
Annual Report

2017 - 2018

**Orthopaedic Research UK
Financial Statements
Period Ended 30 April 2018**

Charity registration number: 1111657

Company registration number: 5585452

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ORTHOPAEDIC RESEARCH UK
Reference and Administrative Details
for the Period Ended 30 April 2018

Charity registration number	1111657
Company registration number	5585452
Trustees	Dr K L Allen Mr A J Edge Mr P Harrison (appt 14/8/17) Mr P Latham Mr D S Martin Mr R R Vallings
Chief executive officer ORUK leadership team	Dr A Angadji Mrs D Palmer (Executive Officer) Miss R Threadgold (Senior Events Manager) Dr K Memarzadeh (Research & Communication Manager)
Registered office	Rosemount House Rosemount Avenue West Byfleet Surrey KT14 6LB
Principal place of operations	10a Chandos Street Marylebone London W1G 9DQ
Auditor	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor 30 Finsbury Square London EC2A 1AG
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

ORTHOPAEDIC RESEARCH UK
Report of the Trustees (incorporating the Strategic Report)
for the Period Ended 30 April 2018

The trustees present their annual report and audited accounts for the period ended 30th April 2018.

Under section 392 of the Companies Act 2006, a company may, by notice given to the Registrar of Companies, extend its accounting reference date so as to come to an end on the second 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 10th April 2018. Had ORUK retained its previous accounting reference date of 31st March 2018, it would have been necessary to prepare consolidated accounts for the year ended 31st March 2018, despite the fact that JRI was no longer owned by ORUK 2 weeks later. The trustees have decided that no useful purpose would be served by the preparation of consolidated accounts for 2018 and have agreed to change ORUK's accounting reference date to 30th April 2018 to avoid having to do so. Accordingly this report and the accounts cover the 13 month period to 30th April 2018 and show the results of ORUK only.

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 30 April 2018. 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) (effective 1 January 2015).

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 published on 16 July 2014.

The charity was formerly an unincorporated Trust constituted under a charitable settlement dated 16 February 1989, registered under charity number 328162, known as 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

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 funding high quality research and running training and educational events for clinicians, surgeons and scientists active in the field of orthopaedics.

Our specific aims are:

- to fund high quality **research** at centres of excellence in the field of orthopaedics and musculoskeletal research, related to the treatment of bone and joint disorders, such as arthritis, osteoporosis, trauma, etc. 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 translating them into meaningful benefits to patients. We publish the results of the research at the end of the study. Due to the uncertainty with regards to the future ownership of JRI Orthopaedics Limited, and our ongoing negotiation with AK Medical Limited during this financial year (see more information about this on page 4), the trustees decided to apply a research moratorium until finalising the sale of JRI. During the period, therefore, no grants were approved (2017 £496,651).

- to fund **education** and training and to organise workshops, 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 in 2018 by £68k from the 2017 level. All courses were better attended than the equivalent in 2017, plus new courses were held and sponsorship obtained from supporting partners.

- 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.

ORTHOPAEDIC RESEARCH UK
Report of the Trustees (incorporating the Strategic Report)
for the Period Ended 30 April 2018

OBJECTIVES AND ACTIVITIES

Significant activities

Research

Projects are either commissioned by ORUK or applications are made to the charity. Initially, our Scientific Advisory Committee (SAC) assesses the expressions of interest with consideration to their anticipated cost, duration and relevance to our principal objective before sending to external reviewers. Successful applicants' full proposals are reviewed by the external peer reviewers and the SAC and, depending on the scores given, suitable grants are awarded. A constant dialogue is then maintained by the Research & Communication Manager with the grant holders, who make official progress reports every four months. Further details of the research projects are set out in note 11 of the financial statements.

Education

Fundamental to our work is the education and dissemination of knowledge generated from funding research to young surgeons, scientists and engineers as well as the further education of experienced professionals to improve outcomes for patients. During the period 1st April 2017 to 30th April 2018, we organised 26 course days, totalling 16 events, 50% of which were fully-booked; and we were successful in educating 630 people, with the support of 170 faculty members.

94% of participants rated our events as 'excellent' or 'good' in terms of educational value.

Publications and other

Since 2013 we have published two books. The first book is an aid for preparation for the FRCS (Orth) examinations and includes 500 practice questions. The book is a complementary tool to our basic science courses. Our second book is a companion volume to the original book. Sales to orthopaedic trainees of both publications form part of our fundraising strategy. Books are available to buy online or at our course events. We also undertake various forms of sponsorship for projects that we consider to further our objectives.

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. 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 PhD, post doctorate 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.

- results of research are 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. The results of research carried out are intended to be freely available in the public domain, without any restriction relating to ability to pay, geographical location, or otherwise.

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 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.

Short-term and longer-term aims and objectives

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 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.

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for the Period Ended 30 April 2018

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.

As ORUK is a medical research charity, patients are at the centre of our activities. Our aim is to reduce the burden on the NHS by investing in innovative research programmes that have the capability to maximise impact for the population. We have witnessed some exciting advances in science and technology over the last few decades, from electric cars to communication devices that bring more comfort to our busy lives. However, the field of orthopaedics has been somewhat slow in this regard, and some stakeholders shy away from embracing new technologies. The truth of the matter is that we have no choice but to challenge our old ways and start adopting a multidisciplinary approach towards research in order to accelerate the innovation process. Recent years have seen the emergence of innovative healthcare companies that use patients' health information to prevent, diagnose and treat diseases to improve and advance patient care. The participation of such innovative companies in orthopaedic research is increasingly essential to aid the NHS and other social care systems to reduce costs, further improve the outcomes and patients' satisfaction for both the ageing and active population.

STRATEGIC REPORT

Financial review

Financial position

The financial position of the charity at 30 April 2018 is set out on pages 10 and 11 of the accounts. We end the year with encouraging performance in course bookings and a strong leadership team to carry the charity forward. Although the market value of the charity's investment portfolio reduced during 2018, this was due to the realisation of cash and the Trustees are pleased to have liquidated those assets at a strong point for the stock market. We also have solid long-term investments in property, which have increased in value per the valuations carried out at the end of the accounting period. Thanks to our investment portfolios and to our formerly wholly owned subsidiary, JRI Orthopaedics Ltd (JRI), which in prior years contributed a large proportion of its profits to the charity in the form of donations, ORUK has not needed to fundraise before.

Sale of JRI

JRI, a wholly owned subsidiary of ORUK, was sold to AK Medical of China on 10th April 2018. This ends ORUK's long and fruitful association with JRI. The company was created by Ronald Furlong FRCS to manufacture orthopaedic products to sell to the NHS. Following the deaths of Ronald Furlong and his wife in 2002 and 2003, respectively, their 100% shareholding in JRI was transferred to ORUK and, thereafter, its annual profits have been donated to the charity primarily to fund research grants. During the years 2004 to 2018, a total of £12m has been donated by JRI to ORUK. Over the last 5 years, JRI's sales and profits have declined, mainly as a result of pressure on the NHS to cut costs. To offset this decline, JRI sought other markets overseas, notably in China. Such diversification, together with the need to invest in new equipment, required a substantial introduction of new capital which ORUK, as a charity, was unable to provide. After reviewing the options for its investment in JRI, the ORUK board concluded that it should sell JRI to an organisation prepared to make the required investment. Such a strategy had the added benefit of changing the weightings of ORUK's assets away from an over-reliance on a wholly owned trading subsidiary.

ORUK was approached by AK Medical in early 2017, who were interested in buying the whole of JRI. AK Medical has been a customer of JRI for several years, expanding the business in China. The board was delighted that satisfactory terms were agreed with AK Medical and the JRI investment was sold to them in April 2018. Throughout the sale negotiations, the board has found the owners of AK Medical both constructive and wholly reliable and are confident that they will expand the JRI business while looking after the staff and JRI customers.

The terms of the sale were as follows:

- Sale proceeds on an enterprise price of £14m plus an upwards adjustment, which was to be calculated by means of a 'locked box' adjustment, involving accounts at the end of August 2017, with a roll-forward to reflect profits and other developments between then and completion;
- Retention of the Sheffield factory - ORUK remains the owner of the freehold property where JRI is currently housed. AK Medical will continue to pay rent to ORUK at the market value and, additionally, there is an option agreement in place, enabling AK Medical to purchase this property by 10th April 2021.

Profit on sale is shown on the SoFA on page 10 and in note 24, after deduction of directly associated costs.

ORTHOPAEDIC RESEARCH UK
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As a result of this sale, the ORUK accounts for the period to 30th April 2018 and the balance sheet at that date are somewhat different from 2017 and previous years. ORUK now has cash and liquid investments in place of the investment in JRI. The board will be reviewing the future strategy for ORUK following this sale. The ORUK board is most grateful to the JRI board and management for the constructive approach throughout the negotiations with AK Medical and wish them well for the future.

Principal funding sources

The charity predominantly derives its income from its investments, including its holding in properties. In order for the charity to continue to expand its activities, thereby fulfilling its aims and objectives, the return on these investments must be at a level necessary to supply income for the present and foreseeable future. The profit from the charity's 100% ownership of JRI historically represented a large part of that investment income. This was a high risk position and in the previous financial year the charity took steps to address and spread the risk, by considering other income sources. The charity has also broadened its income generating base, with a wide variety of course and challenge events, plus outwardly looking for donations and grants. The cash generated from the sale of JRI has been invested with our investment managers and the target is to generate sufficient funds from those investments to cover new research grant commitments.

Investment policy and objectives

The charity's investment policy and objectives are set out below in the section entitled structure, governance and management. The charity has determined and advised ethical investment policies for its investment managers.

Reserves policy

Reserves or net assets of ORUK consists mainly of two freehold properties, stock market investments and cash deposits. The board has a policy of maintaining the value of these assets in real terms. Annual income by asset category is maximised, subject to this requirement. Annual income of the charity is applied, firstly, towards the costs of running the charity. However, the majority of income is applied towards events and research grants. Given that spending on events and research grants is at the discretion of the board, this is adjusted annually to maintain the real value of the assets or reserves. Free reserves at 30 April 2018 were £23,791,180 (free reserves being unrestricted funds at the year end, less total grant commitments).

PLANS FOR FUTURE PERIODS

Our plans include fundraising (so that we can increase our impact in healthcare), supporting basic and translational research, creating a varied programme of events, building effective partnership (so we can 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 musculoskeletal 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 who acknowledge that ORUK fills a significant gap in funding research studies that are otherwise not normally supported by larger charities. ORUK has successfully processed over 850 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 basic and applied research that can be translated in to meaningful outcomes for the 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.

ORTHOPAEDIC RESEARCH UK
Report of the Trustees (incorporating the Strategic Report)
for the Period Ended 30 April 2018

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.

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. The Board had previously set a benchmark for income of £65k from each portfolio - during 2018, £52,824 was achieved on Sarasin and £74,510 on Rathbones (see note 4). New benchmarks for 2019 onwards are being considered to take in to account the new monies invested post JRI-sale.

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. The major risk to the Charity's income historically has been the commercial performance of JRI. This risk has been addressed with the conversion of the investment in JRI in to a more liquid alternative.

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.

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.

ORTHOPAEDIC RESEARCH UK
Report of the Trustees (Incorporating the Strategic Report)
for the Period Ended 30 April 2018

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 group 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 group 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 2021 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.

Report of the Trustees, incorporating a strategic report, approved by order of the board of trustees, as the company directors, on ~~30 October 2018~~ ^{9th October 2018} 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 30 April 2018 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 30 April 2018 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

The trustees have elected for the financial statements to be audited in accordance with the Charities Act 2011 rather than the Companies Act 2006. Accordingly, we have been appointed as auditor under section 144 of the Charities Act 2011 and report in accordance with regulations made under that Act. 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.

Who we are reporting to

This report is made solely to the charitable company's trustees, as a body, in accordance with Section 154 of the Charities Act 2011. Our audit work has been undertaken so that we might state to the charitable company's trustees those matters we are required to state to them in an auditors' 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 trustees as a body, for our audit work, for this report, or for the opinions we have formed.

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 trustees are responsible for the other information. The other information comprises the Reference and Administrative Details set out on page 1, the information included in the Report of the Trustees (incorporating the Strategic Report), set out on pages 2 to 7, other than the financial statements and our auditor's report thereon. 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.

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

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Charities Act 2011 requires us to report to you if, in our opinion:

- The information given in the Trustees' Annual Report is inconsistent in any material respect with the financial statements; or
- The charitable company has not kept adequate accounting records; or
- The financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees for the financial statements

As explained more fully in the Trustees' Responsibilities Statement set out on pages 6 to 7, 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.



Jennifer Brown
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

Date: 10 October 2018

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

Orthopaedic Research UK

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

Period Ended 30 April 2018

	Note	13 months to 30 April 2018			12 months to 31 March 2017
		Unrestricted funds £	Restricted funds £	Total £	Total £
Income from:					
Donations and legacies	2	44,055	40,533	84,588	42,116
Charitable activities	5	160,198	-	160,198	93,995
Other trading activities	3	9,905	-	9,905	4,755
Investments	4	601,236	-	601,236	581,488
Other	9	-	-	-	976
Total income		815,394	40,533	855,927	723,330
Expenditure on:					
Raising funds	6	77,240	-	77,240	65,764
Charitable activities	7	582,958	-	582,958	1,009,162
Total expenditure		660,198	-	660,198	1,074,926
Exceptional item – gain on sale of business	28	3,117,220	-	3,117,220	-
Other net gains/(losses) on investments	24	616,824	-	616,824	479,573
Net income		3,889,240	40,533	3,929,773	127,977
Transfers between funds	24	40,533	(40,533)	-	-
Net movement in funds		3,929,773	-	3,929,773	127,977
Reconciliation of funds:					
Total funds brought forward	24	21,573,020	-	21,573,020	21,445,043
Total funds carried forward	24	25,502,793	-	25,502,793	21,573,020

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

The notes on pages 13 to 25 form part of these financial statements.

Orthopaedic Research UK (company number 5585452)

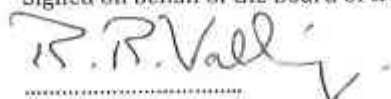
Balance Sheet

Period Ended 30 April 2018

	Note	30 April 2018 £	31 March 2017 £
Fixed assets			
Tangible assets	16	1,292,575	1,153,474
Investments	17	10,440,006	21,101,103
		<u>11,732,581</u>	<u>22,254,577</u>
Current assets			
Debtors	19	113,063	120,036
Cash at bank and in hand		16,606,180	643,800
		<u>16,719,243</u>	<u>763,836</u>
Creditors: amounts falling due within one year	20	<u>(2,262,006)</u>	<u>(1,104,581)</u>
Net current assets/(liabilities)		<u>14,457,237</u>	<u>(340,745)</u>
Total assets less current liabilities		<u>26,189,818</u>	<u>21,913,832</u>
Creditors: amounts falling due after more than one year	22	<u>(112,025)</u>	<u>(340,812)</u>
Provisions	21	<u>(575,000)</u>	<u>-</u>
Net assets		<u>25,502,793</u>	<u>21,573,020</u>
Charity Funds			
Restricted funds		-	-
Unrestricted funds	24	24,406,396	21,093,447
Revaluation reserve	24	1,096,397	479,573
Total charity funds		<u>25,627,793</u>	<u>21,573,020</u>

The financial statements were approved and authorised for issue by the Board on 9th October 2018

Signed on behalf of the board of trustees



 Mr R R Vallings, Trustee

The notes on pages 13 to 25 form part of these financial statements.

Orthopaedic Research UK

Statement of Cash Flows

Period ended 30 April 2018

	Note	30 April 2018 £	31 March 2017 £
Cash flow from operating activities	25	<u>559,076</u>	<u>(748,949)</u>
Net cash flow from operating activities		<u>559,076</u>	<u>(748,949)</u>
Cash flow from investing activities			
Income from investments	4	127,334	140,461
Rent from investments	4	471,758	438,874
Net interest received	4	2,143	2,153
Purchase of property, plant & equipment		-	(965)
Purchase of investments less net cash acquired		-	-
Receipts from sale of investments		<u>14,802,069</u>	<u>-</u>
Net cash flow from investing activities		<u>15,403,304</u>	<u>580,523</u>
Net increase/(decrease) in cash and cash equivalents		15,962,380	(168,426)
Cash and cash equivalents at 1 April 2017		<u>643,800</u>	<u>812,226</u>
Cash and cash equivalents at 30 April 2018	25	<u>16,606,180</u>	<u>643,800</u>

The notes on pages 13 to 25 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 £.

The financial statements cover a 13 month period to 30th April 2018, therefore the comparatives are not entirely comparable. The accounting period was extended in this period in order to incorporate the sale of the charity's subsidiary. 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, with the Trustees formally approving the extension at their board meeting in June.

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.

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.

Period ended 30 April 2018

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 2021. 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.

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 property	- 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. 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.

Leases

Rentals payable under operating leases are charged to the SoFA on a straight line basis over the period 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 that are readily convertible to known amounts of cash with 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

Notes to the Financial Statements

Period ended 30 April 2018

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 has been recorded. See note 21 and note 28.

2. DONATIONS AND LEGACIES	30.4.18	31.3.17
	£	£
Donations	<u>84,588</u>	<u>42,116</u>
3. OTHER TRADING ACTIVITIES	30.4.18	31.3.17
	£	£
Fundraising/challenge events	<u>9,905</u>	<u>4,755</u>
4. INVESTMENT INCOME	30.4.18	31.3.17
	£	£
Rental income	471,758	438,874
Dividends received	127,334	140,461
Bank interest received	<u>2,143</u>	<u>2,153</u>
	<u>601,236</u>	<u>581,488</u>

Period ended 30 April 2018

5. INCOME FROM CHARITABLE ACTIVITIES	30.4.18	31.3.17
	£	£
Training courses	153,796	85,488
Other income	<u>6,402</u>	<u>8,507</u>
	<u>160,198</u>	<u>93,995</u>

6. EXPENDITURE ON RAISING FUNDS	30.4.18	31.3.17
	£	£
Fundraising costs	<u>77,240</u>	<u>65,764</u>

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

7. CHARITABLE ACTIVITIES COSTS		Grant funding of activities 30.4.18	Totals
	Direct & support costs	(See note 11)	
	£	£	£
Promoting best orthopaedic practice	208,649	-	208,649
Other charitable activities	52,539	-	52,539
Research into best orthopaedic practice	-	167,631	167,631
Governance costs	<u>154,139</u>	<u>-</u>	<u>154,139</u>
	<u>415,327</u>	<u>167,631</u>	<u>582,958</u>

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

		Grant funding of activities 31.3.17	Totals
	Direct & support costs	(See note 11)	
	£	£	£
Promoting best orthopaedic practice	231,928	-	231,928
Other charitable activities	27,588	-	27,588
Research into best orthopaedic practice	-	673,421	673,421
Governance costs	<u>76,225</u>	<u>-</u>	<u>76,225</u>
	335,741	673,421	1,009,162

8. GRANTS PAYABLE	30.4.18	31.3.17
	£	£
Research into best orthopaedic practice	<u>167,631</u>	<u>673,421</u>

See note 11 for an analysis.

Period ended 30 April 2018

9. NET INCOME

Net income is stated after charging (crediting):

	30.4.18	31.3.17
	£	£
Depreciation - owned assets	28,973	28,258
Income from sale of expensed fixed assets	-	(976)
	<u>28,973</u>	<u>(976)</u>

10. ALLOCATION OF SUPPORT COST

Support cost	Research	Promoting	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
Total	<u>172,350</u>	<u>75,094</u>	<u>36,972</u>	<u>154,139</u>	<u>438,555</u>

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). In prior years, support costs were not allocated to fundraising, only direct costs, but with the growth of the fundraising activity it is considered appropriate to allocate support costs accordingly.

Support cost	Research	Promoting	Fundraising	Governance	Total
	£	£	£	£	31.3.17
					£
Human resources	75,982	69,651	-	12,663	158,296
Premises/insurance	25,595	23,462	-	4,265	53,322
Communications	11,444	10,490	-	17,087	39,021
Travel expenses	527	1,687	-	3,851	6,065
Other expenses	49,594	19,320	-	36,098	105,012
Depreciation	13,564	12,434	-	2,261	28,259
Total	<u>176,706</u>	<u>137,044</u>	<u>-</u>	<u>76,225</u>	<u>389,975</u>

Orthopaedic Research UK

Notes to the Financial Statements

Period ended 30 April 2018

11. GRANT MAKING

Name of institution	Purpose for which grants made (research)	30.4.18 £
		(2,028)
Cardiff University		(23)
University of Oxford		<u>(2,668)</u>
UCL		
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>
TOTAL COSTS OF GRANT MAKING		<u>167,631</u>

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)	31.3.17 £
University of East Anglia	Joint arthroplasty	75,000
University of Liverpool	Role of microRNA	75,000
University of Edinburgh	Investigating flexor tendon to bone repair	74,912
UCL	Jelly derived stem cells	75,000
UCL	Scoliosis patients	73,499
UCL	Biofilm formation on joint replacements	75,000
Northumbria NHS Foundation Trust	Vitamin D level	<u>48,240</u>
Grants to institutions		496,651
Translation of research work		64
Direct costs of grant making		<u>496,715</u>
Support costs of grant making (see note 10)		<u>176,706</u>
TOTAL COSTS OF GRANT MAKING		<u>673,421</u>

12. AUDITOR'S REMUNERATION

Amounts payable to the auditor for statutory audit services of the charity are £19k (2017 - £28k).

Amounts payable to the auditor and its associates for other services of the charity are £nil (2017 - £nil).

13. TRUSTEES' REMUNERATION AND BENEFITS

No trustees received remuneration or benefits.

Trustees' expenses

Expenses totalling £985 (2017 - £1,477) were paid to 2 trustees in the year (2017 - 2) by the charity, representing reimbursement of travelling expenditure.

14. STAFF COSTS AND EMPLOYEE BENEFITS

	30.4.18	31.3.17
	£	£
Wages and salaries	281,106	217,645
Social security costs	29,729	24,641
Employer's contribution to defined contribution pension schemes	33,226	15,743
	<u>344,061</u>	<u>258,029</u>

The amount of £344,061 (2017 - £258,029) above includes £126,566 (2017 - £88,126) 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.

15. STAFF COSTS

The average number of full-time equivalent employees in the year were as follows:

	2018 (Charity) Number	2017 (Charity) Number
Charitable activities	3.5	3.5
Governance	1.5	1.5
	<u>5</u>	<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 year were £33,226 (2017 - £15,743). The pension creditor at the period end was £16,358.

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.

	2018 (Charity) Number	2017 (Charity) Number
£60,001 - £70,000	-	-
£70,001 - £80,000	-	1
£100,001 - £110,000	1	-
	<u>1</u>	<u>-</u>

16. TANGIBLE FIXED ASSETS

	Freehold land & buildings	Fixtures, fittings & equipment	Totals
	£	£	£
COST/VALUATION			
At 1 April 2017	1,222,363	51,597	1,273,960
Revaluation	168,075	-	168,075
Disposals	-	(1)	(1)
	<u>1,390,438</u>	<u>51,596</u>	<u>1,442,034</u>
At 30 April 2018			
DEPRECIATION			
At 1 April 2017	73,341	47,145	120,486
Charge for the year	26,765	2,208	28,973
	<u>100,106</u>	<u>49,353</u>	<u>149,459</u>
At 30 April 2018			
NET BOOK VALUE			
At 30 April 2018	<u>1,290,332</u>	<u>2,243</u>	<u>1,292,575</u>
At 31 March 2017	<u>1,149,022</u>	<u>4,452</u>	<u>1,153,474</u>

The freehold property 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. This asset is being depreciated from the FRS 102 transition date of 1/4/14 and has a net book value of £1,290,332. The historic cost equivalent of this asset at net book value is £1,331,782, and depreciation at historic cost would be £33,404.

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.

17. FIXED ASSET INVESTMENTS

	Investment properties	Shares in group undertakings	Listed investment	Totals
	£	£	£	£
COST/MARKET VALUE				
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				
NET BOOK VALUE				
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>

Period ended 30 April 2018

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 £2,745,010.

18. INVESTMENT PROPERTY

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 and was, for many years, occupied by the charity's subsidiary JRI. The Sheffield property was acquired in March 2007.

The investment properties were subject to independent, professional valuation as at 31/3/18. There are two properties included within investment properties - 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 £3,503,289 and £3,498,868 respectively.

19. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.4.18	31.3.17
	£	£
Trade debtors	33,074	95,238
Other debtors	47,852	5,979
Prepayments and accrued income	<u>32,137</u>	<u>18,819</u>
	<u>113,063</u>	<u>120,036</u>

20. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	30.4.18	31.3.17
	£	£
Trade creditors	280,860	31,010
Grants payable	503,191	750,695
Social security and other taxes	1,177,888	25,577
Other creditors	89,362	106,562
Accruals and deferred income	<u>210,705</u>	<u>190,737</u>
	<u>2,262,006</u>	<u>1,104,581</u>

Deferred income includes monies held for courses to be held in the next financial year amounting to £65,053 (2017 - £20,960), and rents invoiced in advance, amounting to £65,718 (2017 - £100,752).

21. RECONCILIATION OF FUNDING COMMITMENTS AND PROVISIONS

	30.4.18	31.3.17
	£	£
Funding commitments at 1 April 2017	1,091,507	1,053,027
Grants adjusted/charged in the year (note 11)	(4,719)	496,651
Grants paid in the year	<u>(471,572)</u>	<u>(458,171)</u>
Funding commitments at 30 April 2018	<u>615,216</u>	<u>1,091,507</u>

Orthopaedic Research UK

Notes to the Financial Statements

Period ended 30 April 2018

	30.4.18 £	31.3.17 £
Provisions at 1 April 2017	-	-
Indemnity provision charged in the year (note 28)	<u>575,000</u>	<u>-</u>
Provisions at 30 April 2018	<u>575,000</u>	<u>-</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.

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

	30.4.18 £	31.3.17 £
Grants payable	<u>112,025</u>	<u>340,812</u>

23. COMMITMENTS UNDER OPERATING LEASES

Total future minimum lease payments under non-cancellable operating leases are as follows:

	30.4.18 £	31.3.17 £
Not later than one year	3,472	3,472
Later than one and not later than five years	6,239	8,811
Later than five years	<u>162,430</u>	<u>141,723</u>
	<u>172,141</u>	<u>154,006</u>

24. FUND RECONCILIATION

	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)	-	-
	21,573,020	855,927	(660,198)	-	3,734,044	25,502,793

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.

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

	30.4.18 £	31.3.17 £
Net income for period	3,929,773	127,977
Dividends received	(127,334)	(140,461)
Interest receivable	(2,143)	(2,153)
Interest payable	-	-
Depreciation and impairment of tangible fixed assets	28,973	28,258
(Gains) / losses on investments	(3,734,044)	(479,573)
(Profit) / loss on disposal of tangible fixed assets	-	-
Rent from freehold investment property	(471,758)	(438,874)
(Increase) / decrease in stock	(1)	(1)
(Increase) / decrease in debtors	6,973	(6,690)
Increase / (decrease) in creditors	928,637	162,568
Net cash flow from operating activities	559,076	(748,949)

Cash and cash equivalents at 30 April 2018 were £16,606,180 (2017 - £643,800). This amount is analysed as £16,597,920 (2017 - £642,870) of bank balances and £8,260 (2017 - £930) of cash.

26. 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 £126,566 (2017 - £88,126).

27. FINANCIAL INSTRUMENTS

The carrying amount of the charity's financial instruments are as follows:

	30.4.18 £	31.3.17 £
<i>Financial assets</i>		
- Trade debtors	33,074	95,238
- Bank current accounts	16,606,180	643,801
- Other debtors	47,852	5,979
	<hr/>	<hr/>
<i>Financial liabilities</i>		
- Trade creditors	280,860	31,010
- Accruals	210,704	190,737
	<hr/>	<hr/>

All of the above are measured at amortised cost.

28. EXCEPTIONAL ITEMS

	30.4.18 £
Purchase price for shares of JRI	16,732,035
Direct costs in relation to sale	(3,283,580)
Derecognition of investment in JRI	(10,311,235)
	<hr/>
	3,137,220
	<hr/>

The exceptional item relates to the profit on disposal of the subsidiary undertaking. Direct costs includes the indemnity provision of £575,000.



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