

**ORTHOPAEDIC RESEARCH
UK**

FINANCIAL STATEMENTS

**For the Year ended
31 March 2015**

Company No 5585452

**REGISTERED CHARITY NO
1111657**

ORTHOPAEDIC RESEARCH UK
FINANCIAL STATEMENTS

For the year ended 31 March 2015

Registered office: 27/28 Eastcastle Street London W1W 8DH

Principal office: Furlong House
10a Chandos Street London W1G 9DQ

Trustees: Mr A B Andrews (resigned 23 June 2015)
Mr A J Edge
Mr B P Jones
Mr P Latham
Mr D S Martin
Mr R R Vallings

Key staff: Mr B P Jones (Chief Executive)

Secretary: Cargil Management Services Limited

Bankers: National Westminster Bank plc
10 Marylebone High Street London W1A 1FH

Solicitors: RadcliffesLeBrasseur
5 Great College Street
Westminster London SW1P 3SJ

Investment fund managers: Sarasin & Partners
Juxon House
100 St Paul's Churchyard London EC4M 8BU

Rathbones
1 Curzon Street London W1J 5FB

Auditor: Grant Thornton UK LLP
Registered Auditor
Chartered Accountants
Grant Thornton House
Melton Street
Euston Square
London
NW1 2EP

ORTHOPAEDIC RESEARCH UK
FINANCIAL STATEMENTS

For the year ended 31 March 2015

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ORTHOPAEDIC RESEARCH UK

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT)

The Trustees present their annual report and audited accounts for the year ended 31st March 2015.

INCORPORATION OF THE CHARITY AND STATEMENT OF FINANCIAL ACTIVITIES

The charity was formerly an unincorporated Trust constituted under a charitable settlement dated 16 February 1989, registered charity number 328162, known as Furlong Research Foundation "FRF".

During 2005 the entire activities, assets, liabilities and undertaking of FRF were transferred as a going concern to The Furlong Research Charitable Foundation "the Charity", a newly incorporated private limited company, registered charity number 1111657. The charitable aims and objectives of the Charity continue those established by FRF and the name of the Charity was changed in August 2011 to 'Orthopaedic Research UK' with all other conditions unaltered.

The consolidated Statement of Financial Activities attached hereto shows the group income and expenditure for the year ended 31 March 2015 in respect of the Charity together with its wholly owned subsidiary, JRI Orthopaedics Limited "JRI".

The charity Statement of Financial Activities shows the income and expenditure of the charity only for the year ended 31 March 2015 together with comparatives for the year ended 31 March 2014.

STRUCTURE, GOVERNANCE AND MANAGEMENT

FRF was established by Mr & Mrs Ronald Furlong FRCS as a research organisation and funded by donations from their wholly-owned subsidiary company, JRI. Mr Ronald Furlong died in August 2002 and, following the death of his wife in August 2003, their joint Estate including JRI, passed to the Charity.

The wholly owned subsidiary company, JRI, manufactures and supplies orthopaedic implants, instruments, medical equipment, apparatus and accessories. JRI continues to be very successful and contributes the majority of its profits to the Charity in the form of Gift Aid donations.

At periodic meetings the Trustees agree broad strategic activities including investments, reserves, risk management and grant making. On-going performance of the research projects are also reported, as is the commercial performance of JRI.

A separate Scientific Advisory Committee meets at regular intervals to consider the progress of the research projects and to recommend to the Trustees the best projects submitted for grant funding.

The Board also 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 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. During the year under review the Charity's Board were the Chairman, Mr Robert Vallings, a retired legal consultant, Mr Brian Jones, also Chairman of JRI, Mr David Martin, a commercial director of his own company (not related to healthcare provision), Mr Tony Andrews, a retired director, Mr Patrick Latham FCA, and Mr John Edge FRCS, a retired orthopaedic surgeon.

New trustees are recruited either by recommendation or by advertising in relevant publications or media. A potential new trustee then meets key 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.

ORTHOPAEDIC RESEARCH UK

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT)

STRATEGIC REPORT

RISK MANAGEMENT

The risks to which the Charity may be exposed are under regular review. The major risk to the Charity's income is the commercial performance of JRI. Monthly financial reports are prepared for the Board so that any negative commercial trends can be immediately noted. Furthermore, a review of the 100% holding in JRI is regularly made and consideration given as to whether a reduction in this risk should become necessary.

During the year 2013 the investment portfolio managed by Sarasin & Partners was divided into two equal halves and one half was transferred to another investment manager, Rathbones, in order to spread the Charity's risk. These two investment management companies provide detailed quarterly reports to the Board on the respective investment portfolios' performances and current valuations.

To guard against the risk of commissioning poor research, the services of an external review panel and internal Scientific Advisory Committee ("SAC") are used, who have the expertise in many areas of orthopaedics and biomaterials. Each research proposal is sent in an anonymous form to at least two external reviewers. The SAC then review all proposals and recommends to the Board of Trustees which they feel to be the best research. The quarterly or biannual reports ensure that progress is being made against the original objectives of each research project.

OBJECTIVES AND ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

The Charity has as its principal objective is the advancement and dissemination of knowledge in the area of orthopaedic and reconstructive surgery. This is being achieved through research and medical education especially in biomaterials and their clinical application.

The founder, the late Ronald Furlong, was an orthopaedic surgeon who established the manufacturing company JRI in 1969. In 1985 he introduced a new biomaterial into orthopaedics and wished to research the performance and enhancement of this biomaterial, known as hydroxy-apatite. In order to do this he set up FRF in 1989.

The aims of the Charity are:

- To fund high quality research at centres of excellence in the areas of biomaterials and orthopaedics, related to the treatment of joint diseases, especially arthritis. This research is both basic science relating to joint kinematics and applied research in the field of joint replacements. The results of this research are published for the improvement of the treatment of joint replacements.
- To fund education and to organise workshops, courses, lectures and symposia in order to improve the knowledge base in the treatment of joint disease and to improve the surgical treatment of patients.
- To provide any information to the general public as may be in the possession of the Charity arising from its charitable activities.

Orthopaedic research

Research projects are either commissioned by the Charity or applications are made to the Charity. The Scientific Advisory Committee assesses potential projects with consideration to their anticipated cost, duration and relevance to the Charity's principal objective before sending to external reviewers. Depending on the approval by the review panels suitable grants are awarded. A constant dialogue is then maintained by the Research Manager with the grant holders who make official progress reports every quarter or six monthly depending on the time period of the project.

ORTHOPAEDIC RESEARCH UK
REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT)

At the beginning of the year to 31 March 2015, the Charity had financial commitments to approved grants for 32 projects brought forward from the previous year, with a total committed cost of £1,085,502 (2014: £1,537,273).

By the end of the year, 10 projects were financially completed and grant commitments to 9 new projects had been made, leaving 31 projects continuing with a remaining committed cost of £1,217,046 (2014: £1,085,502).

Further details of the research projects are set out in note 6 to the financial statements.

A most effective method of research and analysis is by examination at a microscopic level of a retrieved autopsy specimen. Up to and including 31 March 2015, the Charity retained the histological services of a consultant in Germany. His reports show how individual implants perform in terms of fixation, stability and wear. The original surgeons who provided the specimens are given the results to present at their local and possibly national/international meetings.

Education

The education and dissemination of data to young surgeons, scientists and engineers as well as the further education of experienced professionals in both research and surgery is still fundamental to our work.

During this year we have organised and supported the following events:

21st SICOT Trainees Meeting (a biennial Trauma and Orthopaedics educational meeting)

1st to 2nd June 2014

London

The London Orthopaedic Basic Science FRCS (Orth) Course

25th – 26th September 2014

The Royal Society of Medicine

Early Intervention in Hip Surgery

London 8th October 2014

In conjunction with the Royal Society of Medicine

The Furlong Christmas Lecture

5th December 2014

London

The Cambridge Basic Science FRCS (Orth) Revision Course

18th to 20th March 2015

Magdalene College, Cambridge

Awards and prizes granted during the year:

Fred Heatley's winner of ORUK Prize 2014

16th May 2014

Herstmonceux Castle

The winner of the Best Poster Presentation was Mr Harry Li.

The winner of the Best Podium Presentation was Mr Henry Willmott.

BSMB/BSDB ORUK Prize 2014

The winner of the ORUK prize for Best Oral Presentation was Mr Mario Georgi of Imperial College, London.

ORTHOPAEDIC RESEARCH UK

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT)

British Hip Society Annual Meeting

2nd March 2015

London

Publications

In 2013 we published a book to aid preparation for the FRCS (ORTH) examinations. Three young surgeons compiled 500 practice questions which complement our Basic Science courses for the FRCS (ORTH) examination, which we continue to run. Sales to orthopaedic trainees have been encouraging and form part of our fundraising strategy.

We launched our second educational book at the annual Furlong Christmas Lecture. The book is entitled 'Orthopaedic Basic and Clinical Science for Postgraduate Examination: Viva Practice and Diagrams'. The book is a companion volume to the original book.

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. 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 Fellows, which may not otherwise be possible. The resulting benefit directly applies to the students and researchers who would not have had the financial resources to carry out their work and ultimately to the improvement of patient treatments as a consequence of the research work achieved.

The beneficiaries of the Charity's activities are ultimately patients who receive treatment of an orthopaedic nature. By being funded, researchers are able to investigate novel materials or methods and to improve their knowledge and education. The medical centre, to which a researcher is attached, also benefits by being able to offer 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.

It is a requirement of the research funding that the results become readily available in the public domain and, in consequence, measuring the benefits is possible through publications and public presentations of the research projects, being a pre-requisite of the granting of the funds. Presentations and publications are always peer reviewed thus ensuring a high quality of research and in the case of PhDs we receive a copy of their theses.

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

ORTHOPAEDIC RESEARCH UK

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT)

There is a clear benefit to delegates who attend the educational courses organised and subsidised by the Charity. The members of the faculty presenting the courses also benefit through having a platform to present their research experience and knowledge.

Awarding prizes allows us to fulfil our charitable objectives by promoting the further education of scientists, surgeons and engineers and it also helps to educate those that are not aware of the organisation as to what we do.

Measuring the benefit is achieved through feedback from delegates and faculty members, in some relevant cases using specific feedback forms. This enables us to ensure continuous improvements and relevancy in course content.

Measuring benefit from the research projects is done through monitoring the number of publications in peer review journals arising from the particular research project.

All the activities carried out by the Charity are for the ultimate benefit of patients, particularly in the field of orthopaedics. The nature of the activities are for continuing improvement and do not give rise to detriment or harm to any organisations or individuals.

The Charity operates a policy that ensures trustees are reimbursed for expenses incurred in their role to ensure that no one is excluded from contributing on financial grounds. Any expenses reimbursed to trustees are disclosed in note 4 to the accounts. The Chairman is a retired consultant from a legal firm to whom fees and expenses were paid, and the Chief Executive is remunerated for his services. These details are also disclosed in note 4 to the accounts.

Arthritis is a common debilitating and painful condition. With an ageing population it is now estimated that more than 1 in 3 people suffer some type of musculo-skeletal disease such as arthritis, osteoporosis or tissue/bone damage. By funding research in this area the Charity aims to discover advances in the treatment of these conditions for the benefit of all patients. All research results are published and put into the public domain for other parties to learn and improve upon those results.

INCOME AND EXPENDITURE

Group consolidated

The gross income for the year to 31 March 2015, including JRI, was £16,824k (2014: £17,162k). The amounts paid or granted for charitable activities by the Charity were £1,031k (2014: £831k).

After accounting for other costs and the gains in the value of investments, the value of the Charity's unrestricted funds decreased by £811k (2014: increased by £1,263k) to an amount of £24,368k (2014: £25,179k). In addition, at 31 March 2015, restricted funds of £27k were held (2014: nil).

The Charity

The Charity's gross income for the year was £735k (2014: £1,784k), which included £150k received from JRI by way of gift aid, rental income of £355k and donated services valued at £17k (2014: £1,200k, £380k and £25k respectively).

The trading subsidiary

The profits generated by JRI, including interest received but before intra group rent, gift aid donations and tax, amounted to £574k (2014: £1,950k); of this £150k (2014: £1,200k) was gift aided to the Charity.

ORTHOPAEDIC RESEARCH UK

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT)

FINANCIAL HEALTH, RESERVES AND INVESTMENT POLICY

The founders' bequests in 2003 transformed FRF from a relatively small charity to a much more substantial entity. The Balance Sheet shows that the Charity is in strong financial health with net assets of £24.4m (2014: £25.2m).

The Charity derives its income almost entirely from its investments, including the freehold properties. In order for the Charity to continue to expand its activities and thereby fulfilling its aims and objectives, it is essential for the investments to be maintained at a level considered suitable to provide the necessary income both for the present and foreseeable future.

The Board of Trustees has a reserves policy of maintaining unrestricted funds sufficient to cover all the investments and assets from which the income is derived, together with being able to cover the full term of its research programmes and educational activities. At the date of the Charity's balance sheet the unrestricted funds amounted to £24.4 million (2014: £25.2m) and it is the intention of the trustees for those funds to remain close to that level over the next few years in order to ensure sufficient income may be generated.

It was well recognised that FRF was started in a small way by receiving, by way of gift aid, a low percentage of the sale of hip replacement implants made JRI. Since the founders died and JRI was bequeathed to the Charity, it is the profit from 100% ownership of that company that is the principal and major income. That is a high-risk position and the Charity has taken steps to spread the risk.

In 2006 the Charity invested approximately £3.4m in the construction of a new freehold factory in the Sheffield area, which is owned by the Charity and leased to JRI. Not only does this continue to provide the Charity with a steady rental income but it has also provided JRI with a significantly improved manufacturing facility. Notwithstanding, should the status of JRI change at any time in the future, the factory will continue to be a separate asset of the Charity.

In January 2008 the Charity purchased a freehold property at 10A Chandos Street, in London. Following refurbishment the property is now occupied by the Charity in place of its former address. This provides a permanent 'home' for the Charity together with savings on rental outgoings previously paid to third parties. During the year, the accounting function of JRI was relocated to Sheffield and part of 10A Chandos Street is now rented to third parties, providing the Charity with an alternative source of income.

Sarasin & Partners and Rathbones, two investment management companies specialising in the charity field, continue to separately handle investment portfolios on behalf of the Charity. At the date of the balance sheet these two portfolios had a combined value of £4,000k (2014: £3,733k). The Board of Trustees will consider placing further monies with Sarasin & Partners and Rathbones as and when appropriate.

ORTHOPAEDIC RESEARCH UK

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT)

FUTURE ACTIVITIES OF THE CHARITY

The board of trustees acknowledge that a (consolidated) loss of £811k has been made during the year. This was attributable to difficult market conditions, writing down our investment property and incurring restructuring costs that should stand us in good stead for the future.

During the coming year, we will be continuing to look at possible collaboration with other charities with similar objectives and which operate in complementary fields. This will help provide better value for money through collaboration in areas of research and education and may also provide additional funds through joint fundraising.

Fundraising is an area which we will also explore in order to boost our income. We will be looking to approach other charitable or commercial organisations to request donations to assist in our orthopaedic research programme.

We have published a second educational book for orthopaedic trainees, to complement our basic science revision courses, and we will be looking to increase the numbers of books sold over the coming year.

The research work carried out by the histologist in Germany has now been completed and will be written up and published.

Funding research projects will continue to remain our main activity.

Our subsidiary company has restructured and vacated their rented offices in our building in Chandos Street. We have successfully rented out part of these premises to external tenants, and will be looking to rent out the remainder of the vacated space to new tenants.

COMMENTARY ON TRADING SUBSIDIARY ACTIVITIES

The wholly owned subsidiary company, JRI Orthopaedics Limited is a British manufacturer of orthopaedic implants and surgical instrumentation committed to delivering innovative and quality orthopaedic solutions for healthcare providers and patients worldwide.

The principal activity of the company is the manufacture, supply and sale of orthopaedic implants, instruments, medical equipment, apparatus and accessories. This activity has continued unchanged from previous years.

The sales turnover for the year was £16,592k, a decrease of 2.1% compared with the previous year. UK sales decreased by £1,073k and export sales increased by £722k. In the current economic climate the directors see this as a fair result and despite headwinds in the UK healthcare market have expectations for continued business progress in all areas in the coming years, particularly in our international markets.

The company has an on-going programme of innovation, research & development with a view to adding both new and improved products into its range. It is anticipated that these will contribute to the diversification of the business model in the next few years.

The company also invested in an expansion of its international market presence and it is expected that this will contribute significantly to sales and profitability in the medium term, whilst growth in the UK market will continue to be challenging.

ORTHOPAEDIC RESEARCH UK

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT)

Key performance indicators

The directors prepare a detailed budget each year against which the company's performance is measured. Management accounts are prepared on a monthly basis and the on-going results are compared to budget; significant variances are investigated.

JRI's profit and loss account for the year ended 31 March 2015 and the balance sheet as at that date are detailed in note 19.

Financial risk management objectives and policies

The financial risk management policies adopted by the company were not deemed to place excessive financial risks on the company and accordingly information regarding these financial policies, other than matters referred to below, is not considered by the Board to be material in assessing the financial position or performance of the company.

Principal risks and uncertainties

JRI has a very broad base of customers, selling its products to hospitals and treatment centres throughout the UK and overseas. As there is a trend for an increasing number of the company's traditional customers to use centralised purchasing organisations, the company is seeking to develop and maintain good relationships with those entities whilst continuing to expand its customer base in existing and new markets.

The company has selected its suppliers carefully to ensure that supplies of essential materials and services are reliably received. In the event of supply difficulties alternative suppliers have been identified to minimize the effects of any possible disruption in the company's supply chain.

In the event of operational difficulties JRI has in place a comprehensive Business Continuity Plan. This plan is regularly reviewed, tested and updated as appropriate. Furthermore the company carries sufficient stocks of all finished goods to meet customer demand in the short to medium term.

The company provides on-going training to its manufacturing employees and apprentices in order to maintain continuity of the necessary skills required. In September 2012 the company achieved the Bronze award for Investors in People.

About 25% of the company's turnover is with foreign customers, some of which is denominated in foreign currencies and as such there is an associated foreign exchange risk attached with its trade. Currently the company has not made use of any specific hedging arrangements to mitigate this risk although it operates bank accounts in different currencies. However, the company could consider using such arrangements were it to be foreseen that foreign exchange fluctuations might have a material impact on the trading results. The company has arrangements in place with its bank to obtain an appropriate return on cash balances by use of overnight and other banking facilities.

ORTHOPAEDIC RESEARCH UK

REPORT OF THE TRUSTEES (INCORPORATING THE STRATEGIC REPORT)

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of Orthopaedic Research UK for the purposes of company law) are responsible for preparing the Trustees' Report, including the Strategic Report, and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

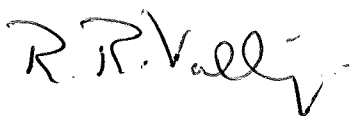
The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding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

In so far as each of the trustees is aware:

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

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

The Report of the Trustees, including the Strategic Report, was approved by the trustees on 14 October 2015 and signed on their behalf by:



Robert Vallings
Chairman
14 October 2015

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ORTHOPAEDIC RESEARCH UK

For the year ended 31st March 2015

We have audited the financial statements of Orthopaedic Research UK for the year ended 31 March 2015 which comprise the principal accounting policies, the consolidated and charitable company statement of financial activities, the consolidated and charitable company balance sheets, the consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, 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.

Respective responsibilities of trustees and auditor

As explained more fully in the Trustees' Responsibilities Statement set out on page 9, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and report in accordance with this Act. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the FRC's website at www.frc.org.uk/auditscopeukprivate

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent charitable company's affairs as at 31 March 2015 and of the group's and the charity's incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report (including the Strategic Report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
ORTHOPAEDIC RESEARCH UK**

For the year ended 31st March 2015

Matters on which we are required to report by exception

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

- the parent charitable company has not kept adequate and sufficient accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company 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.

Grant Thornton UK LLP

Carol Rudge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor
Chartered Accountants
London

14 October 2015

ORTHOPAEDIC RESEARCH UK
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating an
income and expenditure account)

For the year ended 31 March 2015

Basis of Preparation

These accounts have been prepared under the historical cost convention, modified to include the revaluation of investments, and in accordance with the Statement of Recommended Practice "Accounting and Reporting by Charities" (SORP 2005) and the Charities Act 2011.

The consolidated Statement of Financial Activities attached hereto shows the group income and expenditure for the year ended 31 March 2015 together with comparatives for the year ended 31 March 2014.

The charity Statement of Financial Activities attached hereto shows the income and expenditure of the charity only for the year ended 31 March 2015 together with comparatives for the year ended 31 March 2014.

The principal accounting policies of the group have remained unchanged from the previous year and are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Charity and all group undertakings. These are adjusted, where appropriate, to exclude intra-group transactions and balances.

Recognition of incoming resources

These are included in the Statement of Financial Activities "SoFA" when the Charity becomes entitled to the resources; the trustees are virtually certain they will receive the resources; and the monetary value can be measured with sufficient reliability.

Income from activities for generating funds

This relates to turnover of the trading subsidiaries which represents amounts invoiced during the year, exclusive of value added tax. Sales of stock held at customers' premises on a consignment basis are recognised as a sale when used by the customer.

Grants and donations received

Grants and donations received are only included in the SoFA when the Charity has unconditional entitlement to the resources.

Donated services and facilities

These are only included in incoming resources (with an equivalent amount in resources expended) where the benefit to the Charity is reasonably quantifiable, measurable and material. The value placed on these resources is the estimated value to the Charity of the service or facility received.

Investment income

Investment income is included in the accounts when receivable.

Other income

Rental income received is included in the accounts on an accruals basis in respect of the period to which it relates.

ORTHOPAEDIC RESEARCH UK

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating an income and expenditure account)

For the year ended 31 March 2015

Investment gains and losses

These include any gains or losses on the sale of investment and any gains or losses resulting from the revaluation of investments to market value at the year end.

Recognition of liabilities

Liabilities are recognised as soon as there is a legal or constructive obligation committing the Charity or its subsidiaries to pay out resources.

Governance costs

Governance costs include the costs of preparation and examination of statutory accounts, the cost of trustees' meetings and the cost of any legal advice to trustees on governance and constitutional affairs.

Grants payable

Research grants payable are recognised in full as expenditure with a related liability from the date on which the grants are awarded and communicated.

Research and development

Research and development expenditure is written off in the year in which it is incurred.

Tangible fixed assets

Tangible fixed assets are capitalised at cost if they can be used for more than one year and cost at least £500.

Depreciation of fixed assets

Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets other than freehold land by equal annual instalments over their expected useful lives. The rates generally applicable are:

Freehold property	straight line over 50 years from the date the property is brought into use
Plant and machinery	10%-15% straight line
Fixtures and fittings	20% straight line
Motor vehicles	25% straight line
Computer equipment	33 1/3% straight line

Investment property

Investment property is stated at estimated market value as at the latest valuation date, subject to obtaining advice as to the possibility of any material movements since that valuation. If there is a material movement, the property is revalued at that time.

Investment properties are not depreciated in line with UK GAAP. This treatment is contrary to the Companies Act 2006, which states that fixed assets should be depreciated but is, in the opinion of the trustees, necessary in order to give a true and fair view of the financial position of the company.

Investments

Investments quoted on a recognised stock exchange are valued at mid-market price at the year end. The charity's investment in the subsidiary company is represented by the audited balance sheet value of that company at the year end.

Stocks and work in progress

Stocks are valued at the lower of cost and net realisable value. Net realisable value is based on the estimated selling price less further costs to completion and disposal. Instrument stocks included within finished goods, when issued free of charge for use by customers remain the property of the company but

ORTHOPAEDIC RESEARCH UK
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating an
income and expenditure account)

For the year ended 31 March 2015

are deemed at this point to have no realisable value. Provision is made for any potential losses in respect of slow moving stocks. Stocks held by the charity relate to books, and are held at 50% of cost in the first year and are fully written down in the second year.

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate and no profit element is included.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The Charity and its trading subsidiary pay contributions into a money purchase group personal pension scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the Charity and its trading subsidiary. The contributions payable in the year were charged in the SoFA.

Value added tax

The charity registered for Value Added Tax on 1 July 2005 in readiness for the acquisition, construction and ownership of freehold properties on which rentals receivable would be taxable outputs. The Charity now has a partial exemption scheme in place, approved by HMRC, however the majority of input tax remains irrecoverable and as such is included within the relevant costs charged in the SoFA.

The trading subsidiary company is fully registered for Value Added Tax.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measure using rates of tax that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured using current rates of tax.

Foreign currencies

Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the Statement of Financial Activities.

Financial instruments

Financial instruments are classified and accounted for according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

ORTHOPAEDIC RESEARCH UK**CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (incorporating an income and expenditure account)**

For the year ended 31 March 2015

	Note	2015 Unrestricted £	2015 Restricted £	2015 Total £	2014 Total £
Incoming resources					
Incoming resources from generated funds					
	1	750	37,000	37,750	257
Voluntary income					
Activities for generating funds – trading subsidiary turnover		16,592,414	-	16,592,414	16,943,345
Investment income – dividends and bank interest		172,144	-	172,144	169,655
Incoming resources from charitable activities		<u>21,356</u>	<u>-</u>	<u>21,356</u>	<u>48,529</u>
Total incoming resources		<u>16,786,664</u>	<u>37,000</u>	<u>16,823,664</u>	<u>17,161,786</u>
Resources expended					
Costs of generating funds					
Fundraising trading costs – trading subsidiary		16,134,508	-	16,134,508	15,135,802
Charitable activities		<u>1,021,782</u>	<u>10,000</u>	<u>1,031,782</u>	<u>831,204</u>
Governance costs		<u>144,506</u>	<u>-</u>	<u>144,506</u>	<u>105,106</u>
Total resources expended		<u>17,300,796</u>	<u>10,000</u>	<u>17,310,796</u>	<u>16,072,112</u>
Net (outgoing)/incoming resources for the year		<u>(514,132)</u>	<u>27,000</u>	<u>(487,132)</u>	<u>1,089,674</u>
(Loss)/gain on investment assets	10	<u>(297,293)</u>	<u>-</u>	<u>(297,293)</u>	<u>173,582</u>
Net movement in funds	20	<u>(811,425)</u>	<u>27,000</u>	<u>(784,425)</u>	<u>1,263,256</u>
Total funds brought forward	18	<u>25,179,447</u>	<u>-</u>	<u>25,179,447</u>	<u>23,916,191</u>
Total funds carried forward	18	<u><u>24,368,022</u></u>	<u><u>27,000</u></u>	<u><u>24,395,022</u></u>	<u><u>25,179,447</u></u>

ORTHOPAEDIC RESEARCH UK**CHARITY STATEMENT OF FINANCIAL ACTIVITIES (incorporating an income and expenditure account)**

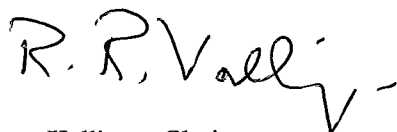
For the year ended 31 March 2015

	Note	2015 Unrestricted £	2015 Restricted £	2015 Total £	2014 Total £
Incoming resources					
Incoming resources from generated funds					
	1				
Voluntary income		750	37,000	37,750	257
Investment income		675,815	-	675,815	1,735,429
Incoming resources from charitable activities		21,356	-	21,356	48,529
Total incoming resources		697,921	37,000	734,921	1,784,215
Resources expended					
Costs of generating funds					
Investment management costs - depreciation		97,725	-	97,725	104,674
Charitable activities		1,021,782	10,000	1,031,782	831,204
Governance costs		144,506	-	144,506	105,106
Total resources expended		1,264,013	10,000	1,274,013	1,040,984
Net (outgoing)/incoming resources for the year		(566,092)	27,000	(539,092)	743,231
(Loss)/gain on investment assets	10	(245,333)	-	(245,333)	520,025
Net movement in funds	20	(811,425)	27,000	(784,425)	1,263,256
Total funds brought forward	18	25,179,447	-	25,179,447	23,916,191
Total funds carried forward	18	24,368,022	27,000	24,395,022	25,179,447

ORTHOPAEDIC RESEARCH UK
CONSOLIDATED BALANCE SHEET AT 31 MARCH 2015
 Company No 5585452

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	9	6,435,562	10,275,847
Investments	10	6,777,214	3,733,310
Total fixed assets		<u>13,212,776</u>	<u>14,009,157</u>
Current assets			
Stocks and work in progress	11	5,266,409	5,428,603
Debtors	12	3,979,311	3,448,937
Cash at bank and in hand		5,513,160	5,610,827
		<u>14,758,880</u>	<u>14,488,367</u>
Creditors: amounts falling due within one year	13	<u>(3,103,645)</u>	<u>(2,964,490)</u>
Net current assets		<u>11,655,235</u>	<u>11,523,877</u>
Total assets less current liabilities		<u>24,868,011</u>	<u>25,533,034</u>
Creditors: amounts falling due after more than one year	14	(472,989)	(353,587)
Net assets		<u>24,395,022</u>	<u>25,179,447</u>
Funds of the Group			
Unrestricted funds			
- revaluation reserve		198,877	496,170
- funds retained within non-charitable subsidiaries		13,670,286	13,618,326
- unrestricted income funds		10,498,859	11,064,951
Restricted funds		27,000	-
Total funds	18	<u>24,395,022</u>	<u>25,179,447</u>

The financial statements were approved by the Trustees on 14 October 2015 and signed on their behalf by:



Robert Vallings, Chairman

Company registration no: 5585452

The accompanying accounting policies and notes form an integral part of these financial statements.

ORTHOPAEDIC RESEARCH UK
CHARITY BALANCE SHEET AT 31 MARCH 2015
 Company No 5585452

	Note	2015 £	2014 £
Fixed assets			
Tangible assets	9	4,464,725	7,898,493
Investments	10	<u>20,447,500</u>	<u>17,351,636</u>
Total fixed assets		<u>24,912,225</u>	<u>25,250,129</u>
Current assets			
Stocks and work in progress	11	5,343	-
Debtors	12	54,992	362,754
Cash at bank and in hand		<u>777,233</u>	<u>728,908</u>
		<u>837,568</u>	<u>1,091,662</u>
Creditors: amounts falling due within one year	13	<u>(881,782)</u>	<u>(808,757)</u>
Net current (liabilities)/assets		<u>(44,214)</u>	<u>282,905</u>
Total assets less current liabilities		<u>24,868,011</u>	<u>25,533,034</u>
Creditors: amounts falling due after more than one year	14	<u>(472,989)</u>	<u>(353,587)</u>
Net assets		<u>24,395,022</u>	<u>25,179,447</u>
Funds of the Charity			
Unrestricted funds:			
- revaluation reserve		3,537,927	3,783,260
- unrestricted income funds		20,830,095	21,396,187
Restricted funds		<u>27,000</u>	<u>-</u>
Total funds	18	<u>24,395,022</u>	<u>25,179,447</u>

The financial statements were approved by the Trustees on 14 October 2015 and signed on their behalf by:



Robert Vallings, Chairman

Company registration no: 5585452

The accompanying accounting policies and notes form an integral part of these financial statements.

ORTHOPAEDIC RESEARCH UK
CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31 March 2015

	Note	2015 £	2014 £
Net cash inflow from operating activities	21	46,347	3,080,996
Returns on investments and servicing of finance			
Income from investments		127,036	127,489
Rent from investment property		23,555	-
Interest received		21,553	42,166
Net cash inflow from returns on investments and servicing of finance		<u>172,144</u>	<u>169,655</u>
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(316,298)	(1,021,832)
Receipts from sale of tangible fixed assets		333	-
Net cash outflow from capital expenditure and financial investment		<u>(315,965)</u>	<u>(1,021,832)</u>
Management of liquid resources			
Purchase of investments		(193)	-
Receipts from sale of investments		-	-
Net cash (outflow) from management of liquid resources		<u>(193)</u>	<u>-</u>
(Decrease)/increase in cash	22	<u>(97,667)</u>	<u>2,228,819</u>

The accompanying accounting policies and notes form an integral part of these financial statements.

ORTHOPAEDIC RESEARCH UK
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

1 Analysis of incoming resources

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Voluntary income				
Donations	<u>37,750</u>	<u>257</u>	<u>37,750</u>	<u>257</u>
Activities for generating funds				
Turnover of trading subsidiary	<u>16,592,414</u>	<u>16,943,345</u>	<u>-</u>	<u>-</u>
Investment income				
Dividends received	127,036	127,489	127,036	127,489
Bank interest received	21,553	42,166	2,999	2,488
Gift aid from trading subsidiary	-	-	150,000	1,200,000
Donated services from trading subsidiary	-	-	17,225	25,452
Rental income	23,555	-	378,555	380,000
	<u>172,144</u>	<u>169,655</u>	<u>675,815</u>	<u>1,735,429</u>
Incoming resources from charitable activities				
Training courses	17,618	42,322	17,618	42,322
Other income	3,738	6,207	3,738	6,207
	<u>21,356</u>	<u>48,529</u>	<u>21,356</u>	<u>48,529</u>

2 Analysis of resources expended

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Fundraising trading costs				
Expenditure of trading subsidiary, including taxation, excluding intra-group rent	16,036,783	15,031,128	-	-
Depreciation of freehold properties	97,725	104,674	-	-
	<u>16,134,508</u>	<u>15,135,802</u>	<u>-</u>	<u>-</u>
Investment management costs				
Depreciation of freehold properties	<u>-</u>	<u>-</u>	<u>97,725</u>	<u>104,674</u>

ORTHOPAEDIC RESEARCH UK
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

**Analysis of resources expended
(continued)**

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Charitable activities:				
Research into best orthopaedic practice:				
Research Grants - direct costs (note 6)	679,617	444,105	679,617	444,105
Research Grants - support costs (note 6)	151,500	153,696	151,500	153,696
Promoting best orthopaedic practice:				
Training courses, lectures and publishing - direct costs	72,306	54,331	72,306	54,331
Training courses, lectures and publishing - support costs	128,359	170,823	128,359	170,823
Other - direct costs	-	8,249	-	8,249
	<u>1,031,782</u>	<u>831,204</u>	<u>1,031,782</u>	<u>831,204</u>
Governance costs				
Legal and professional fees	81,654	42,492	81,654	42,492
Support costs	62,852	62,614	62,852	62,614
	<u>144,506</u>	<u>105,106</u>	<u>144,506</u>	<u>105,106</u>

3 Support costs – Group and Charity

Support cost type	Research into best orthopaedic practice	Promoting best orthopaedic practice	Governance	2015	2014
	£	£	£	£	£
Human resources	115,525	98,411	45,205	259,141	289,379
Premises and insurances	22,465	16,848	5,616	44,929	27,306
Communications	9,468	10,446	3,382	23,296	52,892
Travel expenses	396	277	5,124	5,797	7,182
Other expenses	2,154	1,258	3,152	6,564	6,109
Depreciation of fixed assets	1,492	1,119	373	2,984	4,265
	<u>151,500</u>	<u>128,359</u>	<u>62,852</u>	<u>342,711</u>	<u>387,133</u>

Support costs are allocated to the activities they support based on an apportionment of employees' time spent on each activity together with allocation of other costs where specifically attributable.

ORTHOPAEDIC RESEARCH UK
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

4 Transactions with trustees – Group and Charity

	2015	2014
	£	£
Number of trustees who were paid expenses	5	3
Nature of the expenses	Travel expenses	Travel expenses
Total amount paid	<u><u>1,989</u></u>	<u><u>4,569</u></u>

The chief executive Mr B P Jones, who is also a trustee, received a remuneration package for the year amounting to £110,152 (2014: £130,360) including pension contributions. The reduction compared with the previous year reflects a change in the contracted hours worked by Mr Jones. In addition, he received remuneration as executive chairman of the wholly owned subsidiary company JRI Orthopaedics Limited, for the year amounting to £107,425 (2014: £102,388) including pension contributions. Such payments are permitted by way of a combination of the memorandum and articles of association of the Charity and an Order of 16 December 2005 issued by the Charity Commission.

5 Staff costs

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Gross wages, salaries and benefits in kind	5,218,663	4,949,233	200,624	221,018
Employer's national insurance costs	562,886	562,442	24,191	22,248
Pension costs	409,322	391,481	18,397	20,660
	<u><u>6,190,871</u></u>	<u><u>5,903,156</u></u>	<u><u>243,212</u></u>	<u><u>263,926</u></u>

Average number of full-time equivalent employees in the year

	Group		Charity	
	2015	2014	2015	2014
	Number	Number	Number	Number
Trading subsidiaries:				
Production	38	38	-	-
Distribution	25	24	-	-
Administrative	29	28	-	-
Management	18	18	-	-
Charitable activities	2	2	2	2
Governance	1.5	1	1.5	1
	<u><u>113.5</u></u>	<u><u>111</u></u>	<u><u>3.5</u></u>	<u><u>3</u></u>

ORTHOPAEDIC RESEARCH UK
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

Analysis of remuneration, including benefits in kind but excluding pension contributions

	Group		Charity	
	2015 Number	2014 Number	2015 Number	2014 Number
£60,001 to £70,000	10	9	-	-
£70,001 to £80,000	6	7	-	-
£80,001 to £90,000	5	2	-	-
£90,001 to £100,000	3	3	1	-
£100,001 to £110,000	2	-	-	-
£110,001 to £120,000	1	1	-	1
£140,001 to £150,000	-	1	-	-
£170,001 to £180,000	2	1	-	-
£190,001 to £200,000	-	1	-	-
£200,001 to £210,000	1	-	-	-
£220,001 to £230,000	1	-	-	-

For further information see note 4.

Defined contribution pension scheme

The group and Charity pay 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 group in the year were £409,322 (2014: £391,481). Contributions paid into the scheme by the charity in the year were £18,397 (2014: £20,660). An amount of £30,000 (2014: £66,251) was included in accruals at the year-end relating to the above mentioned scheme.

ORTHOPAEDIC RESEARCH UK
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

6 Grant making

Name of institution	Purpose for which grants made Research into best orthopaedic practice - direct costs: <i>Grants to institutions:</i>	Group and Charity £
University of Oxford	Additional payment made - Bone activity of vitamin D2 vs D3	481
University of Oxford	Unutilised grants from previous years, refunded	(1,421)
University College London	Bioengineering the fracture callus: bone repair through fracture mimetics	74,994
University College London	Enhanced osteointegration using a selective laser sintering solution deposited HA coating	99,999
Newcastle University	Dispersal of clinical biofilms from titanium and cobalt chrome surfaces using a novel marine nuclease	58,697
Newcastle University	Development of a novel 3D printed co-culture model of bone sarcoma	74,827
Royal Veterinary College	Can we improve fracture healing in the elderly by stimulating skeletal perfusion	99,055
University of Sheffield	Biological effects of tribocorrosion products on the bone micro-environment and prosthesis osseointegration	93,245
University of York	ORUK clinical fellow at the BOA orthopaedic surgery research centre (BOSRC) in York	94,000
Imperial College London	The kinematics and the contact patterns of the patellofemoral joint	75,000
Northumbria Healthcare NH	An interactive musculoskeletal dashboard to inform best practice	29,875
University of Birmingham	Refund of under-utilised grant	(7,040)
University of Cambridge	Refund of under-utilised grant	(818)
University of East Anglia	Refund of under-utilised grant	(1,312)
University College London	Refund of under-utilised grant	(8,012)
University of Oxford	Refund of under-utilised grant	(21,977)
		659,593
	<i>Grants to individuals:</i>	
	Research consultant	20,024
		<u>679,617</u>
	Support costs of grant making	151,500
	Total costs of grant making	831,117

ORTHOPAEDIC RESEARCH UK
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

7 Reconciliation of grants – Group and Charity

	2015	2014
	£	£
Commitments at 1 April 2014	1,085,502	1,537,273
Grants charged in the year (note 6)	659,593	423,134
Grants paid in the year	(528,049)	(874,905)
Commitments at 31 March 2015	<u>1,217,046</u>	<u>1,085,502</u>

	2015	2014
	£	£
Payable within one year	744,057	731,915
Payable after one year	472,989	353,587
	<u>1,217,046</u>	<u>1,085,502</u>

8 Transactions with related parties - Charity

Name of related party	Relationship to charity	Description of the transaction(s)	2015	2014
			£	£
JRI Orthopaedics Limited	100% subsidiary	Gift Aid donations received	150,000	1,200,000
JRI Orthopaedics Limited	100% subsidiary	Rental income	355,000	380,000
			<u>505,000</u>	<u>1,580,000</u>

			2015	2014
			£	£
JRI Orthopaedics Limited	100% subsidiary	Included in debtors are outstanding amounts receivable in respect of the Gift Aid donations shown above	-	350,000

JRI Orthopaedics Limited	100% subsidiary	Included in other creditors are expenses paid on behalf of and receivable from the charity	<u>45,353</u>	<u>15,901</u>
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Transactions with trustees are set out in note 4.

ORTHOPAEDIC RESEARCH UK
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

9 Tangible fixed assets - Group

	Freehold land and buildings £	Plant, machinery and motor vehicles £	Fixtures, fittings and equipment £	Total £
Cost				
At 1 April 2014	8,716,656	7,475,568	1,818,237	18,010,461
Additions	-	117,773	198,525	316,298
Transfer to investment property	(3,503,289)	-	-	(3,503,289)
Disposals	-	-	(439,501)	(439,501)
At 31 March 2015	5,213,367	7,593,341	1,577,261	14,383,969
Accumulated depreciation				
At 1 April 2014	698,318	5,664,933	1,371,363	7,734,614
Charge for year	115,005	517,950	174,074	807,029
Transfer to investment property	(162,285)	-	-	(162,285)
Disposals	-	-	(430,951)	(430,951)
At 31 March 2015	651,038	6,182,883	1,114,486	7,948,407
Net book amount at 31 March 2015	4,562,329	1,410,458	462,775	6,435,562
Net book amount at 31 March 2014	8,018,338	1,810,635	446,874	10,275,847

Tangible fixed assets - Charity

	Freehold land and buildings £	Fixtures, fittings and equipment £	Total £
Cost			
At 1 April 2014	8,543,861	39,492	8,583,353
Additions	-	8,278	8,278
Transfer to investment property	(3,503,289)	-	(3,503,289)
Disposals	-	(791)	(791)
At 31 March 2015	5,040,572	46,979	5,087,551
Accumulated depreciation			
At 1 April 2014	647,509	37,351	684,860
Charge for year	97,725	2,811	100,536
Disposals	-	(285)	(285)
Transfer to investment property	(162,285)	-	(162,285)
At 31 March 2015	582,949	39,877	622,826
Net book amount at 31 March 2015	4,457,623	7,102	4,464,725
Net book amount at 31 March 2014	7,896,352	2,141	7,898,493

ORTHOPAEDIC RESEARCH UK
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

10 Investments - Group

	Total £	Investment property £	Managed investment funds £
At 1 April 2014	3,733,310	-	3,733,310
Transfer from fixed assets	3,341,004	3,341,004	-
Additions	193	-	193
(Loss)/gain on revaluation of investments	(297,293)	(563,366)	266,073
At 31 March 2015	<u>6,777,214</u>	<u>2,777,638</u>	<u>3,999,576</u>
Historical Cost		<u>3,503,289</u>	<u>3,237,140</u>
		2015 £	2014 £
Income from managed investment funds		<u>127,036</u>	<u>127,489</u>

Investments - Charity

	Total £	Investment in subsidiaries £	Investment property £	Managed investment funds £
Carrying market value at 1 April 2014	17,351,636	13,618,326	-	3,733,310
Transfer from fixed assets	3,341,004	-	3,341,004	-
Additions	193	-	-	193
Gain on revaluation of investment in subsidiary	51,960	51,960	-	-
(Loss)/Gain on revaluation of other investments	(297,293)	-	(563,366)	266,073
Carrying market value at 31 March 2015	<u>20,447,500</u>	<u>13,760,286</u>	<u>2,777,638</u>	<u>3,999,576</u>
Historical cost	<u>13,568,375</u>	<u>10,331,235</u>	<u>3,503,289</u>	<u>3,237,140</u>
			2015 £	2014 £
Income from investments				
Managed investment fund			127,036	127,489
Investments in subsidiary company			167,225	1,225,452
Rental income from property investments			378,555	380,000
Bank interest			2,999	2,488
Total			<u>675,815</u>	<u>1,735,429</u>

ORTHOPAEDIC RESEARCH UK
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

Income from subsidiary undertakings relates to gift aid donations amounting to £150,000 (2014: £1,200,000) of which £nil (2014: £350,000) was outstanding at the year end and donated services of £17,225 (2014: £25,452) in respect of provision of management services.

The carrying value of Furlong House has been split into two elements based on the use of the property. The investment property part of Furlong House is carried at market value. The valuation at 31 March 2015 was prepared by Last and Co, a firm of independent valuers. The valuation was carried out in accordance with the requirements of the RICS Valuation – Professional Standards Manual.

Investments - Charity (continued)

Investment in subsidiary company

Investment held 100% of the issued share capital of JRI Orthopaedics Limited
Net assets value £13,670,286 (2014: £13,618,325)
Activities The principal activity of JRI is the supply of orthopaedic implants, instruments, medical equipment, apparatus and accessories. The accounting reference date for the company is 31 March.

JRI Orthopaedics Limited wholly owns two subsidiaries, JRI (Manufacturing) Limited and Joint Replacement Instrumentation Limited. Both subsidiaries did not trade during the year.

11 Stocks

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Raw materials	589,423	735,202	-	-
Work in progress	360,740	834,402	-	-
Finished goods	4,316,246	3,858,999	5,343	-
	<u>5,266,409</u>	<u>5,428,603</u>	<u>5,343</u>	<u>-</u>

12 Debtors

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Trade debtors	3,041,489	3,073,153	-	-
Amounts owed by group undertakings	-	-	-	362,012
Prepayments and accrued income	834,117	327,024	46,980	742
Other debtors	103,705	48,760	8,012	-
	<u>3,979,311</u>	<u>3,448,937</u>	<u>54,992</u>	<u>362,754</u>

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For the year ended 31 March 2015

13 Creditors: amounts falling due within one year

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Trade creditors	990,681	803,815	-	-
Grants payable	744,057	731,915	744,057	731,915
Other creditors	-	207,726	-	-
Social security and other taxes	385,516	559,325	18,376	25,434
Accruals and deferred income	983,391	661,709	73,996	35,507
Amounts owed to group undertakings	-	-	45,353	15,901
	<u>3,103,645</u>	<u>2,964,490</u>	<u>881,872</u>	<u>808,757</u>

14 Creditors: amounts falling due after more than one year

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Grants payable	<u>472,989</u>	<u>353,587</u>	<u>472,989</u>	<u>353,587</u>

15 Contingent liabilities

There is an unlimited intercompany composite guarantee held by National Westminster Bank plc within the JRI Orthopaedics group of companies, comprising JRI Orthopaedics Limited, JRI (Manufacturing) Limited (dormant) and Joint Replacement Instrumentation Limited (dormant). This unlimited composite guarantee was released after the year end.

16 Taxation

The charity does not expect to pay any corporation tax for the year and no provision for tax has therefore been made in these financial statements.

Subsidiary undertakings

	2015	2014
	£	£
Current tax:		
United Kingdom tax based on the results for the year at 20% (2014: 20%)	<u>7,000</u>	<u>74,089</u>

Effects of:

Expenses not deductible for tax purposes, other than goodwill amortisation and impairment	57,000	9,373
Capital allowances for year in excess of depreciation	(33,000)	2,917
Adjustment to tax charge in respect of prior periods	(24,000)	-
Adjustment in research and development tax credit leading to a (decrease) in the tax charge	(54,000)	(73,729)
Gift aid not relieved against current year profits	23,000	-
Other differences leading to an increase in the tax charge	-	11,350
Current tax (credit)/charge for the year	<u>(24,000)</u>	<u>24,000</u>

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17 Commitments under operating leases

At 31 March 2015 the Group had annual commitments under non-cancellable operating leases as set out below:

Group	2015		2014	
	Land and other buildings £	Other £	Land and other buildings £	Other £
Expiring	-	52,881	-	45,196
In one year or less	-	144,373	-	131,359
Between one and five years	-	-	-	-
More than five years	-	-	-	-
	<u>-</u>	<u>197,254</u>	<u>-</u>	<u>176,555</u>

Charity	2015		2014	
	Land and other buildings £	Other £	Land and other buildings £	Other £
Expiring	-	-	-	-
In more than five years	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

18 Movements in funds

Group	Revaluation reserve £	Other charitable funds £	Restricted funds £	Total £
At 1 April 2014	496,170	24,683,277	-	25,179,447
Total incoming resources	-	16,786,664	37,000	16,823,664
Total resources expended	-	(17,300,796)	(10,000)	(17,310,796)
Unrealised loss on revaluation	(297,293)	-	-	(297,293)
At 31 March 2015	<u>198,877</u>	<u>24,169,145</u>	<u>27,000</u>	<u>24,395,022</u>

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Charity

	Revaluation reserve £	Other charitable funds £	Restricted funds £	Total £
At 1 April 2014	3,783,260	21,396,187	-	25,179,447
Total incoming resources	-	697,921	37,000	734,921
Total resources expended	-	(1,264,013)	(10,000)	(1,274,013)
Unrealised loss on revaluation	(245,333)	-	-	(245,333)
At 31 March 2015	<u>3,537,927</u>	<u>20,830,095</u>	<u>27,000</u>	<u>24,935,022</u>

Restricted funds relate to contributions received towards the following projects:

- Biochemical markers for the identification of individuals at risk of developing osteoarthritis
- Surgery for patellar instability: the impact of pathomorphology on kinematics and gait.

19 Subsidiaries

Trading Subsidiary

JRI Orthopaedics Limited

	2015 £	2014 £
Profit and loss account		
Turnover	16,592,414	16,943,345
Operating expenses	<u>(16,583,008)</u>	<u>(16,612,580)</u>
Net trading income	<u>9,406</u>	<u>330,765</u>
Interest receivable	18,554	39,678
Interest payable and similar charges	-	-
Profit on ordinary activities before taxation	27,960	370,443
Tax on profit on ordinary activities	<u>24,000</u>	<u>(24,000)</u>
Profit for the financial year	<u>51,960</u>	<u>346,443</u>
Balance brought forward	<u>13,518,325</u>	<u>13,171,882</u>
Balance carried forward	<u>13,570,285</u>	<u>13,518,325</u>

Non trading subsidiaries

JRI (Manufacturing) Limited and Joint Replacement Instrumentation Limited did not trade in the year ended 31 March 2015 or in the year ended 31 March 2014.

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For the year ended 31 March 2015

Subsidiaries (continued)

Balance sheets as at 31 March 2015

	Trading subsidiary		Non trading subsidiaries			
	JRI Orthopaedics Limited		JRI (Manufacturing) Limited		Joint Replacement Instrumentation Limited	
	2015	2014	2015	2014	2015	2014
	£	£	£	£	£	£
Fixed assets						
Tangible assets	1,970,837	2,377,352	-	-	-	-
Investments	200,000	200,000	-	-	-	-
	<u>2,170,837</u>	<u>2,577,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current assets						
Stocks	5,261,066	5,428,603	-	-	-	-
Debtors	3,969,672	3,464,096	100,000	100,000	100,000	100,000
Cash at bank	4,735,927	4,881,918	-	-	-	-
	<u>13,966,665</u>	<u>13,774,617</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Creditors:						
amounts falling due within one year	(2,467,216)	(2,733,644)	-	-	-	-
Net current assets	<u>11,499,449</u>	<u>11,040,973</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets	<u>13,670,286</u>	<u>13,618,325</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>
Capital and reserves						
Called-up equity share capital	100,000	100,000	100,000	100,000	100,000	100,000
Profit and loss account	<u>13,570,286</u>	<u>13,518,325</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>13,670,286</u>	<u>13,618,325</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>

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For the year ended 31 March 2015

20 Net movement in funds

The net movement in funds is stated after charging/ (crediting):

	Group		Charity	
	2015	2014	2015	2014
	£	£	£	£
Depreciation of owned fixed assets	807,029	748,394	100,536	108,939
Loss on disposal of fixed assets	8,217	-	173	-
Auditors' remuneration:				
audit fees for the charity	28,600	27,975	28,600	27,975
audit fees for the subsidiaries	31,500	52,200	-	-
other services	63,315	11,465	-	-
Operating lease costs:				
land and buildings	-	-	-	-
other leases	232,000	224,315	-	-
Net loss on foreign currency translation	3,000	19,308	-	-

21 Note to the consolidated cashflow statement - Reconciliation of net movement in funds to net cash inflow/(outflow) from gains/related activities

	2015	2014
	£	£
Net movement in funds for the period	(784,426)	1,263,256
Interest received	(21,553)	(42,166)
Dividends received	(127,036)	(127,489)
Loss/(Gain) on investments	297,293	(173,582)
Depreciation of tangible fixed assets	807,029	806,439
Rent from freehold investment property	(23,555)	-
Loss on disposal of fixed assets	8,217	-
Decrease in stock	162,194	733,209
(Increase)/(decrease) in debtors	(530,374)	704,809
Increase/(decrease) in creditors	258,557	(83,480)
Net cash inflow from operating activities	46,347	3,080,996

22 Note to the consolidated cashflow statement - Reconciliation of net cash flow movements to movement in cash balances

	2015	2014
	£	£
(Decrease)/increase in cash in the year	(97,667)	2,228,819
Cash balances at 1 April 2014	5,610,827	3,382,008
Cash balances at 31 March 2015	5,513,160	5,610,827

ORTHOPAEDIC RESEARCH UK
NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2015

23 Note to the consolidated cashflow statement - Analysis of changes in net funds

	At 1 April 2014 £	Cash flow £	At 31 March 2015 £
Cash in hand and at bank	<u>5,610,827</u>	<u>(97,667)</u>	<u>5,513,160</u>

24 Split of consolidated net assets by fund

At 31 March 2015:	Unrestricted funds £	Restricted funds £	Total funds £
Fixed assets	13,212,776	-	13,212,776
Cash at bank and in hand	5,486,160	27,000	5,513,160
Other net current assets	6,142,075	-	6,142,075
Creditors falling due after more than one year	(472,989)	-	(472,989)
Total	<u>24,368,022</u>	<u>27,000</u>	<u>24,395,022</u>

All funds at 31 March 2014 were unrestricted.

25 Capital commitments

At 31 March 2015 the Group had capital commitments of £410,000 (2014: £nil). Capital commitments are included for purchase contracts which have been agreed at the year end, where the asset has not yet been received. Included in prepayments is £123k in relation to these commitments. At 31 March 2015 the charity had capital commitments of £nil (2014: £nil).

26 Members

The liability of each of the five Charity's members is limited to £1 each.

