

# Annual Report and Accounts

**2018–19**

orthopaedic  
research **UK**



<b>Contents</b>	<b>Page</b>
Charity Reference and Administrative Details	1
Message from our Chief Executive	2
Report of the Trustees	3 – 8
Independent Auditor’s Report	9 – 10
Statement of Financial Activities (inc an Income and Expenditure Account) current period	11
Statement of Financial Activities (inc an Income and Expenditure Account) comparative	12
Balance Sheet	13
Statement of Cash Flows	14
Notes to the Financial Statements	15 - 29

**ORTHOPAEDIC RESEARCH UK**  
**Reference and Administrative Details**  
**for the Period Ended 31 March 2019**

<b>Charity registration number</b>	1111657
<b>Company registration number</b>	5585452
<b>Trustees</b>	Mr A J Edge Mr M Gouldstone (appt 11/3/19) Mrs S Harkness (appt 11/3/19) Mr P Harrison B'ness J Jolly (appt 11/3/19) Mr P Latham (resigned 1/8/19) Prof M Santin (appt 11/3/19) Mr K Tucker (appt 11/3/19) Mr R R Vallings
<b>Chief executive officer ORUK leadership team</b>	Dr A Angadji Mrs D Palmer (Executive Officer) Miss R Threadgold (Senior Events Manager) Dr K Memarzadeh (Research & Communication Manager) Mr J Raffles (Senior Fundraising Manager)
<b>Registered office</b>	Rosemount House Rosemount Avenue West Byfleet Surrey KT14 6LB
<b>Principal place of operations</b>	10a Chandos Street Marylebone London W1G 9DQ
<b>Auditor</b>	Sayer Vincent Chartered Accountants & Statutory Auditors 108-114 Golden Lane London EC1Y 0TL
<b>Solicitor</b>	Radcliffes LeBrasseur 85 Fleet Street London EC4Y 1AE
<b>Bankers</b>	National Westminster Bank plc 10 Marylebone High Street London W1U 4BT
<b>Investment managers</b>	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 Chief Executive

This year marks the 30<sup>th</sup> anniversary of Orthopaedic Research UK (ORUK), founded by the pioneering orthopaedic surgeon, Ronald Furlong FRCF. His innovative design – the Furlong Total Hip Replacement – was able to radically change orthopaedic practice and the lives of so many patients. He believed that a hip replacement should last for life and he passionately strived to achieve this through his own design of hip replacement. When he passed away in 2002, he left all of his assets to ORUK to ensure that his legacy continued to add to the field of orthopaedic knowledge by supporting basic orthopaedic science and new innovative research, as well as training and educating the next generation of clinicians and scientists. By investing in both, one day we will achieve our ambitious vision of 'pain-free movement for all'.



We recently surveyed over 4,000 adults in the UK to quantify the prevalence and impact of musculoskeletal (MSK) conditions on the population. The survey indicated that approaching half (48%) of UK adults report significant or persistent pain from bone and joint issues, or limited mobility – either as a chronic condition or as an issue experienced in the past year. This equates to approximately 22.9 million adults impacted by various debilitating bone and joint conditions.

With an increasingly ageing society and a more active population, the demand for orthopaedic interventions may soon outstrip supply by the health and care systems, which is the recipe for a 'perfect storm'. Our work aims to reduce the burden on the NHS and other care providers by investing in research projects that have the capability to maximise impact for the population. We will bring together all the relevant stakeholders to identify patients' priorities with a clear goal of producing meaningful and safe solutions that are not only cheaper and better, but also smarter.

Through research we are fighting bone and joint pain and constantly working to improve the quality of life, not only for the patients, but also for their carers and loved ones. Through educational events, we have raised the profile of the organisation. By engaging thought-provoking and key opinion leaders as speakers and discussing current hot topics, we hope to raise the standard of our events even further and engage more people from the wider MSK community.

Earlier this year we were very excited to announce our collaboration with HS., a company that specialises in building and scaling start-ups. For the first time in our history, ORUK accepted grant applications from start-ups in order to accelerate the innovation process. In addition, this year we assembled a new Scientific Advisory Committee and also undertook a major Governance Review. This resulted in us introducing new trustees to the Board of ORUK, adding skillsets which will support us further in achieving our charitable objectives more effectively.

Orthopaedic research is an underfunded area of science and there are many great talents and ideas out there that desperately need our support to solve the multiple MSK conditions that impact on the lives of so many.

The generosity of our donors is vital in helping ORUK realise its vision of 'pain-free movement for all'. The current investment portfolio enables us to support and run the charity, fund a maximum of half a million pounds for research and deliver in the region of 25 educational and training events per annum.

We need to do more. Your donation will go towards funding more life-changing research in the UK, which will improve treatment and care, keeping patients pain-free and helping them to remain active.

A handwritten signature in black ink that reads "A. Angadji". The signature is written in a cursive, flowing style.

Dr Arash Angadji,  
Chief Executive

## ORTHOPAEDIC RESEARCH UK

### Report of the Trustees for the Period Ended 31 March 2019

The trustees present their report and the audited accounts for the period ended 31<sup>st</sup> March 2019.

Under section 392 of the Companies Act 2006, a company may, by notice given to the Registrar of Companies, shorten its accounting reference date so as to come to an end on the first occasion on which that date falls or fell after the beginning of the period. The sale by ORUK of its wholly owned subsidiary, JRI, was dated 10<sup>th</sup> April 2018. Had ORUK retained its previous accounting reference date of 31<sup>st</sup> March, it would have been necessary to prepare consolidated accounts for the year ended 31<sup>st</sup> March 2018, despite the fact that JRI was no longer owned by ORUK 2 weeks later. The trustees decided that no useful purpose would be served by the preparation of consolidated accounts for 2018 and agreed to change ORUK's accounting reference date to 30<sup>th</sup> April 2018 to avoid having to do so. Accordingly last year's report and accounts covered the 13 month period to 30<sup>th</sup> April 2018 and showed the results of ORUK only. This year's report covers the 11 month period to 31<sup>st</sup> March 2019.

The trustees, who are also directors of the charity for the purposes of the Companies Act 2006, present their report with the financial statements of the charity for the period ended 31 March 2019. 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).

The charity was formerly an unincorporated Trust constituted under a charitable settlement dated 16 February 1989, registered under charity number 328162, known as The Furlong Research Foundation (FRF). During 2005, the entire activities, assets, liabilities and undertaking of FRF were transferred to the Furlong Research Charitable Foundation, which subsequently changed its name to Orthopaedic Research UK (ORUK) in 2011. The charitable aims and objectives of ORUK continue those established by FRF.

#### OBJECTIVES AND ACTIVITIES

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

ORUK's 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 the funding of high quality research and by running training and educational events for clinicians, surgeons and scientists who are active in the field of orthopaedics.

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

- to fund high quality **research** at centres of excellence in the field of orthopaedics and MSK research, related to the treatment of bone and joint disorders. The research is both '*basic science*', which aims to add knowledge to fundamental theories for improved understanding or prediction of natural or other phenomena, and '*translational science*', which uses the knowledge generated from basic science principles and translates them into meaningful benefits to patients. We publish the results of the research at the end of the studies to demonstrate the impact of our funding. This year, for the first time, ORUK has allowed early stage start-ups active in the MSK field to submit their applications and pitch their ideas to the Scientific Advisory Committee (SAC) for funding. ORUK believes that the entrepreneurial approach of start-ups can significantly help to accelerate the innovation process to bring benefits to patients quicker. In the prior accounting period, the trustees decided to apply a research moratorium whilst finalising a new strategy for funding research and reviewing the make-up of the SAC. During that period, and through to 31<sup>st</sup> March 2019, no grants were approved. The moratorium on new grants has now ceased and the new SAC met in June 2019 to consider and review a new batch of applications. Our measures for success look to the next financial year. If we receive a sufficient number of worthy applications for each 'call for grants', we consider this to be a successful 'call'. As we progress with our research theme, we will develop new criteria, both financial and non-financial, for measuring success.

- to fund **education** and to organise workshops, training courses, lectures, seminars and symposia in order to improve the knowledge base in the treatment of bone and joint disease and to improve the outcomes of treatment of patients, and to promote the work of ORUK. Income from courses increased again in 2019 with income from courses totalling £179,878 as compared to £153,796 in 2018. We were able to offer a wide-ranging choice of subjects, all of which were well attended, and sponsorship was obtained from supporting partners.

## ORTHOPAEDIC RESEARCH UK

### Report of the Trustees for the Period Ended 31 March 2019

Fundamental to our work is the education and training of young surgeons, as well as providing continuing education for experienced healthcare professionals that aims to improve outcomes for patients. During the period 1<sup>st</sup> May 2018 to 31<sup>st</sup> March 2019, we organised 32 course days, totalling 19 events, 79% of which were fully-booked; and we were successful in educating 752 people, with the support of 238 faculty members. Our main criteria for measuring our success in this area is non-financial - 97% of participants rated our events as 'excellent' or 'good' in terms of educational value in this period, an increase on last year's 94%.

- to provide any information arising from its charitable activities to the general public as may be in ORUK's possession, via **publishing** activities and to fund other sponsorship programmes such as awards and prizes for outstanding publications and presentations in the field of orthopaedics. We have in publication two books. The first book is an aid for preparation for the FRCS (Orth) examinations, including 500 practice questions, and is therefore a complementary tool for our basic science training courses. Our second book is a companion volume to the original book. Books are available to buy online or at our course events. We also undertake various forms of sponsorship for projects that we consider will further our objectives. Our main criteria for measuring success in this area is volume of book sales. We haven't published any new books since 2014, but we are satisfied with the sales performance of the two books that we have in publication. During the period, we sold 105 books in total which, when considering that the books were published some years ago, we consider successful, and our CEO has recently decided to reduce the price of the books advertised online in an attempt to rejuvenate interest.

#### Public benefit

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

ORUK aims to bring together all relevant stakeholders to identify patients' priority needs and therefore invest in innovative ideas, with a clear aim of producing meaningful and safe solutions that are cheaper, better and smarter. We aim to tackle debilitating bone and joint pain and ultimately increase the quality of life, not only for patients, but also for their carers and loved ones. Through the development of high quality educational events, we have raised the profile of the organisation. By engaging thought-provoking/key opinion leaders as speakers and meeting organisers, and discussing current/hot topics, we hope to raise the standard of our events even further, thus engaging more delegates. These are key ways in which we consider that the Charity is offering public benefit:

- clinical and scientific research is the keystone of medical schools in universities and hospitals. By funding research, these institutions are able to provide academic research positions or research fellowships which may not otherwise be possible. The resulting benefit directly applies to the students and new research areas to all levels, from students through to post-doctorates. Surgeons also benefit from cutting-edge research and improved training, by being able to provide improved treatment and outcomes to patients.
- the results of research are generally readily available in the public domain, as a requirement of the funding, and as a result the benefits are measurable through publications and public presentations of the research projects. Presentations and publications are always peer reviewed thus ensuring a high quality of research.

#### ACHIEVEMENTS AND PERFORMANCE

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

- Our work enables researchers to obtain academic positions and enhance their research skills through our funding;
- Our work helps to educate and train the orthopaedic surgeons and scientists of the future;
- Our publishing of the results of research to the general public helps improve general awareness of orthopaedic and musculoskeletal conditions;
- Our 'care for patients' strategy constantly places patients at the forefront of every charitable activity of the charity.

#### Short-term and longer-term aims and objectives

As ORUK is a medical research charity, patients are at the centre of our activities. ORUK aims to reduce the burden on the NHS by investing in innovative research programmes that have the capability to maximise impact for the population.

The charity's short-term objectives include management of the existing research portfolio and monitoring performance of the researchers, increasing the number of educational events, increasing ORUK's digital

## ORTHOPAEDIC RESEARCH UK

### Report of the Trustees for the Period Ended 31 March 2019

footprint, considering our interaction with key opinion leaders to enhance our profile, investigating partnership with likeminded corporates and continuing fundraising to increase our charitable activities.

Our longer-term objectives are to increase public engagement and brand awareness, increase strategic partnerships to co-invest in translational research to increase our impact, become the 'go to' place for orthopaedic trainees and to become 'the voice' of bone and joint health in the UK. Our short term objectives will serve as a base for our longer-term aims.

#### Grant making policy

As explained on page 3, our research moratorium ended on 31<sup>st</sup> March 2019. From the beginning of 2019/20 our ongoing theme for the ORUK Research Fund is 'rehabilitation solutions for musculoskeletal conditions with a preference towards technology-driven solutions benefitting patients having had, or likely to require, joint replacement surgery'.

#### STRATEGIC REPORT

##### FINANCIAL REVIEW - *Financial position*

In the 11 months to 31<sup>st</sup> March 2019, ORUK generated total income of £959k (13 month period to 30 April 2018 £856k). The increase is reflective of more income from our listed investments, and more income from courses. We ended the year with encouraging performance in course bookings, being very happy with the choice of events available and managed by our excellent events team. We are very lucky to have solid long-term investments in property, which have maintained their value in the period, plus we have invested the cash realised through the sale of our subsidiary in 2018 with our investment managers which has driven the increase in income in this area. Income generated from these investments is our principal funding source, and has enabled us to cease the research moratorium (in June 2019 our SAC met to review a new batch of applications), and we are confident that the income from these investments will continue, enabling 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 6 explains how we are seeking to protect these assets for the future. More detail on the charity's income and expenditure is given on page 11. At 31<sup>st</sup> March 2019, ORUK's net assets were £26.1 million as compared to £25.5 million at 30<sup>th</sup> April 2018. Our cash reserves have decreased at 31<sup>st</sup> March 2019, but this is offset by the increase in our listed investments (£22.5m at 31<sup>st</sup> March 2019 compared to £10.4m at 30<sup>th</sup> April 2018). Whilst we recognise that we are extremely fortunate to have these assets, we also recognise that we are reliant on them to generate the income that we intend to spend on research in the future and we have reviewed and adapted our reserves policy accordingly.

The principal risks and uncertainties that we face at this time are two-fold. First and foremost is that we need our investments to continue to generate the income required to fund research. The Board considers that the choice of two investment managers spreads this risk, with each manager having quite different methodologies in what they invest in and where, geographically, they invest it. The Board also meets with both managers regularly (at least twice a year) so that we can carefully review performance against 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 we can to mitigate the position. The second risk is our fundraising strategy and this is considered more fully on page 6. Again, the Board has put in place checks and balances to mitigate this risk. We have recruited an experienced fundraising manager who has, in turn, identified specialist consultants to jointly undertake a project to research the MSK issues existing in the UK. This research has generated some fascinating results and the Board are currently considering the proposed plan to take this project forward, with carefully costed budgets. The Trustees consider that spending money on fundraising should be seen as an investment in both the short-term and longer-term future of the charity, and income generated from fundraising could therefore be reviewed as a return on that investment. We will compare and contrast that return with the return from our other investments as the strategy starts to gather pace.

##### *Investment policy and objectives*

The Board receives quarterly reports from Sarasin & Partners and Rathbones, two investment management companies specialising in the charity field, who each handle an investment portfolio on behalf of the charity. New benchmarks for 2019 onwards are being considered to take in to account the new monies invested in the period. It has been a difficult period to set targets for, with much uncertainty in the UK and overseas, but our income target for each fund is £320,000 per annum, once the funds are fully invested. Neither fund was fully invested at 31<sup>st</sup> March 2019, with both managers considering carefully how the money should be spent. In addition, the charity has determined and advised ethical investment policies for its investment managers, for example we do not wish to invest in companies trading in tobacco.

**ORTHOPAEDIC RESEARCH UK**  
**Report of the Trustees**  
**for the Period Ended 31 March 2019**

*Reserves policy*

The Trustees review ORUK's reserves policy annually, and keep the position under careful review at Board meetings to ensure that it evolves with the charity's strategy. We recognise that the charity's key income-generating assets\* are its properties and its listed investments, and maintaining the 'capital' value of those will be imperative in generating sufficient income to sustain our future plans. It is only relatively recently that JRI was sold and the Trustees consider that since this is likely to be a one-off generation of funds, how this money should be spent should be very carefully considered as it will be absolutely key in enabling us to invest long-term, not only in our charitable activity of investing in research but in strategic initiatives, such as communication and fundraising.

The sale of JRI has enabled the Trustees to designate certain monies generated from that sale as a 'Strategy Development Fund'. We have allocated £1.5m of our cash balances in order to adequately resource this fund, the intention being to meet our immediate grant commitments, (which at the balance sheet date were £376,107), make new research investments and fund our development plans for the next 12 months. Also, as Dr Angadji, our CEO, refers to in his report on page 2 of the accounts, for the first time in the charity's history we have been able to accept grant applications from start-up companies. We have called this 'The Roland Furlong Fund for Start-Ups', and this forms part of our 'Strategy Development Fund'.

This innovation resulted in the Trustees thinking carefully about the Furlongs' original intention in setting up JRI and the charity. Several of our current Trustees knew the Furlongs personally and are of the opinion that they would have considered the capital of the charity that they established to be 'fixed', to be used in order to generate income for the long-term and to ensure the longevity of both entities. As a result, we intend to ring-fence our existing capital assets (our properties and listed investments), the income from which enables us to support the charity's routine and ongoing running costs. The Trustees have concluded that although there is no legal endowment in place to separate these assets, they should be treated as if they were endowed and in doing this, the Trustees are acting in the 'spirit' of the original intention of the Furlongs.

In our accounts, we now therefore have designated funds and at the balance sheet date, in total these stood at £24,923,584.

*Our free reserves:*

Our **free reserves** are identified as **£1,196,548**; being £1,203,575 as calculated below, less £7,027 of tangible fixed assets which are illiquid. Our target is to hold between £250k and £500k in readily available liquid funds in order to cover the running costs of the charity for 6-12 months. At 31<sup>st</sup> March 2019, cash in our current accounts amounted to £523k and we are therefore satisfied that we achieved our target. This has enabled us to consider a higher interest-generating account – although this would require us to convert immediately available cash in to 60-day notice cash, it would generate additional income for the charity to invest in its charitable activities. This possibility will be investigated further in 2019/20 to establish what cash we could spare for a longer-notice account.

<b>Net assets</b>	<b>Unrestricted</b>	<b>Designated (unrestricted)</b>	<b>TOTAL</b>
Tangible fixed assets	£7,027	£930,316*	£937,343
Investments	nil	£22,493,268*	£22,493,268
Current assets	£1,501,815	£1,500,000	£3,001,815
Long-term liabilities	(£55,267)	nil	(£55,267)
Provisions	(£250,000)	nil	(£250,000)
<b>Total</b>	<b>£1,203,575</b>	<b>£24,923,584</b>	<b>£26,127,159</b>

**PLANS FOR FUTURE PERIODS**

Our plans include fundraising and developing public engagement (in order to increase our impact in healthcare), supporting academic research, investing in highly attractive start-ups, creating a varied programme of events, building effective strategic partnerships (to expand our activities), inspiring and empowering staff and engaging and influencing key opinion leaders. By supporting research and education in the field of orthopaedic and MSK disorders, ORUK aims to improve the quality of patients' lives. Over the last 17 years, the charity has gained the recognition and respect of the research community which acknowledges that ORUK fills a significant gap in funding research studies that are otherwise not normally supported by larger charities. ORUK has successfully processed over 875 grant applications since 2004, awarding over 130 research grants totalling over £9m, to 40 universities, NHS Trusts and research centres in the UK and overseas. Our new strategy aims to promote the innovation process and fund high quality research that can be translated into meaningful outcomes for the

**ORTHOPAEDIC RESEARCH UK**  
**Report of the Trustees**  
**for the Period Ended 31 March 2019**

benefit of patients in three categories: Alleviation of bone and joint pain, Elimination of post-treatment complications, and Innovative technologies to enhance mobility and quality of life.

Over the next 5 years we plan to deliver a varied educational programme of events that meet the professional training and CPD requirements of healthcare professionals throughout the UK, in a modern and accessible format. Our events will promote the exchange of information and ideas in a relaxed and stimulating learning environment. The educational programme supports our overall charitable aims and will be financially viable, with each event aiming to at least break even.

**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.

**Governance**

The trustees commissioned a governance review in October 2018 and the resulting report was presented and discussed at the board meeting on 14 November 2018. As a result, a Governance Review & Implementation Committee has been proposed and is tasked with reviewing and implementing the findings of the review. The over-arching aim of the Committee is to review our current governance arrangements, in light of the recommendations of the review, and recommend how we will meet and exceed the expectations of the Charity Commission's Code of Good Governance.

**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 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 Board 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 for the last twelve months. He or she will then be invited to attend a Trustees meeting at which further questions can be asked before potential appointment to 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 our 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. The Board has put in place procedures and checks to mitigate those risks. To guard against the risk of commissioning poor research, an external review panel and an internal SAC are used, who have expertise in many areas of the orthopaedics field. Each research proposal is sent in an anonymous form to at least two external reviewers, and the SAC then make recommendations to the Trustees. Quarterly or biannual reports ensure that progress is being made against the original objectives of each research project.

**FUNDRAISING STANDARDS INFORMATION** All of our fundraising practices meet the values and principles of ORUK as an organisation. We are registered with the Fundraising Regulator. Our fundraising team is internal and we do not currently use external professional fundraisers, nor do we employ the services of any fundraising agencies or third parties. Most of our fundraising activities during the period were focused on Trusts and Foundations and as such there is currently little public fundraising. As a result of there being several moratorium

**ORTHOPAEDIC RESEARCH UK**  
**Report of the Trustees**  
**for the Period Ended 31 March 2019**

years for research grants, fundraising 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 General Data Protection Regulations (GDPR) 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. In order to plan for future cashflow requirements, specifically relating to grants which often have payment terms spread over 3 years, the Trustees have considered the period to March 2023 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 14th October 2019 and signed on the board's behalf by:

Mr R R Vallings - 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 period ended 31 March 2019 which comprise the Statement of Financial Activities, the Balance Sheet, the statement of cash flows and the 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 2019 and of its incoming resources and application of resources, including its income and expenditure for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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 period 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.

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

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 Trustees' Responsibilities Statement 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](http://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)  
For and on behalf of Sayer Vincent LLP, Statutory Auditor  
Invicta House, 108-114 Golden Lane, London, EC1Y 0TL

Date: 25 October 2019

Orthopaedic Research UK

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

Period Ended 31 March 2019

		11 months to 31 March 2019			13 months to 30 April 2018
	Note	Unrestricted funds £	Restricted funds £	Total £	Total £
<b>Income from:</b>					
Donations and legacies	2	16,274	7,001	23,275	84,588
Charitable activities	5	183,566	-	183,566	160,198
Other trading activities	3	3,779	-	3,779	9,905
Investments	4	748,316	-	748,316	601,236
<b>Total income</b>		951,935	7,001	958,936	855,927
<b>Expenditure on:</b>					
Raising funds	6	157,693	-	157,693	77,240
Charitable activities	7	427,374	-	427,374	582,958
<b>Total expenditure</b>		585,067	-	585,067	660,198
Exceptional item – gain on sale of business	29	321,944	-	321,944	3,117,220
Other net (losses)/gains on investments	24	(71,447)	-	(71,447)	616,824
<b>Net income</b>		617,365	7,001	624,366	3,929,773
<b>Transfers between funds</b>	24	7,001	(7,001)	-	-
<b>Net movement in funds</b>		624,366	-	624,366	3,929,773
<b>Reconciliation of funds:</b>					
Total funds brought forward	24	25,502,793	-	25,502,793	21,573,020
<b>Total funds carried forward</b>	24	26,127,159	-	26,127,159	25,502,793

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

Orthopaedic Research UK

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

Period Ended 31 March 2019

13 months to 30 April 2018

	Note	Unrestricted funds £	Restricted funds £	Total £
<b>Income from:</b>				
Donations and legacies	2	44,055	40,533	84,588
Charitable activities	5	160,198	-	160,198
Other trading activities	3	9,905	-	9,905
Investments	4	601,236	-	601,236
<b>Total income</b>		815,394	40,533	855,927
<b>Expenditure on:</b>				
Raising funds	6	77,240	-	77,240
Charitable activities	7	582,958	-	582,958
<b>Total expenditure</b>		660,198	-	660,198
Exceptional item – gain on sale of business	29	3,117,220	-	3,117,220
Other net gains on investments	24	616,824	-	616,824
<b>Net income</b>		3,889,240	40,533	3,929,773
<b>Transfers between funds</b>	24	40,533	(40,533)	-
<b>Net movement in funds</b>		3,929,773	-	3,929,773
<b>Reconciliation of funds:</b>				
Total funds brought forward	24	21,573,020	-	21,573,020
<b>Total funds carried forward</b>	24	25,502,793	-	25,502,793

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

**Orthopaedic Research UK (company number 5585452)**

**Balance Sheet**

**Period Ended 31 March 2019**

	Note	31 March 2019 £	30 April 2018 £
<b>Fixed assets</b>			
Tangible assets	16	937,343	1,292,575
Investments	17	22,493,268	10,440,006
		<hr/>	<hr/>
		23,430,611	11,732,581
<b>Current assets</b>			
Debtors	19	115,851	113,063
Cash at bank and in hand		3,534,411	16,606,180
		<hr/>	<hr/>
		3,650,262	16,719,243
<b>Creditors: amounts falling due within one year</b>	20	(648,447)	(2,262,006)
		<hr/>	<hr/>
<b>Net current assets</b>		3,001,815	14,457,237
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		26,432,426	26,189,818
<b>Creditors: amounts falling due after more than one year</b>	22	(55,267)	(112,025)
<b>Provisions</b>	21	(250,000)	(575,000)
		<hr/>	<hr/>
<b>Net assets</b>	25	26,127,159	25,502,793
		<hr/>	<hr/>
<b>Charity Funds</b>			
Restricted funds		-	-
Unrestricted funds:			
General funds	24	1,203,575	24,406,396
Designated funds – capital assets fund (including revaluation reserve £1,024,950)	24	23,423,584	-
Designated funds – strategy development fund	24	1,500,000	
Revaluation reserve	24	-	1,096,397
		<hr/>	<hr/>
<b>Total charity funds</b>	25	26,127,159	25,502,793
		<hr/> <hr/>	<hr/> <hr/>

The financial statements were approved and authorised for issue by the Board on 14th October 2019

Signed on behalf of the board of trustees

Mr R R Vallings, Trustee

The notes on pages 15 to 29 form part of these financial statements.

# Orthopaedic Research UK

## Statement of Cash Flows

Period ended 31 March 2019

	Note	31 March 2019 £	30 April 2018 £
<b>Cash flow from operating activities</b>	26	<u>(2,038,676)</u>	<u>559,076</u>
<b>Net cash flow from operating activities</b>		<u>(2,038,676)</u>	<u>559,076</u>
<b>Cash flow from investing activities</b>			
Income from investments	4	358,385	127,334
Rent from investments	4	389,124	471,758
Net interest received	4	807	2,144
Purchase of property, plant & equipment	16	(6,387)	-
Purchase of investments less net cash acquired	17	(12,038,049)	-
Receipts from sale of investments	17	<u>263,027</u>	<u>14,802,068</u>
<b>Net cash flow from investing activities</b>		<u>(11,033,093)</u>	<u>15,403,304</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(13,071,769)</u>	<u>15,962,380</u>
<b>Cash and cash equivalents at 1 May 2018</b>		<u>16,606,180</u>	<u>643,800</u>
<b>Cash and cash equivalents at 31 March 2019</b>	26	<u>3,534,411</u>	<u>16,606,180</u>

The notes on pages 15 to 29 form part of these financial statements

Notes to the Financial Statements

Period ended 31 March 2019

**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 3 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 £.

The financial statements cover a 11 month period to 31<sup>st</sup> March 2019, with the prior period being a 13 month period to 30<sup>th</sup> April 2018, therefore the comparatives are not entirely comparable. The accounting period was extended in the prior period in order to incorporate the sale of the charity's subsidiary, and the current accounting period was 're-set' to the usual account year of 31<sup>st</sup> March. The Trustees have 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.

**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

## Notes to the Financial Statements

### Period ended 31 March 2019

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.

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 financial statements have been prepared on a going concern basis as the trustees believe that no material uncertainties exist. The trustees have considered the level of funds held and the expected level of income and expenditure for the period to March 2023. The budgeted income and expenditure is sufficient with the level of reserves for the charity to be able to continue as a going concern.

#### 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

## Notes to the Financial Statements

### Period ended 31 March 2019

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. Investments in subsidiaries were measured at cost less impairment.

#### 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 probably 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.

Notes to the Financial Statements

Period ended 31 March 2019

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.

**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. At the balance sheet date, the trustees updated the judgement exercise and concluded that £325,000 of the provision could be released as not required. This amount has been released to the SoFA and is shown as an exceptional item. See note 21 and note 29.

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**

	31.3.19	30.4.18
	£	£
Donations	<u>23,275</u>	<u>84,588</u>

The donations figures include both restricted and unrestricted income. Unrestricted donations received during the period amounted to £16,274 (2018 £44,055) and restricted donations received during the period amounted to £7,001 (2018 £40,533).

**3. OTHER TRADING ACTIVITIES (UNRESTRICTED)**

	31.3.19	30.4.18
	£	£
Fundraising/challenge events	<u>3,779</u>	<u>9,905</u>

**4. INVESTMENT INCOME (UNRESTRICTED)**

	31.3.19	30.4.18
	£	£
Rental income	389,124	471,758
Dividends received	358,385	127,334
Bank interest received	<u>807</u>	<u>2,144</u>
	<u>748,316</u>	<u>601,236</u>

Notes to the Financial Statements

Period ended 31 March 2019

5. INCOME FROM CHARITABLE ACTIVITIES (UNRESTRICTED)

	<b>31.3.19</b>	30.4.18
	<b>£</b>	<b>£</b>
Education (training courses)	<b>179,878</b>	153,796
Publishing	<b><u>3,688</u></b>	<u>6,402</u>
	<b><u>183,566</u></b>	<u>160,198</u>

6. EXPENDITURE ON RAISING FUNDS

	<b>31.3.19</b>	30.4.18
	<b>£</b>	<b>£</b>
Fundraising costs	<b><u>157,693</u></b>	<u>77,240</u>

Fundraising costs above include support cost allocations of £45,286 (2018 £36,972) which are analysed in note 10.

7. CHARITABLE ACTIVITIES COSTS

	Direct & support costs	Grant funding of activities <b>31.3.19</b> (See note 11)	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	<u>136,818</u>	-	<u>136,818</u>
	<b><u>353,326</u></b>	<b><u>74,048</u></b>	<b><u>427,374</u></b>

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

	Direct & support costs	Grant funding of activities <b>30.4.18</b> (See note 11)	Totals
	£	£	£
Promoting best orthopaedic practice through education	208,649	-	208,649
Publishing and sponsorship	52,539	-	52,539
Research into best orthopaedic practice	-	167,631	167,631
Governance costs	<u>154,139</u>	-	<u>154,139</u>
	415,327	167,631	582,958

8. GRANTS PAYABLE

	<b>31.3.19</b>	30.4.18
	<b>£</b>	<b>£</b>
Research into best orthopaedic practice	<b><u>74,048</u></b>	<u>167,631</u>

See note 11 for an analysis.

9. NET INCOME

Net income is stated after charging:

	<b>31.3.19</b>	30.4.18
	<b>£</b>	<b>£</b>
Depreciation - owned assets	<b>11,932</b>	28,973
	<u><u>          </u></u>	<u><u>          </u></u>

10. ALLOCATION OF SUPPORT COST

Support cost	Research	Promoting (through education)	Fundraising	Governance	Total 31.3.19
	£	£	£	£	£
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	14,002	38,543
Depreciation	1,790	1,193	2,088	6,861	11,932
	<hr/>				
<b>Total</b>	<b>42,882</b>	<b>25,942</b>	<b>45,286</b>	<b>136,818</b>	<b>250,928</b>
	<hr/> <hr/>				

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	Total 30.4.18
	£	£	£	£	£
Human resources	86,415	41,158	20,567	98,760	246,900
Premises/insurance	29,217	13,916	6,954	33,391	83,478
Communications	13,024	6,565	3,078	14,885	37,552
Travel expenses	110	261	24	1,518	1,913
Other expenses	33,444	8,364	3,936	(6,005)	39,739
Depreciation	10,140	4,830	2,413	11,590	28,973
	<hr/>				
<b>Total</b>	<b>172,350</b>	<b>75,094</b>	<b>36,972</b>	<b>154,139</b>	<b>438,555</b>
	<hr/> <hr/>				

Notes to the Financial Statements

Period ended 31 March 2019

11. GRANT MAKING

Name of institution	Purpose for which grants made (research)	31.3.19 £
University of Oxford		(29,099)
UCL		<u>(16,777)</u>
<b>Grants to institutions</b>		<b>(45,876)</b>
Staff cost, patent fees and SAC meetings		<u>77,042</u>
Direct costs of grant making		31,166
Support costs of grant making – see note 10		<u>42,882</u>
<b>TOTAL COSTS OF GRANT MAKING</b>		<b><u>74,048</u></b>

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.

Name of institution	Purpose for which grants made (research)	30.4.18 £
Cardiff University		(2,028)
University of Oxford		(23)
UCL		<u>(2,668)</u>
Grants to institutions		(4,719)
Translation of research work		=
Direct costs of grant making		(4,719)
Support costs of grant making	- see note 10	<u>172,350</u>
<b>TOTAL COSTS OF GRANT MAKING</b>		<b><u>167,631</u></b>

12. AUDITOR'S REMUNERATION

Amounts payable to the auditor for statutory audit services of the charity are £11k (2018 - £19k).

Amounts payable to the auditor and its associates for other services of the charity are £nil (2018 - £nil).

Notes to the Financial Statements

Period ended 31 March 2019

13. TRUSTEES' REMUNERATION AND BENEFITS

No trustees received remuneration or benefits.

**Trustees' expenses**

Expenses totalling £1,122 (2018 - £985) were paid to 3 trustees in the period (2018 - 2) by the charity, representing reimbursement of travelling expenditure. In addition, the charity expended £1,388 (2018 £897) on hosting trustee meetings. During the period, the charity received £575 in the form of donations from its trustees.

14. STAFF COSTS AND EMPLOYEE BENEFITS

	<b>31.3.19</b>	30.4.18
	<b>£</b>	£
Wages and salaries	<b>225,157</b>	281,106
Social security costs	<b>21,071</b>	29,729
Employer's contribution to defined contribution pension schemes	<b>17,103</b>	33,226
	<b><u>263,331</u></b>	<u>344,061</u>

The amount of £263,331 (2018 - £344,061) above includes £94,312 (2018 - £126,566) 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 7.

15. STAFF COSTS

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

	<b>2019</b>	2018
	<b>(Charity)</b>	(Charity)
	<b>Number</b>	Number
Charitable activities	<b>4</b>	3.5
Governance	<b>2</b>	1.5
	<b><u>6</u></b>	<u>5</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 £17,103 (2018 - £33,226). The pension creditor at the period end was £750.

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.

	<b>2019</b>	2018
	<b>(Charity)</b>	(Charity)
	<b>Number</b>	Number
£60,001 - £70,000	-	-
£70,001 - £80,000	<b>1</b>	-
£100,001 - £110,000	-	1
	<b><u>-</u></b>	<u>1</u>

## Notes to the Financial Statements

Period ended 31 March 2019

## 16. TANGIBLE FIXED ASSETS

	Freehold land & buildings	Fixtures, fittings & equipment	Totals
	£	£	£
<b>COST/VALUATION</b>			
At 1 May 2018	1,390,438	51,596	1,442,034
Additions	-	6,387	6,387
Disposals	-	(35,662)	(35,662)
Reallocation	<u>(349,687)</u>	<u>-</u>	<u>(349,687)</u>
At 31 March 2019	<u>1,040,751</u>	<u>22,321</u>	<u>1,063,072</u>
<b>DEPRECIATION</b>			
At 1 May 2018	100,106	49,353	149,459
Charge for the period	10,329	1,603	11,932
Disposals	<u>-</u>	<u>(35,662)</u>	<u>(35,662)</u>
At 31 March 2019	<u>110,435</u>	<u>15,294</u>	<u>125,729</u>
<b>NET BOOK VALUE</b>			
At 31 March 2019	<u>930,316</u>	<u>7,027</u>	<u>937,343</u>
At 30 April 2018	<u>1,290,332</u>	<u>2,243</u>	<u>1,292,575</u>

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 £930,316; land is not depreciated. The historic cost equivalent of this asset at net book value is £932,600, and depreciation at historic cost would be £11,452. An update to the split of this property between 'occupied by the charity' and 'occupied by tenants' has been included above and in note 17. 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 31/3/19 and consider that there has been no material movement in fair value since 31/3/18.

During the period the split between tangible fixed assets and investment properties relating to 10a Chandos House was reviewed. The resulted adjustment has been shown above and in note 17.

**17. FIXED ASSET INVESTMENTS**

	Investment properties £	Listed investments £	Totals £
<b>COST/MARKET VALUE</b>			
At 1 May 2018	6,959,563	3,480,443	10,440,006
Revaluations	-	(71,447)	(71,447)
Additions	-	12,038,049	12,038,049
Reallocation	349,687	-	349,687
Disposals	-	(263,027)	(263,027)
	<u>7,309,250</u>	<u>15,184,018</u>	<u>22,493,268</u>
At 31 March 2019	<u>7,309,250</u>	<u>15,184,018</u>	<u>22,493,268</u>
<b>NET BOOK VALUE</b>			
At 31 March 2019	<u>7,309,250</u>	<u>15,184,018</u>	<u>22,493,268</u>
At 30 April 2019	<u>6,959,563</u>	<u>3,480,443</u>	<u>10,440,006</u>

The historic cost of investment properties is disclosed in note 18. 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. Historic cost of listed investments is £14,466,417.

	Investment properties £	Shares in group undertakings £	Listed investment £	Totals £
<b>COST/MARKET VALUE</b>				
At 1 April 2017	6,527,637	10,331,235	4,242,231	21,101,103
Revaluations	431,925	-	16,824	448,749
Disposals	-	(10,331,235)	(778,612)	(11,109,847)
Rounding	1	-	-	1
	<u>6,959,563</u>	<u>-</u>	<u>3,480,443</u>	<u>10,440,006</u>
At 30 April 2018	<u>6,959,563</u>	<u>-</u>	<u>3,480,443</u>	<u>10,440,006</u>
<b>NET BOOK VALUE</b>				
At 30 April 2018	<u>6,959,563</u>	<u>-</u>	<u>3,480,443</u>	<u>10,440,006</u>
At 31 March 2017	<u>6,527,637</u>	<u>10,331,235</u>	<u>4,242,231</u>	<u>21,101,103</u>

**18. 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 have carried out a review of the property and rental market as at 31/3/19 and consider that there has been no material movement in value since 31/3/18.

Notes to the Financial Statements

Period ended 31 March 2019

19. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.19 £	30.4.18 £
Trade debtors	93,338	33,074
Other debtors	2,475	47,852
Prepayments and accrued income	<u>20,038</u>	<u>32,137</u>
	<u><b>115,851</b></u>	<u><b>113,063</b></u>

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31.3.19 £	30.4.18 £
Trade creditors	45,532	280,860
Grants payable	320,840	503,191
Social security and other taxes	33,909	1,177,888
Other creditors	10,269	89,362
Accruals and deferred income	<u>237,897</u>	<u>210,705</u>
	<u><b>648,447</b></u>	<u><b>2,262,006</b></u>

Deferred income includes monies held for courses to be held in the next financial year amounting to £47,639 (2018 - £65,053), and rents invoiced in advance, amounting to £116,340 (2018 - £65,718).

	31.3.19 £	30.4.18 £
Balance at the beginning of the period	130,771	121,712
Amount released to income in the period	(130,771)	(121,712)
Amount deferred in the period	<u>163,979</u>	<u>130,771</u>
<b>Balance at the end of the period</b>	<u><b>163,979</b></u>	<u><b>130,771</b></u>

Notes to the Financial Statements

Period ended 31 March 2019

21. RECONCILIATION OF FUNDING COMMITMENTS AND PROVISIONS

	31.3.19 £	30.4.18 £
Funding commitments at 1 May 2018	615,216	1,091,507
Grants (adjusted)/charged in the period(note 11)	(45,876)	(4,719)
Grants paid in the period	<u>(193,233)</u>	<u>(471,572)</u>
<b>Funding commitments at 31 March 2019</b>	<b><u>376,107</u></b>	<b><u>615,216</u></b>

	31.3.19 £	30.4.18 £
Provisions at 1 May 2018	575,000	-
Indemnity provision (released)/charged in the period (note 29)	<u>(325,000)</u>	<u>575,000</u>
<b>Provisions at 31 March 2019</b>	<b><u>250,000</u></b>	<b><u>575,000</u></b>

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 provision made for £325,000 is not likely to crystallise and have therefore released that provision in the period. More information is supplied in note 30.

22. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31.3.19 £	30.4.18 £
Grants payable	<u>55,267</u>	<u>112,025</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:

	31.3.19 £	30.4.18 £
Less than one year	5,986	3,472
Two to five years	4,638	6,239
Over five years	<u>134,253</u>	<u>162,430</u>
	<b><u>144,877</u></b>	<b><u>172,141</u></b>

**23b. OPERATING LEASE COMMITMENTS RECEIVABLE AS A LESSOR**

Amounts receivable under non-cancellable operating leases are as follows for each of the following periods:

	<b>31.3.19</b>	30.4.18
	<b>£</b>	£
Less than one year	<b>375,926</b>	398,776
Two to five years	<b>856,572</b>	1,232,498
Over five years	-	-
	<b>1,232,498</b>	1,631,274

**24. FUND RECONCILIATION**

	Balance at 01.05.18	Income	Expenditure	Transfers	Gains / (losses)	Balance at 31.03.19
	£	£	£	£	£	£
Revaluation	1,096,397	-	-	-	(71,447)	<b>1,024,950</b>
Other charitable funds	24,406,396	951,935	(585,067)	7,001	321,944	<b>25,102,209</b>
Restricted	-	7,001	-	(7,001)	-	-
	<b>25,502,793</b>	<b>958,936</b>	<b>(585,067)</b>	-	<b>250,497</b>	<b>26,127,159</b>

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 £25,102,209 of other charitable funds above, £24,923,584 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 01.04.17	Income	Expenditure	Transfers	Gains / (losses)	Balance at 30.04.18
	£	£	£	£	£	£
Revaluation	479,573	-	-	-	616,824	1,096,397
Other charitable funds	21,093,447	815,394	(660,198)	40,533	-	21,289,176
Gain on sale of JRI	-	-	-	-	3,117,220	3,117,220
Restricted	-	40,533	-	(40,533)	-	-
	<b>21,573,020</b>	<b>855,927</b>	<b>(660,198)</b>	-	<b>3,734,044</b>	<b>25,502,793</b>

25a. ANALYSIS OF NET ASSETS BETWEEN FUNDS (CURRENT 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)
<b>Net assets at 31 March 2019</b>	<b>1,203,575</b>	<b>24,923,584</b>	<b>-</b>	<b>26,127,159</b>

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

	General Unrestricted £	Designated £	Restricted £	Total Funds £
Tangible fixed assets	1,292,575	-	-	1,292,575
Investments	10,440,006	-	-	10,440,006
Net current assets	14,457,237	-	-	14,457,237
Long term liabilities	(112,025)	-	-	(112,025)
Provisions	(575,000)	-	-	(575,000)
<b>Net assets at 31 March 2018</b>	<b>25,502,793</b>	<b>-</b>	<b>-</b>	<b>25,502,793</b>

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

	31.3.19 £	30.4.18 £
Net income for period (page 11)	624,366	3,929,773
Dividends received	(358,385)	(127,334)
Interest receivable	(807)	(2,144)
Interest payable	-	-
Depreciation of tangible fixed assets	11,932	28,973
Losses/(gains) on investments	71,447	(3,734,044)
Reverse indemnity provision	(325,000)	-
(Profit)/loss on disposal of tangible fixed assets	-	-
Rent from freehold investment property	(389,124)	(471,758)
(Increase)/decrease in stock	-	-
(Increase)/decrease in debtors	(2,788)	6,973
(Decrease)/increase in creditors	(1,670,317)	928,637
<b>Net cash flow from operating activities</b>	<b>(2,038,676)</b>	<b>559,076</b>

Cash and cash equivalents at 31 March 2019 were £3,534,411 (2018 - £16,606,180). This amount is analysed as £523,234 (2018 - £16,597,920) of bank balances, £3,010,750 held by investment houses as 'cash' balances available to invest (2018 - £7,754) and £427 (2018 - £506) of cash.

Notes to the Financial Statements

Period ended 31 March 2019

26. RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES (continued)

ANALYSIS OF CHANGES IN NET DEBT

	Balance at 01.05.18 (£)	Cash-flows (£)	Balance at 31.03.19 (£)
Cash	16,598,425	(16,074,765)	523,660
Cash-equivalents	7,755	3,002,996	3,010,751
Grants falling due within 1 year	(503,191)	182,351	(320,840)
Grants falling due in more than 1 year	(112,025)	56,758	(55,267)
	15,990,964	(12,832,660)	3,158,304

27. RELATED PARTY TRANSACTIONS

Transactions with trustees are set out in note 13. The key management personnel (KMP) of the charity comprises the CEO and the trustees. Total employee benefits of the key management personnel of the charity were £94,312 (2018 - £126,566).

During the period, 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 period was £5,000 (2018 £5,000).

28. 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.

29. EXCEPTIONAL ITEMS

	31.3.19 £	30.4.18 £
Purchase price for shares of JRI	-	16,732,035
Direct costs in relation to sale	(3,056)	(3,283,580)
Release of indemnity provision (note 21)	325,000	-
Derecognition of investment in JRI (note 17)	-	(10,331,235)
	321,944	3,117,220

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

30. CONTINGENT LIABILITIES

During the period, the trustees have reviewed the indemnity provisions relating to past JRI events and have concluded that some are now unlikely to crystallise and have been reversed in the period. If these indemnities were to arise, the charity's liability for these would be limited to £300,000.