of its 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you, where:

- The trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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;
- The trustees' annual report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- The financial statements are not in agreement with the accounting records and 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; or
- The trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the trustees' annual report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members 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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Judith Miller (Senior statutory auditor)

Date

for and on behalf of Sayer Vincent LLP, Statutory Auditor
Invicta House, 108-114 Golden Lane, LONDON, EC1Y 0TL

Statement of Financial Activities (incorporating an income and expenditure account)

Year ended 31 March 2020

Year ended 31 March 2020				as restated	
		Unrestricted funds	Restricted funds	31 March 2020	31 March 2019
	Note	£	£	Total £	Total £
Income from:					
Donations and legacies	2	8,473	32,249	40,722	23,275
Charitable activities	5	166,572	-	166,572	183,566
Other trading activities	3	1,605	-	1,605	3,779
Investments	4	1,032,362	-	1,032,362	748,316
Total income		1,209,012	32,249	1,241,261	958,936
Expenditure on:					
Raising funds	6	98,817	-	98,817	157,693
Charitable activities	7	666,170	32,249	698,419	466,659
Total expenditure		764,987	32,249	797,236	624,352
Exceptional item – gain on sale of business	27	-	-	-	321,944
Other net gains/(losses) on investments	24	(1,581,162)	-	(1,581,162)	(32,162)
Net (expenditure)/income		(1,137,137)	-	(1,137,137)	624,366
Transfers between funds	24	-	-	-	-
Net movement in funds		(1,137,137)	-	(1,137,137)	624,366
Reconciliation of funds:					
Total funds brought forward	24	26,127,159	-	26,127,159	25,502,793
Total funds carried forward	24	24,990,022	-	24,990,022	26,127,159

All income and expenditure derive from continuing activities. The statement of financial activities includes all gains and losses recognised during the period.

Statement of Financial Activities (incorporating an income and expenditure account)

Year ended 31 March 2020

		as restated		as restated
		Unrestricted funds	Restricted funds	31 March 2019 Total
	Note	£	£	£
Income from:				
Donations and legacies	2	16,274	7,001	23,275
Charitable activities	5	183,566	-	183,566
Other trading activities	3	3,779	-	3,779
Investments	4	748,316	-	748,316
Total income		951,935	7,001	958,936
Expenditure on:				
Raising funds	6	157,693	-	157,693
Charitable activities	7	466,659	-	466,659
Total expenditure		624,352	-	624,352
Exceptional item – gain on sale of business	27	321,944	-	321,944
Other net gains/(losses) on investments	24	(32,162)	-	(32,162)
Net income		617,365	7,001	624,366
Transfers between funds	24	7,001	(7,001)	-
Net movement in funds		624,366	-	624,366
Reconciliation of funds:				
Total funds brought forward	24	25,502,793	-	25,502,793
Total funds carried forward	24	26,127,159	-	26,127,159

All income and expenditure derive from continuing activities. The statement of financial activities includes all gains and losses recognised during the period.

Balance Sheet

Year ended 31 March 2020

	Note	31 March 2020 £	31 March 2019 £
Fixed assets			
Tangible assets	17	925,720	937,343
Mixed motive investments	18	49,998	-
Investments	18	<u>23,861,780</u>	<u>22,493,268</u>
Current assets		24,837,498	23,430,611
Stock		2,835	-
Debtors	19	86,692	115,851
Cash at bank and in hand		<u>854,471</u>	<u>3,534,411</u>
		943,998	3,650,262
Creditors: amounts falling due within one year	20	<u>(503,974)</u>	<u>(648,447)</u>
Net current assets/(liabilities)		<u>440,024</u>	<u>3,001,815</u>
Total assets less current liabilities		25,277,522	26,432,426
Creditors: amounts falling due after more than one year	22	(37,500)	(55,267)
Provisions	21	<u>(250,000)</u>	<u>(250,000)</u>
Net assets	25	<u><u>24,990,022</u></u>	<u><u>26,127,159</u></u>
Charity Funds			
Restricted funds		-	-
Unrestricted funds:			
General funds	24	409,252	1,203,575
Designated funds – capital assets fund	24	23,080,770	23,423,584
Designated funds – strategy development fund	24	1,500,000	1,500,000
Revaluation reserve	24	<u>-</u>	<u>-</u>
Total charity funds	24	<u><u>24,990,022</u></u>	<u><u>26,127,159</u></u>

The financial statements were approved and authorised for issue by the Board on

Signed on behalf of the board of trustees

.....
Mr A Downing, Trustee

The notes on pages 20 to 33 form part of these financial statements

Statement of Cash Flows

Year ended 31 March 2020

			as restated
		31 March 2020	31 March 2019
	Note	£	£
Cash flow from operating activities	26	<u>(710,056)</u>	<u>(2,077,961)</u>
Net cash flow from operating activities		<u>(710,056)</u>	<u>(2,077,961)</u>
Cash flow from investing activities			
Income from investments	4	600,245	358,385
Rent from investments	4	430,776	389,124
Net interest received	4	1,341	807
Purchase of property, plant & equipment	17	(2,574)	(6,387)
Purchase of investments less net cash acquired	18	(4,617,442)	(12,038,049)
Receipts from sale of investments	18	<u>1,617,770</u>	<u>302,312</u>
Net cash flow from investing activities		<u>(1,969,884)</u>	<u>(10,993,808)</u>
Net (decrease)/increase in cash and cash equivalents		(2,679,940)	(13,071,769)
Cash and cash equivalents at 31 March 2019		<u>3,534,411</u>	<u>16,606,180</u>
Cash and cash equivalents at 31 March 2020	26	<u><u>854,471</u></u>	<u><u>3,534,411</u></u>

The notes on pages 20 to 33 form part of these financial statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

Orthopaedic Research UK is a charitable company, limited by guarantee, incorporated in England and Wales. The address of the registered office is given in the charity information on page 1 of these financial statements. The nature of the charity's operations and principal activities are given on page 2 of these financial statements.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011, the Companies Act 2006 and UK Generally Accepted Accounting Practice.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are prepared in sterling which is the functional currency of the charity and rounded to the nearest £.

In the prior year, the financial statements covered a 11 month period to 31st March 2019, therefore the comparatives are not entirely comparable. In the 2018 accounts, the accounting period was extended in order to incorporate the sale of the charity's subsidiary, and the 2019 accounting period was 're-set' to the usual account year of 31st March. The Trustees had the legal authority to do this under section 392 of the Companies Act 2006. The extension request was filed at Companies House at the beginning of May 2018, with the Trustees formally approving the extension at their board meeting in June 2018, and further to the instructions at that same meeting a request to shorten the year end was subsequently filed at Companies House at the beginning of January 2019.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

In applying the financial reporting framework, the trustees have made a number of subjective judgements, for example in respect of significant accounting estimates. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The nature of the estimation means the actual outcomes could differ from those estimates. Any significant estimates and judgements affecting those financial statements are detailed within the relevant accounting policy below.

Fund accounting

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes.

Income recognition

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably and it is probable that the income will be received.

Income from educational training events is recognised in full in the period in which the event takes place.

For donations to be recognised the charity will have been notified of the amounts and the settlement date in writing. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

Investment income is earned through holding assets for investment purposes such as shares and property. It includes dividends, interest and rent. Interest income is recognised using the effective interest method and dividend and rent income is recognised as the charity's right to receive payment is established.

Expenditure recognition

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payment to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably. It is classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

All expenditure is recognised inclusive of VAT, where VAT applies. The charity is able to recover some of its VAT under partial exemption, and this VAT recovery is shown as an expenditure line, rather than being offset against the expenditure on which it was incurred.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Grants payable to third parties are within the charitable objectives. Where grants are offered subject to conditions which have not been met at the year-end date, these are noted as a commitment but not accrued as expenditure. Research grants payable are recognised in full, as expenditure with a related liability, from the date on which the grants are awarded and communicated.

Support cost allocation

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs and governance costs, administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity and include project management. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable activities on a basis consistent with use of the resources.

Exceptional items

The charity presents as exceptional items those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow users to better understand the elements of financial performance in the year, so as to facilitate comparison with prior periods and to better assess trends in financial performance.

Going concern

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern.

Key judgements that the charity has made which have a significant effect on the accounts include the consideration of the property valuations at the balance sheet date, given the potential impact of Covid-19 on the property market. This is commented on in notes 17 and 18.

The trustees do not consider that there are any other sources of estimation uncertainty, including the above, at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Tangible fixed assets

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended. Assets are capitalised where their cost exceeds £1,500.

Freehold property, for which fair value can be measured reliably, is measured at fair value at each reporting date with changes in fair value recognised in 'net gains/(losses) on revaluation of fixed assets' in the SoFA. The trustees have adopted a policy of regular revaluation of freehold property, and undertake this professionally once every three years, with informal reviews annually. Freehold property is measured at fair value and includes the space the charity occupies within its London property. See note 16 for further detail.

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

Freehold land	– not depreciated
Freehold buildings	– straight line over 50 years
Fixtures and fittings	– 20% on cost
Computer equipment	– 33 1/3% on cost

Impairment

Assets not measured at fair value are reviewed for any indication that the asset may be impaired at each balance sheet date. If such indication exists, the recoverable amount of the asset is estimated and compared to the carrying amount. Where the carrying amount exceeds its recoverable amount, an impairment loss is recognised in the SoFA unless the asset is carried at a revalued amount where the impairment loss is a revaluation decrease.

Investment property

Investment properties for which fair value can be measured reliably without undue cost or effort are measured at fair value at each reporting date with changes in fair value recognised in 'net gains/(losses) on investments' in the SoFA. Investment properties are not depreciated. The trustees have adopted a policy of regular revaluation of investment properties, and will undertake this professionally once every three years, with informal reviews annually. Investment properties are measured at fair value and include the tenant occupied space in its London and Sheffield properties. See note 18 for further detail.

Investments

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value with changes recognised in 'net gains/(losses) on investments' in the SoFA if the shares are publicly traded or their fair value can otherwise be measured reliably. Programme related investments are those held to generate a financial return as well as further the charitable objects. These investments are valued at historic cost and reviewed for indicators of impairment at each balance sheet date.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Stock

Stock is valued at the lower of cost and net realisable value, and relates to books.

Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in expenditure.

Provisions

Provisions are recognised when the charity has an obligation at the balance sheet date as a result of a past event, it is probable that an outflow of economic benefits will be required in settlement and the amount can be reliably estimated.

Operating leases

Rental charges are charged on a straight line basis over the term of the lease.

Foreign currency

Foreign currency transactions are initially recognised by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Employee benefits

When employees have rendered service to the charity, short-term employee benefits to which the employees are entitled are recognised at the undiscounted amount expected to be paid in exchange for that service.

Tax

The charity is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Cash and cash equivalents

Cash and cash equivalents include cash in hand and cash deposits with financial institutions (including investment managers) that are readily convertible to known amounts of cash with an insignificant risk of change in value.

Financial instruments

The charity only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the SoFA. For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Pensions

The charity operates a defined contribution plan for the benefit of its employees. Contributions are expensed as they become payable.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**Judgements and key sources of estimation uncertainty**

The following judgements (apart from those involving estimates) have been made in the process of applying the above accounting policies that have had the most significant effect on amounts recognised in the financial statements:

Indemnity provisions – as part of the sales agreement relating to JRI, there were a number of indemnity provisions in relation to past events of the entity. The trustees undertook a judgement exercise whereby the varying degrees of probability of each provision was assessed and, as a result, a total provision in relation to indemnities of £575,000 was recorded. In 2019, the trustees updated the judgement exercise and concluded that £325,000 of the provision could be released as not required. This amount was released to the SoFA and is shown as an exceptional item. See note 21 and note 29. No change to the carrying value of provisions has been made in the current accounting year.

Valuation of properties – freehold land and buildings and investment properties are included at fair value. The last professional valuation was undertaken in 2018 and the trustees have carried out a desktop property valuation review and have concluded that no material movement in this valuation has taken place.

2 DONATIONS AND LEGACIES

	31 March 2020 £	31 March 2019 £
Donations	<u>40,722</u>	<u>23,275</u>

The donations figures include both restricted and unrestricted income. Unrestricted donations received during the year amounted to £8,473 (2019 £16,274) and restricted donations received during the year amounted to £32,249 (2019 £7,001).

3 OTHER TRADING ACTIVITIES (UNRESTRICTED)

	31 March 2020 £	31 March 2019 £
Fundraising/challenge events	<u>1,605</u>	<u>3,779</u>

4 INVESTMENT INCOME (UNRESTRICTED)

	31 March 2020 £	31 March 2019 £
Rental income	430,776	389,124
Dividends received	600,245	358,385
Bank interest received	<u>1,341</u>	<u>807</u>
	<u>1,032,362</u>	<u>748,316</u>

5 INCOME FROM CHARITABLE ACTIVITIES (UNRESTRICTED)

	31 March 2020 £	31 March 2019 £
Education (training courses)	162,801	179,878
Publishing	<u>3,771</u>	<u>3,688</u>
	<u>166,572</u>	<u>183,566</u>

6 EXPENDITURE ON RAISING FUNDS

	31 March 2020 £	31 March 2019 £
Fundraising costs	98,817	157,693

Fundraising costs above include support cost allocations of £26,947 (2019 £45,286) which are analysed in note 10.

7 CHARITABLE ACTIVITIES COSTS

	Direct & support costs £	Grant funding of activities <u>31.3.20</u> (see note 11) £	Totals £
Promoting best orthopaedic practice through education	221,770	-	221,770
Publishing and sponsorship	11,498	-	11,498
Research into best orthopaedic practice	-	233,877	233,877
Governance costs	231,274	-	231,274
	464,542	233,877	698,419

Charitable activities costs above include support cost allocations, which are analysed in note 10.

	as restated	Grant funding of activities <u>31.3.19</u> (see note 11) £	as restated
	Direct & support costs £	Totals £	
Promoting best orthopaedic practice through education	218,348	-	218,348
Publishing and sponsorship	(1,840)	-	(1,840)
Research into best orthopaedic practice	-	74,048	74,048
Governance costs	176,103	-	176,103
	392,611	74,048	466,659

8 GRANTS PAYABLE

	31 March 2020 £	31 March 2019 £
Research into best orthopaedic practice	233,877	74,048

See note 11 for an analysis

9 NET INCOME

	31 March 2020 £	31 March 2019 £
Net income is stated after charging:		
Depreciation - owned assets	14,197	11,932

10 ALLOCATION OF SUPPORT COST

Support cost	Research £	Promoting (through education) £	Fundraising £	Governance £	31 March 2020 Total £
Human resources	46,641	7,774	13,819	104,511	172,745
Premises/insurance	15,887	2,648	4,707	35,597	58,839
Communications & PR	11,075	1,846	3,281	24,816	41,018
Travel expenses	230	(24)	4	971	1,181
Other expenses	13,499	2,250	4,000	56,790	76,539
Depreciation	3,833	639	1,136	8,589	14,197
Total	91,165	15,133	26,947	231,274	364,519

Support costs are allocated to the activities they support based on an apportionment of employees' time spent on each activity. The costs analysed above are included in fundraising costs (see note 6) and charitable activities costs (see note 7).

Support cost	Research £	Promoting (through education) £	Fundraising £	Governance £	as restated 31 March 2019 Total £
Human resources	18,990	12,660	22,156	72,798	126,604
Premises/insurance	7,840	5,226	9,146	30,052	52,264
Communications & PR	2,970	1,980	3,465	11,384	19,799
Travel expenses	-	65	-	1,721	1,786
Other expenses	11,292	4,818	8,431	53,287	77,828
Depreciation	1,790	1,193	2,088	6,861	11,932
Total	42,882	25,942	45,286	176,103	290,213

11 GRANT MAKING

Name of institution	Purpose for which grants made (research)	31 March 2020 £
University of Edinburgh		75,000
Newcastle University		49,762
Sheffield Childrens NHS FT		(6,028)
University of Exeter		(156)
University College London (UCL)		(46,184)
Grants to institutions		72,394
Staff cost, patent fees and SAC meetings		70,318
Direct costs of grant making		142,712
Support costs of grant making – see note 10		91,165
TOTAL COSTS OF GRANT MAKING		233,877

Occasionally universities, for various reasons, do not spend all the funds that they initially requested to carry out their research activities. There is a provision in the contract signed between the parties that enables ORUK to ask for any 'underspend' monies to be returned to the charity. The adjustments above relate to refunds of unspent funds, or credits of agreed funding, where the universities have confirmed that not all of the grant was required.

11 GRANT MAKING (continued)

Name of institution	Purpose for which grants made (research)	31 March 2019 £
University of Oxford		(29,099)
UCL		(16,777)
Grants to institutions		(45,876)
Staff cost, patent fees and SAC meetings		77,042
Direct costs of grant making		31,166
Support costs of grant making – see note 10		42,882
TOTAL COSTS OF GRANT MAKING		74,048

12 AUDITOR'S REMUNERATION

Amounts payable to the auditor for statutory audit services of the charity are £11.5k (2019 - £11k).

Amounts payable to the auditor and its associates for other services of the charity are £nil (2019 - £nil).

13 TRUSTEES' REMUNERATION AND BENEFITS

No trustees received remuneration or benefits.

Trustees' expenses

Expenses totalling £660 (2019 - £1,122) were paid to 3 trustees in the year (2019 - 3) by the charity, representing reimbursement of travelling expenditure. In addition, the charity expended £2,121 (2019 £1,388) on hosting trustee meetings. During the year, the charity received £300 in the form of donations from its trustees.

14 STAFF COSTS AND EMPLOYEE BENEFITS

	31 March 2020 £	31 March 2019 £
Wages and salaries	294,341	225,157
Social security costs	29,781	21,071
Employer's contribution to defined contribution pension schemes	19,350	17,103
	343,472	263,331

The amount of £343,472 (2019 - £263,331) above includes £116,250 (2019 - £94,312) of employee benefits received by key management personnel, including the current CEO, for his services to the charity. Key management personnel are defined on page 6.

Notes to the Financial Statements

Year ended 31 March 2020

15 STAFF COSTS

The average number of employees, by headcount, in the period was as follows:

	2020 (Charity) Number	2019 (Charity) Number
Charitable activities	4	4
Governance	2	2
	<u>6</u>	<u>6</u>

The charity pays contributions into a money purchase group personal scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. Contributions paid into the scheme by the charity in the period were £19,350 (2019 - £17,103). The pension creditor at the period end was £473.

The number of employees who received total employee benefits (excluding employer pension costs and employer social security costs but including benefits in kind) of more than £60,000 was as shown in the table below.

	2020 (Charity) Number	2019 (Charity) Number
£60,001 - £70,000	-	-
£70,001 - £80,000	-	1
£90,000 - £100,000	<u>1</u>	<u>-</u>

16 RELATED PARTY TRANSACTIONS

The key management personnel (KMP) of the charity comprises the CEO and the trustees. Transactions with trustees are set out in note 13. Total employee benefits of the key management personnel of the charity were £116,250 (2019 - £94,312).

Aggregate donations received from related parties amounted to £300 (2019 £575).

During the prior year, the charity received monies relating to a corporate partnership from Siemens Healthcare Limited. The managing director of this company is also a trustee of the charity, Peter Harrison. The amount received during the year was £nil (2019 £5,000).

17 TANGIBLE FIXED ASSETS

	Freehold land & buildings £	Fixtures, fittings & equipment £	Totals £
COST/VALUATION			
At 31 March 2019	1,040,751	22,321	1,063,072
Additions	-	2,574	2,574
Disposals	-	-	-
Reallocation	-	-	-
At 31 March 2020	<u>1,040,751</u>	<u>24,895</u>	<u>1,065,646</u>
DEPRECIATION			
At 31 March 2019	110,435	15,294	125,729
Charge for the year	11,324	2,873	14,197
Disposals	-	-	-
At 31 March 2020	<u>121,759</u>	<u>18,167</u>	<u>139,926</u>
NET BOOK VALUE			
At 31 March 2020	<u>918,992</u>	<u>6,728</u>	<u>925,720</u>
At 31 March 2019	<u>930,316</u>	<u>7,027</u>	<u>937,343</u>

17 TANGIBLE FIXED ASSETS (continued)

The freehold building relates to the charity-occupied part of 10a Chandos House in London. This building was acquired in January 2008. The property was recognised at fair value on transition to SORP (FRS 102) using a previous fair value valuation. The building is being depreciated from the FRS 102 transition date of 1/4/14 and has a net book value of £918,992; land is not depreciated. The historic cost equivalent of this asset at net book value is £922,518, and depreciation at historic cost would be £10,082. The trustees have adopted a policy of regular revaluation of freehold property, and undertake this professionally once every three years, with informal reviews annually. The freehold property was subject to independent, professional valuation on 31/3/18. The valuation was undertaken by Colliers International Valuation UK LLP, a firm of independent valuers. The valuation was carried out in accordance with the requirements of the RICS Valuation - Professional Standards Manual. The trustees have carried out a review of the property market as at 31/3/20 and consider that there has been no material movement in fair value since 31/3/18. Further information on property valuations is contained in note 18b.

18a FIXED ASSET INVESTMENTS

	Mixed motive investments	Investment properties (18b)	Listed investments	Totals
	£	£	£	£
COST/VALUE				
At 31 March 2019	-	7,309,250	15,184,018	22,493,268
Revaluations	-	-	(1,581,162)	(1,581,162)
Additions	49,998	-	4,567,444	4,617,442
Reallocation	-	-	-	-
Disposals	-	-	(1,617,770)	(1,617,770)
At 31 March 2020	49,998	7,309,250	16,552,530	23,911,778
NET BOOK VALUE				
At 31 March 2020	49,998	7,309,250	16,552,530	23,911,778
At 31 March 2019	-	7,309,250	15,184,018	22,493,268

The historic cost of investment properties is disclosed in note 18b. Income from investments is shown in note 4. Shares in group undertakings were included at cost less impairment. Investment properties and listed investments are included at market value. This is commented on in more detail in note 18b below. Historic cost of listed investments is £17,577,256. Unlisted investments are included at cost which at the year end is considered to be the equivalent of market value.

	Investment properties	as restated Listed investments	as restated Totals
	£	£	£
COST/ MARKET VALUE			
At 1 May 2018	6,959,563	3,480,443	10,440,006
Revaluations	-	(32,162)	(32,162)
Additions	-	12,038,049	12,038,049
Reallocation	349,687	-	349,687
Disposals	-	(302,312)	(302,312)
At 31 March 2019	7,309,250	15,184,018	22,493,268
NET BOOK VALUE			
At 31 March 2019	7,309,250	15,184,018	22,493,268
At 30 April 2019	6,959,563	3,480,443	10,440,006

Notes to the Financial Statements

Year ended 31 March 2020

18b INVESTMENT PROPERTIES

The charity has two investment properties – the London property is the tenant-occupied part of 10a Chandos House in London and the Sheffield property is in Chapeltown in Sheffield.

The investment properties were subject to independent, professional valuation as at 31/3/18. The London property valuation was undertaken by Colliers International Valuation UK LLP, a firm of independent valuers. The Sheffield property valuation was undertaken by Mark Jenkinson & Son, a firm of independent valuers. Both valuations were carried out in accordance with the requirements of the RICS Valuation - Professional Standards Manual. The historic cost equivalent of these assets is £3,891,018 and £3,498,868 respectively.

The trustees carry out a formal valuation of properties every three years, checking in with valuers in between. The independent valuers were contacted this year for an update on the market situation.

Regarding the Sheffield property, no change in its condition has come to the attention of the trustees and the property remains occupied. The tenant has continued to pay rent post year end and the lease continues to April 2023. The Sheffield property is valued at £3.8m which represents 15% of the balance sheet value. The trustees have been told that there is no current transactional evidence to suggest a fall in value. Whilst there is general market uncertainty, in light of these factors the trustees do not believe that there is any material estimate uncertainty for the Sheffield property.

An information valuation for 31 March 2020 was carried out by Colliers, on a desk top basis, on Chandos House on 2nd June 2020. This confirmed that the market value had not adversely affected the 2018 valuation. This is valued at £4.55m, with the investment property element representing 14% of the balance sheet value. Whilst earlier in the pandemic RICS were recommending that valuations be accompanied by material market uncertainty valuation statements, this blanket recommendation has been removed, and confirmed for central London properties. The conclusion is that there has been no material movement in value since 31st March 2018 and no material estimate uncertainty.

A full valuation of both Chandos House and the Sheffield property will be carried out for the year ending 31st March 2021. This is consistent with our intended 3 year cycle for a formal valuation, and will be at a time when there is a clearer view of the economic impact of Covid-19 on property values.

It should also be noted that the trustees' current intention is to hold both properties for the long term.

19 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2020	31 March 2019
	£	£
Trade debtors	34,747	93,338
Other debtors	29,631	2,475
Prepayments and accrued income	22,314	20,038
	86,692	115,851

20 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2020	31 March 2019
	£	£
Trade creditors	31,808	45,532
Grants payable	217,564	320,840
Social security and other taxes	24,245	33,909
Other creditors	21,802	10,269
Accruals and deferred income	208,555	237,897
	503,974	648,447

Deferred income includes monies held for courses to be held in the next financial year amounting to £43,857 (2019 - £47,639), and rents invoiced in advance, amounting to £108,054 (2019 - £116,340).

	31 March 2020	31 March 2019
	£	£
Balance at the beginning of the period	163,979	130,771
Amount released to income in the period	(163,979)	(130,771)
Amount deferred in the period	151,911	163,979
Balance at the end of the period	151,911	163,979

21 RECONCILIATION OF FUNDING COMMITMENTS AND PROVISIONS

	31 March 2020 £	31 March 2019 £
Funding commitments at 31 March 2019	376,107	615,216
Grants adjusted/charged in the period (note 11)	72,394	(45,876)
Grants paid in the period	(193,437)	(193,233)
Funding commitments at 31 March 2020	<u>255,064</u>	<u>376,107</u>
	31 March 2020 £	31 March 2019 £
Provisions at 31 March 2019	250,000	575,000
Indemnity provision released in the period (note 27)	-	(325,000)
Provisions at 31 March 2020	<u>250,000</u>	<u>250,000</u>

As part of the sales agreement relating to JRI, ORUK committed to a number of indemnity provisions relating to past JRI events. The indemnities had specific, but varying, time periods applied. The trustees have, for each of the indemnities, considered the likelihood of the provision crystallising and have concluded that provision in the accounts should be made for those considered most probable. At the balance sheet date, they have updated their review of the provisions and consider that the provisions brought forward from the prior year should still be retained in the accounts. More information is supplied in note 28.

22 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2020 £	31 March 2019 £
Grants payable	<u>37,500</u>	<u>55,267</u>

23a OPERATING LEASE COMMITMENTS PAYABLE AS A LESSEE

The charity's total future minimum lease payments under non-cancellable operating leases is as follows for each of the following periods:

	31 March 2020 £	31 March 2019 £
Less than one year	4,638	5,986
Two to five years	-	4,638
Over five years	<u>168,469</u>	<u>134,253</u>
	<u>173,107</u>	<u>144,877</u>
Land and buildings	168,469	134,253
Other (equipment)	<u>4,638</u>	<u>10,624</u>
	<u>173,107</u>	<u>144,877</u>

23b OPERATING LEASE COMMITMENTS RECEIVABLE AS A LESSOR

Amounts receivable under non-cancellable operating leases are as follows for each of the following periods, and all relate to land and buildings:

	31 March 2020 £	31 March 2019 £
Less than one year	296,572	375,926
Two to five years	560,000	856,572
Over five years	<u>-</u>	<u>-</u>
	<u>856,572</u>	<u>1,232,498</u>

24 FUND RECONCILIATION

	Balance at 31 March 2019 £	Income £	Expenditure £	Transfers £	Gains/ (losses) £	Balance at 31 March 2020 £
Revaluation	1,064,235	-	-	516,927	(1,581,162)	-
Other charitable funds	25,062,924	1,209,012	(764,987)	(516,927)	-	24,990,022
Restricted	-	32,249	(32,249)	-	-	-
	<u>26,127,159</u>	<u>1,241,261</u>	<u>(797,236)</u>	<u>-</u>	<u>(1,581,162)</u>	<u>24,990,022</u>

The revaluation reserve represents accumulated unrealised movements in fair value of investments. Transfers represent restricted donations expended on grants that have already been recognised in full in prior years in unrestricted funds. Of the £24,990,022 of other charitable funds above, £24,580,770 has been identified as being 'designated' at the period-end; this is further explained in note 25a. The purpose of the designated fund is to ring-fence key income-generating assets so that the charity can continue with its charitable activity of giving research grants, and to enable the charity to invest in its fundraising plan to realise its vision of 'pain-free movement for all'.

	Balance at 1 May 2019 £	Income £	Expenditure £	Transfers £	Gains/ (losses) £	Balance at 31 March 2019 £
Revaluation	1,096,397	-	-	-	(32,162)	1,064,235
Other charitable funds	24,406,396	951,935	(624,352)	7,001	321,944	25,062,924
Restricted	-	7,001	-	(7,001)	-	-
	<u>25,502,793</u>	<u>958,936</u>	<u>(624,352)</u>	<u>-</u>	<u>289,782</u>	<u>26,127,159</u>

25a ANALYSIS OF NET ASSETS BETWEEN FUNDS (CURRENT PERIOD)

	General Unrestricted £	Designated £	Restricted £	Total Funds £
Tangible fixed assets	6,728	918,992	-	925,720
Investments	-	23,911,778	-	23,911,778
Net current assets	440,024	-	-	440,024
Long term liabilities	(37,500)	-	-	(37,500)
Provisions	-	(250,000)	-	(250,000)
Net assets at 31 March 2020	<u>409,252</u>	<u>24,580,770</u>	<u>-</u>	<u>24,990,022</u>

25b ANALYSIS OF NET ASSETS BETWEEN FUNDS (PRIOR PERIOD)

	General Unrestricted £	Designated £	Restricted £	Total Funds £
Tangible fixed assets	7,027	930,316	-	937,343
Investments	-	22,493,268	-	22,493,268
Net current assets	1,501,815	1,500,000	-	3,001,815
Long term liabilities	(55,267)	-	-	(55,267)
Provisions	(250,000)	-	-	(250,000)
Net assets at 31 March 2019	<u>1,203,575</u>	<u>24,923,584</u>	<u>-</u>	<u>26,127,159</u>

26 RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	31 March 2020 £	as restated 31 March 2019 £
Net income for period	(1,137,137)	624,366
Dividends received	(600,245)	(358,385)
Interest receivable	(1,341)	(807)
Interest payable	-	-
Depreciation of tangible fixed assets	14,197	11,932
Losses/(gains) on investments	1,581,162	32,162
Reverse indemnity provision	-	(325,000)
(Profit)/loss on disposal of tangible fixed assets	-	-
Rent from freehold investment property	(430,776)	(389,124)
(Increase)/decrease in stock	(2,835)	-
(Increase)/decrease in debtors	29,159	(2,788)
(Decrease)/increase in creditors	(162,240)	(1,670,317)
Net cash flow from operating activities	<u>(710,056)</u>	<u>(2,077,961)</u>

Cash and cash equivalents at 31 March 2020 were £854,471 (2019 - £3,534,411). This amount is analysed as £820,792 (2019 - £523,234) of bank balances, £33,169 held by investment houses as 'cash' balances available to invest (2019 - £3,010,750) and £510 (2019 - £427) of cash.

ANALYSIS OF CHANGES IN NET DEBT

	Balance at 31 March 2019 £	Cashflows £	Balance at 31 March 2020 £
Cash	523,661	297,641	821,302
Cash-equivalents	3,010,750	(2,977,581)	33,169
Grants falling due within 1 year	(320,840)	103,276	(217,564)
Grants falling due in more than 1 year	(55,267)	17,767	(37,500)
	<u>3,158,304</u>	<u>(2,558,897)</u>	<u>599,407</u>

27 EXCEPTIONAL ITEMS

	31 March 2020 £	31 March 2019 £
Purchase price for shares of JRI	-	-
Direct costs in relation to sale	-	(3,056)
Release of indemnity provision	-	325,000
Derecognition of investment in JRI	-	-
	<u>-</u>	<u>321,944</u>

The exceptional item in the prior period related to the release of part of the provision relating to the disposal of the subsidiary undertaking in 2018, as well as a late received invoice in relation to the sales agreement.

28 CONTINGENT LIABILITIES

During the prior period, the trustees reviewed the indemnity provisions relating to past JRI events and have concluded that some are now unlikely to crystallise and were reversed. If these indemnities were to arise, the charity's liability for these would be limited to £200,000.

29 PRIOR YEAR ADJUSTMENT

The accounts have been restated to correct the treatment of investment managers' fees in the prior year. In the prior year, the fees were offset against the net loss on investments. However, the correct treatment is to show the investment managers' fees as a separate expenditure line and these are now included within governance costs. The net effect on year end funds is nil, as this is a presentational change only.

30 POST BALANCE SHEET EVENTS

After the year end, the market value of listed investments recovered to reverse the loss that was recognised at the balance sheet date. Total market value of listed investments at 30 September 2020 was £19,123,893 (market value at 31 March 2020 was £16,552,530). There has been no change to the market value of investment properties since the balance sheet date.

31 LEGAL STATUS OF THE CHARITY

The charity is a company limited by guarantee and has no share capital. The liability of each member in the event of winding up is not to exceed £10.

**Orthopaedic Research UK
Furlong House
10a Chandos Street
London
W1G 9DQ**

**info@oruk.org
020 7637 5789**