

**Orthopaedic Research UK  
Financial Statements  
Year Ended 31 March 2016**

Charity registration number: 1111657

Company registration number: 5585452

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**ORTHOPAEDIC RESEARCH UK**  
**Reference and Administrative Details**  
**for the Year Ended 31 March 2016**

<b>Charity registration number</b>	1111657
<b>Company registration number</b>	5585452
<b>Trustees</b>	Dr K L Allen (appointed 22 February 2016) Mr A B Andrews (resigned 23 June 2015) Mr A J Edge Mr B P Jones (resigned 17 December 2015) Mr P Latham Mr D S Martin Mr R R Vallings
<b>Chief executive officer</b> <b>ORUK leadership team</b>	Dr A Angadji Mrs D Palmer (Executive Officer) Miss R Threadgold (Events Manager) Mr R Hughes (Head of Fundraising)
<b>Registered office</b>	First Floor, 5 Park Court Pyrford Road West Byfleet Surrey KT14 6SD
<b>Auditor</b>	Grant Thornton UK LLP Chartered Accountants & Statutory Auditor Grant Thornton House, Melton Street Euston Square London NW1 2EP
<b>Solicitor</b>	Radcliffes LeBrasseur 85 Fleet Street London EC4Y 1AE
<b>Bankers</b>	National Westminster Bank plc 10 Marylebone High Street London W1A 1FH
<b>Investment managers</b>	Sarasin & Partners Juxon House, 100 St Paul's Churchyard London EC4M 8BU  Rathbones 1 Curzon Street, London, W1J 5FB

**ORTHOPAEDIC RESEARCH UK**  
**Report of the Trustees (incorporating the Strategic Report)**  
**for the Year Ended 31 March 2016**

The trustees present their annual report and audited accounts for the year ended 31<sup>st</sup> March 2016.

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 year ended 31 March 2016. 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).

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. During the year, grants were approved to the value of £391,993. These are detailed in note 14.

- to fund **education** and training and to organise workshops, courses, lectures and symposia in order to improve the knowledge base in the treatment of bone and joint disease and to improve the outcome of treatment of patients, and to promote the work of ORUK. Income from courses increased in 2016 by £21k from the 2015 level. The Cambridge basic science course in March 2016 was better attended than the equivalent in 2015, plus two new courses were held resulting in an increase in income.

- 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. Income from publishing increased by £5k from that achieved in 2015.

Our long term aims are to continue to build on the objectives and achieve the aims as detailed above. Specifically we aim to make the name of ORUK more publicly well known, via strategic plans for fundraising including sponsored events. The CEO has developed budgets and forecasts in line with these strategic plans which will be reviewed and updated on an ongoing basis.

**ORTHOPAEDIC RESEARCH UK**  
**Report of the Trustees (incorporating the Strategic Report)**  
**for the Year Ended 31 March 2016**

**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 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 CEO with the grant holders, who make official progress reports every four months. Further details of the research projects are set out in note 14 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 2015/16, we organised and supported the following events:

- Optimising outcomes from shoulder arthroplasty
- Early intervention in hip surgery
- The London orthopaedic basic science FRCS (Orth) revision course
- Paediatric orthopaedic FRCS (Orth) revision course
- The Cambridge basic science FRCS (Orth) course

The following events are planned for the next financial year:

- Bone health and stress fracture
- Orthopaedic and trauma course for accident and emergency
- Hand surgery FRCS (Orth) revision course
- Trauma innovation
- The London basic science FRCS (Orth) revision course
- Paediatric orthopaedic FRCS (Orth) revision course
- Optimising outcomes from shoulder arthroplasty

**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 researchers who would not have otherwise 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.

- patients are ultimately the beneficiaries of our activities, receiving treatment of an orthopaedic nature. By being funded, researchers are able to investigate new materials or methods, and are able to improve their knowledge and education. By being attached to a researcher, medical centres benefit 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.

**ORTHOPAEDIC RESEARCH UK**  
**Report of the Trustees (incorporating the Strategic Report)**  
**for the Year Ended 31 March 2016**

**PUBLICATIONS AND OTHER**

**Public benefit** - *continued*

- 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.

There are some 8.5 million people in the UK affected by orthopaedic problems. For many, their condition will respond to existing and effective treatments but for others it can mean a life blighted by pain, disability and social isolation. With an ageing population in the UK, 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 we aim to discover advances in the treatment of these conditions for the benefit of all patients.

**STRATEGIC REPORT**

**Financial review**

*Financial position*

The financial position of the charity at 31 March 2016 is set out on pages 11 and 13 of the accounts. We end the year with encouraging performance in course bookings and a strong leadership team to carry the charity forward. A challenging time globally has resulted in a drop in the market value of the charity's investment portfolio, though this is partly offset by our solid long-term investment in property. JRI, our wholly owned subsidiary, has had a challenging year with continued financial challenges facing the NHS, ongoing supplier rationalisation and ever increasing regulatory requirements. The JRI Board asserts that the company can 'survive and thrive' in the current and future UK market environment and project sales growth moving in to 2016/17. The uncertainty over JRI's performance remains a key risk for ORUK and its Board, and the ongoing position is reviewed regularly. The activities of the trading subsidiary are commented upon on page 5.

*Principal funding sources*

The charity currently derives its income almost entirely 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 is a high risk position and the charity has taken steps to address and spread the risk.

**Financial review**

*Investment policy and objectives*

The charity's investment policy and objectives are set out below.

*Reserves policy*

The Board 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. Unrestricted funds at 31 March 2016 were £21,445,043 which is sufficient to cover the investments and properties held. The charity was committed at 31 March 2016 to make grant payments totalling £1,053,027 over the next 3 years. Free reserves at 31 March 2016 were £20,392,016.

**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.

**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.

**ORTHOPAEDIC RESEARCH UK**  
**Report of the Trustees (incorporating the Strategic Report)**  
**for the Year Ended 31 March 2016**

**Decision making, cont**

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 commercial performance of JRI. The separate SAC 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 (S&P) and Rathbones, two investment management companies specialising in the charity field, who each handle an investment portfolio on behalf of the Charity. The Board has set a benchmark for income of £65k from each portfolio - during 2016, £62,985 was achieved on S&P and £67,799 on Rathbones (see note 4). The market has seen significant fluctuations during the year, affected by global issues, and neither portfolio has met the overall investment return objective of RPI plus 4% for the year.

**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 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.

**Key management 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 would do research to benchmark average CEO salaries and this would then be discussed at an appraisal. The previous CEO was remunerated for those services whilst he was also a trustee. His salary was set using the same method as laid out above. 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 is the commercial performance of JRI. 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.

To guard against the risk of commissioning poor research, an external review panel and an internal Scientific Advisory Committee (SAC) are used, who have expertise in many areas of orthopaedics and biomaterials. 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.

**COMMENTARY ON TRADING SUBSIDIARY ACTIVITIES**

**Investments**

The Charity's wholly owned subsidiary company, JRI Orthopaedics Limited (JRI), manufactures and supplies orthopaedic implants, instruments, medical equipment, apparatus and accessories. ORUK supports the quality of JRI products in discussions with universities and research centres.

**Business review**

Continuing economic pressures within JRI's main customer groups are driving significant changes within the orthopaedic market as they implement strategies to reduce their costs and improve their operational efficiency. These changes include supplier rationalisation and significant pricing pressure being pushed down on to the supply chain.

Company revenues decreased in 2016 by 11% to £14.8 million (2015: £16.6 million). The UK market has proved to be particularly challenging during the year with revenues decreasing 16% to £9.7 million (2015: £11.5 million). In overseas territories, revenues have remained flat at £5.1 million.

**ORTHOPAEDIC RESEARCH UK**  
**Report of the Trustees (incorporating the Strategic Report)**  
**for the Year Ended 31 March 2016**

**COMMENTARY ON TRADING SUBSIDIARY ACTIVITIES - continued**  
**Business review – continued**

The company is implementing a growth strategy aimed at expanding the breadth of its product portfolio, its manufacturing capability and its geographic footprint and the JRI Board expects to see strong business growth in the medium term. The costs associated with such a strategy however are depressing short term profits. JRI's operating loss before taxation in 2015/16 amounted to £0.8 million.

Research and development is a fundamental and central part of JRI's growth strategy. Consequently, the company has continued to invest heavily in research and development programmes that provide innovative new solutions as well as improvements to existing solutions. The main development drivers have been around both modernisation of the product portfolio and expansion.

**Principal risks and uncertainties**

The JRI Board monitors potential business risks and endeavours to manage those risks through appropriate means including employee involvement, robust financial and business controls and policies and contracts of insurance.

As an international provider of medical devices into health organisations, JRI is subject to many of the same risks faced by similar organisations. Specific risks to JRI that could have a material adverse impact on the financial condition and operating performance of JRI include:

- *Customer base:* JRI's customer base comprises public and private health organisations in the UK and overseas and as such faces risks associated with changes in economic policies, changes to surgical procedures and changes to customer buying practices. JRI develops and retains strong relationships with its customers and has a strategy involving further expansion of its product portfolio, customer base and geographic markets that will all further diversify the business to moderate the risk.
- *Competitors:* the orthopaedic market is highly competitive and JRI faces risks from competitive factors such as price, service and new products. JRI develops and retains strong relationships with its customers and other healthcare professionals to help identify future customer requirements and allocates appropriate resources into product and service development and into driving operational efficiency to ensure the company's on-going competitiveness.
- *Regulatory environment:* there are numerous laws and regulations governing the processes necessary for JRI to take products to market. JRI maintains personnel policies necessary to attract, develop and retain appropriately qualified personnel and ensures sufficient resources are allocated to meet the technical and regulatory demands of the business.

**Key performance indicators**

The key performance indicators used to measure the performance of the company are as follows:

	<b>31.3.16</b>	31.3.15
	<b>£000</b>	£000
Revenue (£'000)	<b>14,791</b>	16,592
(Loss)/profit from operations before donations (£'000)	<b>(826)</b>	167
Operating margin (%) *	<b>(6)</b>	-
Return on capital employed **	<b>(10)</b>	2
Net cash (£'000)	<b>4,135</b>	4,736

\*operating margin is the profit from operations before charitable donations expressed as a percentage of revenue.

\*\* return on capital employed is the profit from operations before charitable donations expressed as a percentage of capital employed. Capital employed is net assets less net cash.

**Financial risk management 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 is not considered by the JRI Board to be material in assessing the financial performance of the company.



**ORTHOPAEDIC RESEARCH UK**  
**Report of the Trustees (incorporating the Strategic Report)**  
**for the Year Ended 31 March 2016**

**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 year. Under that law the Trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), 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 the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable company and the group for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and 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 auditors 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 auditors are 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. The trustees have considered the period to March 2018 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 ~~12<sup>th</sup> December 2016~~ and signed on the board's behalf by:

  
.....  
Mr R R Vallings - Trustee

## **Independent Auditors report to the Members of Orthopaedic Research UK**

We have audited the financial statements of Orthopaedic Research UK for the year ended 31 March 2016 which comprise the consolidated and parent charitable company balance sheets, the consolidated and parent charitable company statements of financial activities, the consolidated statement of cash flows 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), including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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 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 its members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of trustees and auditors**

As explained more fully in the Trustees' Responsibilities Statement set out on page 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.

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 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 Financial Reporting Council's website at [www.frc.org.uk/auditscopeukprivate](http://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 parent charitable company's affairs as at 31 March 2016 and of the group's and the parent charitable company's incoming resources and application of resources, including the group's and the parent's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Trustees (incorporating the strategic report) for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Independent Auditors report to the Members 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 Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's financial statements are not in agreement with the accounting records 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.

*CARUGE*

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

Date: *12 December 2016*

Orthopaedic Research UK

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

Year Ended 31 March 2016

		2016			2015
	Note	Unrestricted funds £	Restricted funds £	Total £	restated Total £
<b>Income from:</b>					
Donations and legacies	2	121	-	121	37,750
Charitable activities	6	47,525	-	47,525	21,356
Other trading activities	3	14,791,033	-	14,791,033	16,592,414
Investments	4	251,334	-	251,334	172,144
Other	12	1,250	-	1,250	-
<b>Total income</b>		15,091,263	-	15,091,263	16,823,664
<b>Expenditure on:</b>					
Raising funds	7	15,250,503	-	15,250,503	16,036,783
Charitable activities	9	933,368	-	933,368	1,200,734
<b>Total expenditure</b>		16,183,871	-	16,183,871	17,237,517
Net losses on investments	24	(236,918)	-	(236,918)	266,073
<b>Net expenditure</b>		(1,329,526)	-	(1,329,526)	(147,780)
<b>Transfers between funds</b>	41	27,000	(27,000)	-	-
<b>Net movement in funds</b>	41	(1,302,526)	(27,000)	(1,329,526)	(147,780)
<b>Reconciliation of funds:</b>					
Total funds brought forward	41	24,858,316	27,000	24,885,316	25,033,096
<b>Total funds carried forward</b>	41	23,555,790	-	23,555,790	24,885,316

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

Orthopaedic Research UK

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

Year Ended 31 March 2016

	Note	Unrestricted funds £	2016 Restricted funds £	Total £	2015 restated Total £
<b>Income and endowments from:</b>					
Donations and legacies	2	121	-	121	37,750
Charitable activities	6	47,525	-	47,525	21,356
Investments	5	1,020,926	-	1,020,926	675,815
Other	12	1,250	-	1,250	-
<b>Total income and endowments</b>		<b>1,069,822</b>	<b>-</b>	<b>1,069,822</b>	<b>734,921</b>
<b>Expenditure on:</b>					
Raising funds	8	756	-	756	-
Charitable activities	9	933,368	-	933,368	1,200,735
<b>Total expenditure</b>		<b>934,124</b>	<b>-</b>	<b>934,124</b>	<b>1,200,735</b>
Net losses on investments	24	(236,918)	-	(236,918)	266,073
<b>Net expenditure</b>		<b>(101,220)</b>	<b>-</b>	<b>(101,220)</b>	<b>(199,741)</b>
<b>Transfers between funds</b>	42	27,000	(27,000)	-	-
<b>Net movement in funds</b>	42	<b>(74,220)</b>	<b>(27,000)</b>	<b>(101,220)</b>	<b>(199,741)</b>
<b>Reconciliation of funds:</b>					
Total funds brought forward	42	21,519,263	27,000	21,546,263	21,746,004
<b>Total funds carried forward</b>	42	<b>21,445,043</b>	<b>-</b>	<b>21,445,043</b>	<b>21,546,263</b>

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

Orthopaedic Research UK (company number 5585452)

Consolidated Balance Sheet

Year Ended 31 March 2016

	Note	2016 £	2015 restated £
<b>Fixed assets</b>			
Intangible assets	26	524,000	300,000
Tangible assets	21	6,815,323	6,625,854
Investments	24	6,540,296	6,777,215
		<hr/>	<hr/>
		13,879,619	13,703,069
<b>Current assets</b>			
Stocks	28	5,414,687	5,266,409
Debtors	30	3,390,705	3,979,311
Cash at bank and in hand		5,246,165	5,513,161
		<hr/>	<hr/>
		14,051,557	14,758,881
<b>Creditors: amounts falling due within one year</b>	32	(3,728,720)	(3,103,645)
		<hr/>	<hr/>
<b>Net current assets</b>		10,322,837	11,655,236
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		24,202,456	25,358,305
<b>Creditors: amounts falling due after more than one year</b>	35	(646,666)	(472,989)
		<hr/>	<hr/>
<b>Net assets</b>		23,555,790	24,885,316
		<hr/>	<hr/>
<b>Group Funds</b>			
Restricted funds	41	-	27,000
Unrestricted funds	41	11,038,810	11,188,030
Funds retained within non-charitable subsidiaries		12,516,980	13,670,286
Revaluation reserve	41	-	-
		<hr/>	<hr/>
<b>Total group funds</b>		23,555,790	24,885,316
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the Board on 12 December 2016

Signed on behalf of the board of trustees

  
 .....  
 Mr R R Vallings, Trustee

The notes on pages 15 to 37 form part of these financial statements.

Orthopaedic Research UK (company number 5585452)

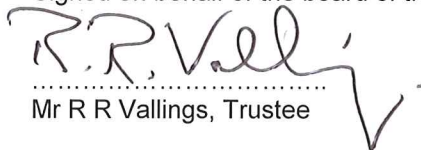
Charity Balance Sheet

Year Ended 31 March 2016

	Note	2016 £	2015 restated £
<b>Fixed assets</b>			
Tangible assets	22	1,180,767	1,205,018
Investments	25	20,621,529	20,858,448
		<hr/>	<hr/>
		21,802,296	22,063,466
<b>Current assets</b>			
Stocks	29	-	5,343
Debtors	31	113,346	54,992
Cash at bank and in hand		812,226	777,234
		<hr/>	<hr/>
		925,572	837,569
<b>Creditors: amounts falling due within one year</b>	33	(921,159)	(881,782)
		<hr/>	<hr/>
<b>Net current assets / (liabilities)</b>		4,413	(44,213)
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		21,806,709	22,019,252
<b>Creditors: amounts falling due after more than one year</b>	36	(361,666)	(472,989)
		<hr/>	<hr/>
<b>Net assets</b>		21,445,043	21,546,263
		<hr/>	<hr/>
<b>Charity Funds</b>			
Restricted funds	42	-	27,000
Unrestricted funds	42	21,445,043	21,519,263
Revaluation reserve	42	-	-
		<hr/>	<hr/>
<b>Total charity funds</b>		21,445,043	21,546,263
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the Board on 12 December 2016

Signed on behalf of the board of trustees

  
 .....  
 Mr R R Vallings, Trustee

The notes on pages 15 to 37 form part of these financial statements.

# Orthopaedic Research UK

## Consolidated Statement of Cashflows

Year ended 31 March 2016

	Note	2016 £	2015 £
<b>Cash flow from operating activities</b>	43	798,322	46,347
<b>Net cash flow from operating activities</b>		<u>798,322</u>	<u>46,347</u>
<b>Cash flow from investing activities</b>			
Income from investments		130,784	127,036
Rent from investments		99,507	23,555
Interest received		15,043	21,553
Purchase of property, plant & equipment		(1,317,652)	(316,297)
Purchase of investments		-	(193)
Proceeds from sale of property, plant & equipment		7,000	333
<b>Net cash flow from investing activities</b>		<u>(1,065,318)</u>	<u>(144,013)</u>
<b>Net (decrease) in cash and cash equivalents</b>		(266,996)	(97,666)
<b>Cash and cash equivalents at 1 April 2015</b>		<u>5,513,161</u>	<u>5,610,827</u>
<b>Cash and cash equivalents at 31 March 2016</b>	43	<u><u>5,246,165</u></u>	<u><u>5,513,161</u></u>

The notes on pages 15 to 37 form part of these financial statements



## Orthopaedic Research UK

### Notes to the Financial Statements

Year ended 31 March 2016

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### **Basis of preparation**

The financial statements of the charitable company, which is a public benefit entity under FRS 102, have been prepared in accordance with the Charities SORP (FRS 102) '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)', Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and the Companies Act 2006. The financial statements have been prepared under the historical cost convention with the exception of investments which are included at market value, as modified by the revaluation of certain assets.

Orthopaedic Research UK is a charitable company incorporated in the United Kingdom. The address of the registered office is given in the charity information on page 1 of these financial statements.

The financial statements are prepared in sterling which is the functional currency of the charity and rounded to the nearest £.

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.

The charity adopted SORP (FRS 102) in the current year and an explanation of how transition to SORP (FRS 102) has affected the reported financial position and performance is given in note 50. The accounting policy relating to the recognition of freehold property at fair value is a prior year adjustment as explained in note 50.

Accounting policies listed below note the policy of the charitable company first, and the trading subsidiary second.

##### **Fund accounting**

Unrestricted funds can be used in accordance with the charitable objectives at the discretion of the trustees.

Restricted funds can only be used for particular restricted purposes within the objects of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

##### **Income**

All income is recognised in the Statement of Financial Activities once the charity has entitlement to the funds, it is probable that the income will be received and the amount can be measured reliably.

For donations to be recognised, if not received before the year end, the charity will have been notified of the amounts and settlement date in writing.

Fixed asset gifts in kind are recognised when receivable and are included at fair value. They are not deferred over the life of the asset.

Investment income is earned through holding assets for investment purposes such as shares and property. It includes dividends, interest and rent, included on a receivables basis.

Revenue in the trading subsidiary is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised (see next page):

## Orthopaedic Research UK

### Notes to the Financial Statements, continued

#### Year ended 31 March 2016

##### **Income - continued**

##### **Sale of goods**

Revenue from the sale of goods in the trading subsidiary is recognised when all of the following conditions are satisfied:

- The company has transferred the significant risks and rewards of ownership to the buyer;
- The company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the Company will receive the consideration due under the transaction;
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

##### **Expenditure**

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the charity to that expenditure, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably. Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

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

Grants offered subject to conditions which have not been met at the year end date 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.

##### **Allocation and apportionment of costs**

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, including 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.

##### **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. The trustees have considered the period to March 2018 and have reviewed forecasts for that period in making their assessment.

##### **Intangible assets**

Intangible assets of the trading subsidiary are stated at cost less accumulated amortisation and accumulated impairment losses.

Costs comprise direct materials, and direct labour allocable to any given development. Amortisation commences when an intangible asset is available for use and is charged on a straight line basis of the asset on the following bases:

Software – 3 years

Development costs – between 5 and 10 years

##### **Intangible assets - continued**

Intangible assets are reviewed annually for impairment or more frequently if there are indications that they might be impaired.

**Impairment of intangible assets – development costs**

Intangible assets are tested for impairment whenever events or circumstance indicate that their carrying amounts might be impaired. Impairment losses may be recognised on these assets if changes become necessary to the assumptions underlying the estimated future cash flows to be derived from individual product developments. See note 25 for the carrying amount of intangible assets.

**Tangible fixed assets**

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. 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 will undertake this professionally once every three years, with informal reviews annually. Freehold property is measured at fair value in both the charity and group accounts – in the charity accounts, freehold property includes the space it occupies within its London property. In the group accounts, freehold property includes the space the charity occupies within its London property and the Sheffield property which is occupied by its trading subsidiary. See notes 21 to 23 for further detail.

The trading subsidiary adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to the trading subsidiary's profit and loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight line method. The estimated useful lives range is as follows:

Freehold property	– straight line over 50 years
Leasehold improvements	– straight line over lease period
Plant and machinery	– 10% - 15% on cost
Motor vehicles	– 25% on cost
Fixtures and fittings	– 20% on cost
Computer equipment	– 33 1/3% on cost

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income' in the statement of comprehensive income.

**Investment property**

Investment properties for which fair value can be measured reliably 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 in both the charity and group accounts – in the charity accounts, investment properties include the tenant occupied space in its London property and the Sheffield property occupied by its trading subsidiary. In the group accounts, investment properties include the tenant occupied space in its London property only. See note 27 for further detail.

**Investments**

Investments are recognised initially by the charity 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 are measured at cost less impairment.

The trading subsidiary's investments in subsidiaries are measured at cost less accumulated impairment.

## Orthopaedic Research UK

### Notes to the Financial Statements, continued

#### Year ended 31 March 2016

##### 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. No new books have been published in 2016 and therefore books published in 2015 have been fully written down at the balance sheet date.

Stocks held by the trading subsidiary are stated at the lower of cost and net realisable value. Cost is determined using the first in, first out ("FIFO") method. Cost comprised the direct cost of materials and, in relation to finished goods and work in progress manufactured by the company, direct labour and related production overheads (based on normal operating capacity) that have been incurred in bringing the stocks to their present location and condition. Net realisable value is the estimated selling price less the estimated costs of completion and applicable variable selling expenses.

##### Inventory provisioning

The company designs and manufactures orthopaedic implants and in order to efficiently meet customer demands the company holds high levels of inventory much of which has a defined shelf life. As a result it is necessary to consider the cost of inventory and the associated level of provisioning required. When calculating the inventory provision, management consider the nature and condition of the inventory, as well as applying assumptions around the anticipated saleability of finished goods and the future usage of raw materials. See note 28 for the net carrying amount of the inventory.

##### 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.

Trade debtors are recognised initially at transaction price and subsequently less any appropriate provision for impairment. A provision for impairment is established for estimated irrecoverable amounts when there is objective evidence that the company will not be able to collect all the amounts according to the original terms of the receivables. The amount of provision is the difference between the net asset's carrying amount and the present value of future cash flows. The carrying amount of the asset is reduced through the use of an allowance account and the amount of loss is recognised in the income statement.

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transactions costs, and are measured subsequently at amortised cost using the effective interest method.

##### Provisions for liabilities

Provisions are made where an event has taken place that gives the group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the SoFA in the year that the group becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the balance sheet.

##### Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease.

##### Foreign currency

Foreign currency transactions are translated into the functional currency using the rate of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date. Exchange gains or losses arising on the settlement of monetary items, and on the retranslation of monetary items, are included within profit from operations.

## Orthopaedic Research UK

### Notes to the Financial Statements, continued

#### Year ended 31 March 2016

##### 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.

The charge for taxation in the trading subsidiary is based on the result for the year and takes into account deferred taxation which is provided in full using the liability method, on temporary difference arising between the tax bases of the assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The charge for taxation is determined using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the temporary differences reverse.

##### 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 group only enters into basic financial instruments 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 Income statement.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the company would receive for the asset if it were to be sold at the balance sheet date.

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

## Orthopaedic Research UK

### Notes to the Financial Statements, continued

#### Year ended 31 March 2016

##### Finance costs

Finance costs are charged to the SoFA over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### Pensions

The group operates and contributes to a series of personal defined contribution pension plans. The assets of the scheme are held separately from those of the group in independently administered funds. The contributions to the schemes are recognised as an expense as incurred.

##### Interest income

Interest income is recognised in the income statement using the effective interest method.

##### Judgements and key sources of estimation uncertainty

When applying the charity's accounting policies, the trustees must make estimates and judgements concerning the future. The actual outcome may differ. Claims for research and development tax credits have been made for 2014 and 2015, which would result in a repayment amount of £149k. The trustees consider that this income does not meet the criteria for recognition under FRS102 at the balance sheet date and continue to monitor the conditions surrounding the probability of its receipt.

When applying the trading subsidiary's accounting policies, management must make estimates and judgements concerning the future. The actual outcome may differ. The key judgements and sources of estimation that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities are presented below:

Inventory provisioning – JRI designs and manufactures orthopaedic implants and, in order to efficiently meet customer demands, holds high levels of inventory much of which has a defined shelf life. As a result it is necessary to consider the cost of inventory and the associated level of provisioning required. When calculating the inventory provision, management consider the nature and condition of the inventory, as well as applying assumptions around the anticipated saleability of finished goods and the future usage of raw materials.

Impairment of intangible assets (development costs) - intangible assets are tested for impairment whenever events or circumstances indicate that their carrying amounts might be impaired. Impairment losses may be recognised on these assets if changes become necessary to the assumptions underlying the estimated future cashflows to be derived from individual product developments.

#### 2. DONATIONS AND LEGACIES (GROUP AND CHARITY)

	31.3.16	31.3.15
	£	£
Donations	<u>121</u>	<u>37,750</u>

#### 3. OTHER TRADING ACTIVITIES (GROUP)

	31.3.16	31.3.15
	£	£
Turnover of trading subsidiary	<u>14,791,033</u>	<u>16,592,414</u>

Orthopaedic Research UK

Notes to the Financial Statements, continued

Year ended 31 March 2016

4. INVESTMENT INCOME (GROUP)

	31.3.16 £	31.3.15 £
Rental income	99,507	23,555
Dividends received	130,784	127,036
Bank interest received	<u>21,043</u>	<u>21,553</u>
	<u><b>251,334</b></u>	<u><b>172,144</b></u>

5. INVESTMENT INCOME (CHARITY)

	31.3.16 £	31.3.15 £
Rental income	386,268	378,555
Dividends received	630,784	127,036
Gift aid from trading subsidiary	-	150,000
Donated services from trading subsidiary	-	17,225
Bank interest received	<u>3,874</u>	<u>2,999</u>
	<u><b>1,020,926</b></u>	<u><b>675,815</b></u>

6. INCOME FROM CHARITABLE ACTIVITIES (GROUP AND CHARITY)

	31.3.16 £	31.3.15 £
Training courses	38,736	17,618
Other income	<u>8,789</u>	<u>3,738</u>
	<u><b>47,525</b></u>	<u><b>21,356</b></u>

7. EXPENDITURE ON RAISING FUNDS (GROUP)

	31.3.16 £	31.3.15 £
Fundraising costs	756	-
Depreciation (see note 41)	75,000	-
Expenditure of trading subsidiary	<u>15,174,747</u>	<u>16,036,783</u>
	<u><b>15,250,503</b></u>	<u><b>16,036,783</b></u>

## Orthopaedic Research UK

### Notes to the Financial Statements, continued

Year ended 31 March 2016

#### 8. EXPENDITURE ON RAISING FUNDS (CHARITY)

	31.3.16 £	31.3.15 £
Fundraising costs	<u>756</u>	<u>-</u>

#### 9. CHARITABLE ACTIVITIES COSTS (GROUP AND CHARITY)

	Direct & support costs £	Grant funding of activities (See note 14) £	Totals £
Promoting best orthopaedic practice	234,256	-	234,256
Other charitable activities	25,660	-	25,660
Research into best orthopaedic practice	-	635,832	635,832
Governance costs	<u>37,620</u>	<u>-</u>	<u>37,620</u>
	<u>297,536</u>	<u>635,832</u>	<u>933,368</u>

Charitable activities costs above include support cost allocations which are analysed in note 13.

#### 10. GRANTS PAYABLE

	31.3.16 £	31.3.15 £
Research into best orthopaedic practice	<u>635,832</u>	<u>679,617</u>

See note 14 for an analysis.

#### 11. NET INCOME/(EXPENDITURE) (GROUP)

Net income/(expenditure) is stated after charging/(crediting):

	31.3.16 £	31.3.15 £
Depreciation and amortisation	900,904	902,983
Loss/(surplus) on disposal of fixed asset	(5,250)	8,217
Auditors' remuneration – audit fees	47,920	55,200
Auditors' remuneration – other services	9,400	63,315
Operating lease costs - other leases and motor vehicles	486,000	591,000
Net loss on foreign currency translation	23,000	3,000
Pension contributions	392,483	409,397
Research and development charged as an expense	<u>501,000</u>	<u>938,000</u>



## Orthopaedic Research UK

### Notes to the Financial Statements, continued

Year ended 31 March 2016

#### 12. NET INCOME/(EXPENDITURE) (CHARITY)

Net income/(expenditure) is stated after charging/(crediting):

	<b>31.3.16</b>	31.3.15
	£	£
Depreciation - owned assets	<b>27,904</b>	27,258
Surplus on disposal of fixed asset	<b><u>(1,250)</u></b>	<u>-</u>

#### 13. ALLOCATION OF SUPPORT COSTS

Support cost	Research	Promoting	Other methods	Governance	Total
	£	£	£	£	£
Human resources	128,424	112,372	5,351	21,404	267,551
Premises/insurance	28,450	24,894	1,185	4,742	59,271
Communications	14,155	12,438	1,497	16,020	44,110
Travel expenses	805	865	40	2,289	3,999
Other expenses	63,218	17,323	825	(9,067)	72,299
Depreciation	13,394	11,720	558	2,232	27,904
<b>Total</b>	<b><u>248,446</u></b>	<b><u>179,612</u></b>	<b><u>9,456</u></b>	<b><u>37,620</u></b>	<b><u>475,134</u></b>

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 charitable activities costs as detailed in note 9.

#### 14. GRANT MAKING

Name of institution	Purpose for which grants made (research)	31.3.16 £
Royal College of Surgeons	surgical speciality leads	45,000
University of Nottingham	influencing skin cells	72,566
University of Oxford	identification & regulation of pain mechanisms	99,999
University of Exeter	the human vertebral endplate	74,690
University of Birmingham	a novel approach for the prevention & treatment of heterotopic ossification	99,738
<b>Subtotal</b>		<b>391,993</b>
Various	refunds of under-utilised grants	(5,115)
<b>Grants to institutions</b>		<b>386,878</b>
Translation of research work		508
Direct costs of grant making		387,386
Support costs of grant making – see note 13		248,446
<b>TOTAL COSTS OF GRANT MAKING</b>		<b><u>635,832</u></b>

## Orthopaedic Research UK

### Notes to the Financial Statements, continued

Year ended 31 March 2016

#### 15. AUDITOR'S REMUNERATION

Amounts payable to the auditor for statutory audit services of the group are £48k (2015 - £56k) and of the charity are £23k (2015 - £26k).

Amounts payable to the auditor and its associates for other services of the group are £9k (2015 - £63k) and of the charity are £2k (2015 - £nil).

#### 16. TRUSTEES' REMUNERATION AND BENEFITS

Mr B P Jones held the position of chief executive until 31 December 2015; Mr Jones was also a trustee until that date. His remuneration package for his CEO services to the charity for the year amounted to £77,279 (2015 - £110,152) including pension contributions of £7,209 (2015 - £11,027). In addition, Mr Jones received remuneration as executive chairman of JRI for the year amounting to £99,730 (2015 £107,425) including pension contributions and benefits in kind. 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.

No other trustees received remuneration or benefits.

##### Trustees' expenses

Expenses totalling £2,307 (2015 - £1,989) were paid to 6 trustees in the year (2015 - 5), representing reimbursement of travelling expenditure. One trustee purchased office furniture from the charity amounting to £600.

#### 17. STAFF COSTS AND EMPLOYEE BENEFITS (GROUP)

	31.3.16 £	31.3.15 £
Gross wages, salaries and benefits in kind	5,233,955	5,218,663
Employer's national insurance costs	567,122	562,886
Pension costs	392,483	409,322
	<u>6,193,560</u>	<u>6,190,871</u>

The amount of £6,193,560 (2015 £6,190,871) above includes £1,162,915 (2015 £1,226,152) of employee benefits received by key management personnel, which for the charity comprises the CEO(s) and for JRI comprises the directors and members of senior management. The figure of £1,162,915 (2015 £1,226,152) includes salary and pension costs.

#### 18. STAFF COSTS AND EMPLOYEE BENEFITS (CHARITY)

	31.3.16 £	31.3.15 £
Gross wages, salaries and benefits in kind	223,955	200,624
Employer's national insurance costs	25,122	24,191
Pension costs	16,483	18,397
	<u>265,560</u>	<u>243,212</u>

The amount of £265,560 above includes £99,915 of employee benefits received by key management personnel, including the current and previous CEO, for their services to the charity. Key management personnel are defined on page 5.

## Orthopaedic Research UK

### Notes to the Financial Statements, continued

#### Year ended 31 March 2016

#### 19. STAFF COSTS (GROUP)

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

	<b>2016 (Group) Number</b>	2015 (Group) Number	<b>2016 (Charity) Number</b>	2015 (Charity) Number
Trading subsidiaries:				
Production	<b>44</b>	38	-	-
Distribution	<b>17</b>	25	-	-
Administrative	<b>36</b>	29	-	-
Management	<b>17</b>	18	-	-
Charitable activities	<b>3</b>	2	<b>3</b>	2
Governance	<b>1.5</b>	1.5	<b>1.5</b>	1.5
	<b>118.5</b>	113.5	<b>4.5</b>	3.5

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 £392,483 (2015 - £409,322). Contributions paid into the scheme by the charity in the year were £16,483 (2015 - £18,397). An amount of £37,000 (2015 - £30,000) was included in accruals at the year-end relating to the trading subsidiary's scheme.

The number of employees who received total employee benefits (excluding employer pension costs but including benefits in kind) of more than £60,000 was as shown in the table below. For the charity, in 2016 there were two CEOs in position for half a year each.

	<b>2016 (Group) Number</b>	2015 (Group) Number	<b>2016 (Charity) Number</b>	2015 (Charity) Number
£60,001 - £70,000	<b>9</b>	10	<b>1</b>	-
£70,001 - £80,000	<b>7</b>	6	<b>1</b>	-
£80,001 - £90,000	<b>1</b>	5	-	-
£90,001 - £100,000	<b>3</b>	3	-	1
£100,001 - £110,000	<b>1</b>	2	-	-
£110,001 - £120,000	<b>1</b>	1	-	-
£140,001 - £150,000	<b>1</b>	-	-	-
£150,001 - £160,000	<b>1</b>	-	-	-
£160,001 - £170,000	<b>1</b>	-	-	-
£170,001 - £180,000	-	2	-	-
£180,001 - £190,000	<b>1</b>	-	-	-
£200,001 - £210,000	-	1	-	-
£220,001 - £230,000	-	1	-	-

## Orthopaedic Research UK

### Notes to the Financial Statements, continued

Year ended 31 March 2016

#### 20. TAXATION

	31.3.16 £	31.3.15 £
<b>UK Corporation tax</b>		
Current tax on profits for the year	(157,000)	-
Adjustments in respect of previous periods	<u>(52,000)</u>	<u>(24,000)</u>
	<u>(209,000)</u>	<u>(24,000)</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	24,000	(42,000)
Accelerated capital allowances	<u>23,000</u>	<u>50,000</u>
<b>Total deferred tax</b>	<u>47,000</u>	<u>8,000</u>
<b>Taxation on loss/profit on ordinary activities</b>	<u>(162,000)</u>	<u>(16,000)</u>

#### Factors affecting tax charge for the year

The tax assessed for the year is lower than (2015 – lower than) the standard rate of corporation tax in the UK of 20% (2015 – 20%). The differences are explained below:

	31.3.16 £	31.3.15 £
(Loss)/profit on ordinary activities before tax	<u>(815,000)</u>	<u>36,000</u>
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in UK 20% (2015 – 20%)	(163,000)	7,000
<b>Effects of:</b>		
Expenses not deductible for tax purposes	35,000	57,000
Capital allowances for year in excess of depreciation	(23,000)	(33,000)
Adjustments to tax charge in respect of prior period	(52,000)	(24,000)
Gift aid not relieved against current year profits	-	23,000
Losses carried forward	110,000	-
Non-taxable income	(47,000)	-
Adjustment in respect of research and development tax credit	<u>(22,000)</u>	<u>(46,000)</u>
<b>Total tax charge for the year</b>	<u>(162,000)</u>	<u>(16,000)</u>

## Year ended 31 March 2016

## 21. TANGIBLE FIXED ASSETS (GROUP)

	Freehold land & Buildings restated	Plant, machinery & motor vehicles	Fixtures, fittings & equipment	Totals
	£	£	£	£
<b>COST/VALUATION</b>				
At 1 April 2015	5,145,158	7,593,341	1,154,260	13,892,759
Additions	-	978,000	43,653	1,021,653
Disposals	-	(32,000)	-	(32,000)
At March 2016	<u>5,145,158</u>	<u>8,539,341</u>	<u>1,197,913</u>	<u>14,882,412</u>
<b>DEPRECIATION</b>				
At 1 April 2015	92,536	6,182,883	991,486	7,266,905
Charge for year	116,727	617,000	95,456	829,183
Disposals	-	(29,000)	1	(28,999)
At 31 March 2016	<u>209,263</u>	<u>6,770,883</u>	<u>1,086,943</u>	<u>8,067,089</u>
<b>NET BOOK VALUE</b>				
At 31 March 2016	<u>4,935,895</u>	<u>1,768,458</u>	<u>110,970</u>	<u>6,815,323</u>
At 31 March 2015	<u>5,052,622</u>	<u>1,410,458</u>	<u>162,774</u>	<u>6,625,854</u>

Included in freehold land & buildings for the group are the London freehold property referred to in note 23 below and the Sheffield property referred to in note 27 below. Properties occupied by group members are treated as freehold properties in the consolidated accounts – further detail on this is given in note 41.

## 22. TANGIBLE FIXED ASSETS (CHARITY)

	Freehold land & buildings restated	Fixtures, fittings & equipment	Totals
	£	£	£
<b>COST/VALUATION</b>			
At 1 April 2015	1,222,363	46,979	1,269,342
Additions	-	3,653	3,653
At 31 March 2016	<u>1,222,363</u>	<u>50,632</u>	<u>1,272,995</u>
<b>DEPRECIATION</b>			
At 1 April 2015	24,447	39,877	64,324
Charge for the year	24,447	3,457	27,904
At 31 March 2016	<u>48,894</u>	<u>43,334</u>	<u>92,228</u>
<b>NET BOOK VALUE</b>			
At 31 March 2016	<u>1,173,469</u>	<u>7,298</u>	<u>1,180,767</u>
At 31 March 2015	<u>1,197,916</u>	<u>7,102</u>	<u>1,205,018</u>

## Orthopaedic Research UK

### Notes to the Financial Statements, continued

Year ended 31 March 2016

#### 23. TANGIBLE FIXED ASSETS (CHARITY)

The freehold 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 £1,173,469. The historic cost equivalent of this asset at net book value is £1,396,019, and depreciation at historic cost would be £30,834. The trustees have adopted a policy of regular revaluation of freehold property, and will undertake this professionally once every three years, with informal reviews annually. The freehold property was subject to independent, professional valuation at 31/3/15. The valuation was undertaken 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. The trustees have carried out a review of the property market as at 31/3/16 and consider that there has been no material movement in value since 31/3/15.

#### 24. FIXED ASSET INVESTMENTS (GROUP)

	Investment property	Managed investment funds	Totals
	£	£	£
<b>MARKET VALUE</b>			
At 1 April 2015	2,777,638	3,999,576	6,777,214
Revaluations	-	(236,918)	(236,918)
	<u>2,777,638</u>	<u>3,762,658</u>	<u>6,540,296</u>
At 31 March 2016	<u>2,777,638</u>	<u>3,762,658</u>	<u>6,540,296</u>
<b>NET BOOK VALUE</b>			
At 31 March 2016	<u>2,777,638</u>	<u>3,762,658</u>	<u>6,540,296</u>
At 31 March 2015	<u>2,777,637</u>	<u>3,999,576</u>	<u>6,777,215</u>

The historic cost of investment properties is disclosed in note 27. Income from managed investment funds is shown in note 4. Historic cost of managed investments is £3,311,467.

#### 25. FIXED ASSET INVESTMENTS (CHARITY)

	Investment properties	Shares in group undertakings	Listed investmen ts	Totals
	£	£	£	£
<b>COST/MARKET VALUE</b>				
At 1 April 2015	6,527,638	10,331,235	3,999,576	20,858,449
Impairments/Revaluations	-	-	(236,918)	(236,918)
Rounding	(2)	-	-	(2)
	<u>6,527,636</u>	<u>10,331,235</u>	<u>3,762,658</u>	<u>20,621,529</u>
At March 2016	<u>6,527,636</u>	<u>10,331,235</u>	<u>3,762,658</u>	<u>20,621,529</u>
<b>NET BOOK VALUE</b>				
At 31 March 2016	<u>6,527,636</u>	<u>10,331,235</u>	<u>3,762,658</u>	<u>20,621,529</u>
At 31 March 2015	6,527,637	10,331,235	3,999,576	20,858,448

The historic cost of investment properties is disclosed in note 27. Income from investments is shown in note 5. Shares in group undertakings are included at cost less impairment. Investment properties and listed investments are included at market value. Historic cost of listed investments is £3,311,467.

# Orthopaedic Research UK

## Notes to the Financial Statements, continued

Year ended 31 March 2016

### 25. FIXED ASSET INVESTMENTS (CHARITY) - *continued*

Investment in subsidiary company:

#### JRI Orthopaedics Limited (company number 00976297)

Nature of business: a British manufacturer of orthopaedic implants

Class of share:	% holding		
Ordinary	100		
		<b>31.3.16</b>	31.3.15
		£	£
Aggregate capital and reserves		<b>12,516,980</b>	13,670,286
Aggregate of assets		<b>15,894,000</b>	16,138,000
Aggregate of liabilities		<b>(3,377,000)</b>	(2,468,000)
(Loss)/profit for the year		<b><u>(653,306)</u></b>	<u>51,960</u>
<b>Profit and loss account</b>			
Turnover		<b>14,791,000</b>	16,592,414
Interest receivable		<b>17,000</b>	18,554
Operating expenses		<b>(15,617,000)</b>	(16,583,008)
Interest payable		<b>(6,000)</b>	-
Tax		<b><u>162,000</u></b>	<u>24,000</u>
(Loss)/profit		<b><u>(653,000)</u></b>	<u>51,960</u>

JRI Orthopaedics Limited wholly owns 3 subsidiaries, JRI (Manufacturing) Limited, Joint Replacement Instrumentation Limited and Ortheia Limited, none of which traded during the year.

### 26. INTANGIBLE ASSET(GROUP)

	Software	Development	Totals
	£	£	£
<b>MARKET VALUE</b>			
At 1 April 2015	<b>423,000</b>	-	<b>423,000</b>
Additions	<b><u>60,000</u></b>	<b><u>236,000</u></b>	<b><u>296,000</u></b>
At 31 March 2016	<b><u>483,000</u></b>	<b><u>236,000</u></b>	<b><u>719,000</u></b>
<b>AMORTISATION</b>			
At 1 April 2015	<b>123,000</b>	-	<b>123,000</b>
Charge for the year	<b><u>72,000</u></b>	-	<b><u>72,000</u></b>
At 31 March 2016	<b><u>195,000</u></b>	-	<b><u>195,000</u></b>
<b>NET BOOK VALUE</b>			
At 31 March 2016	<b><u>288,000</u></b>	<b><u>236,000</u></b>	<b><u>524,000</u></b>
At 31 March 2015	<b><u>300,000</u></b>	-	<b><u>300,000</u></b>

Development costs are capitalised when the project is judged to be in its development phase, and management can demonstrate the technical feasibility of the project and the ability of the project to generate probable future economic benefit.

## Orthopaedic Research UK

### Notes to the Financial Statements, continued

Year ended 31 March 2016

#### 27. INVESTMENT PROPERTY (CHARITY)

The investment properties were subject to independent, professional valuation at 31/3/15. There are two properties included within investment properties - the London property valuation was undertaken by Last and Co, 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. The trustees have carried out a review of the property and rental market as at 31/3/16 and consider that there has been no material movement in value since 31/3/15.

#### 28. STOCKS (GROUP)

	31.3.16 £	31.3.15 £
Raw materials	746,000	589,423
Work in progress	786,000	360,740
Finished goods	<u>3,882,687</u>	<u>4,316,246</u>
	<u>5,414,687</u>	<u>5,266,409</u>

#### 29. STOCKS (CHARITY)

	31.3.16 £	31.3.15 £
Finished goods	<u>-</u>	<u>5,343</u>

#### 30. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (GROUP)

	31.3.16 £	31.3.15 £
Trade debtors	2,431,873	3,041,489
Other debtors	206,540	103,705
Prepayments and accrued income	<u>752,292</u>	<u>834,117</u>
	<u>3,390,705</u>	<u>3,979,311</u>

#### 31. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (CHARITY)

	31.3.16 £	31.3.15 £
Trade debtors	84,514	-
Other debtors	13,540	9,954
Prepayments and accrued income	<u>15,292</u>	<u>45,038</u>
	<u>113,346</u>	<u>54,992</u>



Orthopaedic Research UK

Notes to the Financial Statements, continued

Year ended 31 March 2016

**32. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (GROUP)**

	31.3.16 £	31.3.15 £
Trade creditors	1,584,331	990,681
Grants payable	691,361	744,057
Social security and other taxes	313,783	385,516
Other creditors	83,159	-
Accruals and deferred income	<u>1,056,086</u>	<u>983,391</u>
	<u><b>3,728,720</b></u>	<u><b>3,103,645</b></u>

**33. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (CHARITY)**

	31.3.16 £	31.3.15 £
Trade creditors	53,769	20,031
Grants payable	691,361	744,057
Amounts owed to group undertakings	-	45,353
Social security and other taxes	18,783	18,376
Other creditors	14,159	8,931
Accruals and deferred income	<u>143,087</u>	<u>45,034</u>
	<u><b>921,159</b></u>	<u><b>881,782</b></u>

Deferred income includes monies held for courses to be held in the next financial year amounting to £2,140, and rents invoiced in advance, amounting to £93,009. No deferred income was brought forward from the previous year.

**34. RECONCILIATION OF FUNDING COMMITMENTS**

	31.3.16 £	31.3.15 £
Commitments at 1 April 2015	1,217,046	1,085,502
Grants charged in the year (note 14)	391,993	659,593
Grants paid in the year	<u>(556,012)</u>	<u>(528,049)</u>
<b>Commitments at 31 March 2016</b>	<u><b>1,053,027</b></u>	<u><b>1,217,046</b></u>

**35. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (GROUP)**

	31.3.16 £	31.3.15 £
Grants payable	361,666	472,989
Hire purchase	230,000	-
Deferred tax provision	<u>55,000</u>	<u>-</u>
	<u><b>646,666</b></u>	<u><b>472,989</b></u>

Notes to the Financial Statements, continued

Year ended 31 March 2016

36. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (CHARITY)

	31.3.16 £	31.3.15 £
Grants payable	<u>361,666</u>	<u>472,989</u>

37. COMMITMENTS UNDER OPERATING LEASES (GROUP)

Operating leases - lessee

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

	31.3.16 £	31.3.15 £
Not later than one year	47,472	54,847
Later than one and not later than five years	249,191	299,349
Later than five years	<u>643</u>	<u>-</u>
	<u>297,306</u>	<u>354,196</u>

38. COMMITMENTS UNDER OPERATING LEASES (CHARITY)

Operating leases - lessee

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

	31.3.16 £	31.3.15 £
Not later than one year	3,472	1,847
Later than one and not later than five years	11,191	1,349
Later than five years	<u>643</u>	<u>-</u>
	<u>15,306</u>	<u>3,196</u>

39. DEFERRED TAXATION (GROUP)

	£
At 1 April 2015	(8,000)
Charged to the profit or loss	<u>(47,000)</u>
<b>At 31 March 2016</b>	<u><b>(55,000)</b></u>

The provision for deferred taxation is made up as follows:

	31.3.16 £	31.3.15 £
Accelerated capital allowance	(73,000)	(50,000)
Other timing differences	<u>18,000</u>	<u>42,000</u>
	<u><b>(55,000)</b></u>	<u><b>(8,000)</b></u>

Notes to the Financial Statements, continued

Year ended 31 March 2016

40. 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.

41. FUND RECONCILIATION (GROUP)

	Balance at 01.04.15 (£)	Income (£)	Expenditure (£)	Transfers (£)	Gains / (losses) (£)	Balance at 31.03.16 (£)
Revaluation	-	-	-	236,918	(236,918)	-
Other charitable funds	24,858,316	15,091,263	(16,183,871)	(209,918)	-	23,555,790
Restricted	27,000	-	-	(27,000)	-	-
	<u>24,885,316</u>	<u>15,091,263</u>	<u>(16,183,871)</u>	<u>-</u>	<u>(236,918)</u>	<u>23,555,790</u>

The difference between consolidated reserves of £23,555,790 as stated above and charity reserves of £21,445,043 as stated in note 42 below relates to a £75,000 adjustment for depreciation and the amount of £2,185,747 which is the difference between net assets of JRI and its carrying value at cost in the charity's accounts. These are consolidation adjustments only resulting from the different treatment of properties occupied by group companies and the change in treatment of shares in subsidiaries under FRS102.

At 31 March 2015, designated funds of £27,000 were held in cash. Transfers above consist of £27,000 of restricted funds held at 31.3.15 spent in full in the year, the difference between depreciation at historic cost of £30,834 and depreciation at fair value of £24,447 on freehold buildings and the difference between depreciation at historic cost of £69,977 and depreciation at fair value of £75,000 on the freehold building occupied by group companies (this is a consolidation adjustment only).

Overall movements in the revaluation reserve are negative and have therefore been transferred in full to other charitable funds.

42. FUND RECONCILIATION (CHARITY)

	Balance at 01.04.15 (£)	Income (£)	Expenditure (£)	Transfers (£)	Gains / (losses) (£)	Balance at 31.03.16 (£)
Revaluation	-	-	-	236,918	(236,918)	-
Other charitable funds	21,519,263	1,069,822	(934,124)	(209,918)	-	21,445,043
Restricted	27,000	-	-	(27,000)	-	-
	<u>21,546,263</u>	<u>1,069,822</u>	<u>(934,124)</u>	<u>-</u>	<u>(236,918)</u>	<u>21,445,043</u>

Notes to the Financial Statements, continued

Year ended 31 March 2016

42. FUND RECONCILIATION (CHARITY) continued

At 31 March 2015, restricted funds of £27,000 were held in cash. Funds are described on page 15. The revaluation reserve represents accumulated unrealised movements in fair value of investments, including investment properties.

Transfers above consist of £27,000 of restricted funds held at 31.3.15 spent in full in the year, the difference between depreciation at historic cost of £30,834 and depreciation at fair value of £24,447 on freehold buildings.

Overall movements in the revaluation reserve are negative and have therefore been transferred in full to other charitable funds.

43. RECONCILIATION OF NET INCOME/(EXPENDITURE) TO NET CASH FLOW FROM OPERATING ACTIVITIES

	31.3.16 £	31.3.15 £
Net income / (expenditure) for year / period	(1,329,526)	(808,872)
Dividends received	(130,784)	(127,036)
Interest receivable	(21,043)	(21,553)
Interest payable	6,000	-
Depreciation and impairment of tangible fixed assets	901,183	831,476
Amortisation and impairment of intangible fixed assets	-	-
(Gains) / losses on investments	236,918	297,293
(Profit) / loss on disposal of tangible fixed assets	(4,000)	8,217
(Profit) / loss on disposal of fixed asset investments	-	-
Rent from freehold investment property	(99,507)	(23,555)
Provisions less payments	-	-
(Increase) / decrease in stock	(148,277)	162,194
(Increase) / decrease in debtors	504,167	(530,374)
Increase / (decrease) in creditors	883,191	258,557
	<hr/>	<hr/>
Net cash flow from operating activities	<u>798,322</u>	<u>46,347</u>

Cash and cash equivalents at 31 March 2016 were £5,246,165 (2015 £5,513,161). This amount is analysed as £5,244,293 (2015 £5,513,161) of bank balances and £1,872 (2015 nil) of cash.

44. HIRE PURCHASE & FINANCE LEASES (GROUP)

Minimum lease payments under hire purchase fall due as follows:

	31.3.16 £	31.3.15 £
Within one year	78,000	-
Between 1-5 years	<u>259,000</u>	<u>-</u>
	<u>337,000</u>	<u>-</u>

## Orthopaedic Research UK (company number 5585452)

### Notes to the Financial Statements, continued

#### Year ended 31 March 2016

The amounts are secured against the assets of the trading subsidiary. The amounts are repayable over the period until July 2020, and carry a fixed rate of interest of 13.6%.

#### 45. CAPITAL COMMITMENTS

At 31 March 2016 the trading subsidiary had capital commitments contracted for but not provided in these financial statements of £nil (2015 £410k). 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.

#### 46. RELATED PARTY TRANSACTIONS

During the year, the charity received £500k (2015 - £nil) in dividends, £287k (2015 £355k) in rental income, £nil (2015 £150k) in donations and £nil (£2015 - £17k) in donated services from JRI Orthopaedics Limited (JRI).

At the balance sheet date, JRI owed the charity £84k as a trade debtor balance (2015 - £45k owed to JRI).

At 31 March 2016, JRI owed £100k (2015 - £100k) and £100k (2015 - £100k) to its subsidiaries, JRI (Manufacturing) Limited and Joint Replacement Instrumentation Limited respectively.

Transactions with trustees are set out in note 16. The key management personnel (KMP) of the charity comprises the CEO(s), and of JRI the directors and members of senior management. Total employee benefits of the key management personnel of the charity were £99,915 (2015 £110,152) and of JRI £1,063m (2015 £1,116m). KMPs of the group include the Trustees.

#### 47. ULTIMATE CONTROLLING PARTY

There is no ultimate controlling party; the charity is managed by its board of trustees. The liability of each of the charity's five members is limited to £1 each.

#### 48. FINANCIAL INSTRUMENTS (GROUP)

	31.3.16 £	31.3.15 £
<i>Financial assets</i>		
- Trade debtors	2,516,312	3,041,489
- Bank current accounts	5,244,293	5,513,161
- Other debtors	355,949	103,705
- Tax recoverable		
	<hr/>	<hr/>
<i>Financial liabilities</i>		
- Trade creditors	1,668,770	990,681
- Obligations under finance leases and hire purchase contracts	299,000	-
- Accruals	1,082,832	983,391
	<hr/>	<hr/>

All of the above are measured at amortised cost.

#### 49. POST BALANCE SHEET EVENTS

On 18 July 2016, JRI acquired 100% of the share capital of Sheffield Medical Products Limited, a company incorporated in the UK and whose principal activity is the design and supply of orthopaedic implants and associated instrumentation. The initial cash consideration was £120k but the final purchase price will be based on its sales performance over the next 5 years. Net liabilities acquired were £360k including debts to the previous shareholders of £380k repayable in two instalments: £130k on 18 July 2016 and £250k subject to the receipt of certain regulatory approvals.

Notes to the Financial Statements, continued

Year ended 31 March 2016

50. FIRST-TIME ADOPTION OF SORP (FRS 102)

The charity and group have adopted the SORP (FRS 102) for the first time in the year ended 31 March 2016. The effect of transition from SORP (2005) to SORP (FRS 102) is outlined below.

A1) Changes for FRS102 adoption

Consequential changes in accounting policies resulting from adoption of SORP (FRS 102) were as follows:

- under SORP 2005, a property let to and occupied by another group company was excepted from being treated as an investment property. This exception does not exist under SORP (FRS 102). A property owned in Sheffield, occupied by JRI, has therefore been moved from freehold land and buildings to investment properties. Depreciation is not provided on investment properties and therefore accumulated depreciation has been removed, resulting in an increase in reserves.

- the part of the mixed-use property which is occupied by tenants is included in investment properties and is included at fair value.

- under UK GAAP, investments in subsidiaries could be included in parent accounts at their net asset value. This treatment is not permitted under FRS 102. The investment in subsidiaries has been restated to cost at the date of transition.

A2) Prior year adjustments

- under SORP (FRS 102) a charity may choose to adopt an accounting policy of revaluing one or more classes of the tangible fixed assets it holds. If a policy of revaluation is adopted, then all assets within that particular class must be revalued. A property owned in London is a mixed-use property, part occupied by the charity and part occupied by tenants. The property has been 'split' as determined by space let and space occupied. The space occupied is included in freehold land and buildings and is recognised at fair value; previously this asset was recognised at cost. Accumulated depreciation has been removed, resulting in an increase in reserves. This is a change in accounting policy, rather than a consequential change resulting from the adoption of SORP (FRS 102), and has therefore been applied retrospectively with the opening comparatives at 1 April 2014 and 31 March 2015 being restated under a prior year adjustment.

B) Transition to FRS102 – reconciliations

Adjustments to previously reported total funds at the end of the comparative period, as a result of transition to SORP (FRS 102) were as follows:

Restated statement of financial position - GROUP

	31.3.15	1.4.14
	£	£
Original group funds	24,395,022	25,179,447
Depreciation on freehold property	(24,447)	-
Restatement of investment properties	761,325	(146,351)
Freehold property at fair value (prior year adjustment)	<u>(246,584)</u>	<u>-</u>
Restated group funds	<u>24,885,316</u>	<u>25,033,096</u>

Restated statement of financial position - CHARITY

	31.3.15	1.4.14
	£	£
Original charity funds	24,395,022	25,179,447
Shares in group undertakings restated at cost	(3,339,053)	(3,287,092)
Depreciation on freehold property	(24,447)	-
Restatement of investment properties	761,325	(146,351)
Freehold property at fair value (prior year adjustment)	<u>(246,584)</u>	<u>-</u>

Notes to the Financial Statements, continued

Year ended 31 March 2016

Restated charity funds	<u>21,546,263</u>	<u>21,746,004</u>
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50. FIRST-TIME ADOPTION OF SORP (FRS 102) - *continued*

**Restated net income/(expenditure) for the year ended 31 March 2015 – GROUP**

	£
Original net movement in funds	(784,425)
Investment properties at fair value	563,366
Depreciation on properties	97,725
Depreciation on freehold property	<u>(24,446)</u>
Restated net movement in funds	<u>(147,780)</u>

**Restated net income/(expenditure) for the year ended 31 March 2015 – CHARITY**

	£
Original net movement in funds	(784,425)
Investment properties at fair value	563,366
Depreciation on properties	97,725
Depreciation on freehold property	(24,447)
Subsidiary revaluation	<u>(51,960)</u>
Restated net movement in funds	<u>(199,741)</u>

This is also the first year that JRI has presented its results under FRS 102. The last financial statements under UK GAAP were for the year ended 31 March 2015.

The only adjustments required by the transition are presentational. The main items are:

Computer software with a net book value of £300k at 31 March 2015 has been reclassified from tangible to intangible fixed assets as required under FRS102. This has no effect on the company's net assets nor on the profit for the year, except that the previous depreciation charge is now described as amortisation.

