



Annual Report and Accounts 2021-22

Year ended 31 March 2022
Company registration number 5585452

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ORTHOPAEDIC RESEARCH UK

Reference and Administrative Details for the Year Ended 31 March 2022

Charity registration number	1111657
Company registration number	5585452
Trustees	Dr C J Ball Mr A H Downing (Chair) Mr M Gouldstone Mrs S Harkness Mr P E Harrison Professor N Rushton Professor M Santin Mr J K Tucker
CEO/CFO ORUK leadership team	Dr A Angadji / Mrs C Barnard Mrs D Palmer (Executive Officer) Miss R Threadgold (Head of Education and Events)
Registered office	Rosemount House Rosemount Avenue West Byfleet Surrey KT14 6LB
Principal place of operations	Furlong House 10a Chandos Street London W1G 9DQ
Auditor	Sayer Vincent Chartered Accountants & Statutory Auditors 108-114 Golden Lane London EC1Y 0TL
Solicitor	Weightmans The Hallmark Building 105 Fenchurch Street London EC3M 5JG
Bankers	National Westminster Bank plc 10 Marylebone High Street London W1U 4BT
Investment managers	Sarasin & Partners LLP Juxon House, 100 St Paul's Churchyard London EC4M 8BU Rathbone Brothers Plc 8 Finsbury Circus London EC2M 7AZ

Message from our Chair

We believe it essential that charities are accountable for their actions and especially their funding. This is why we have reintroduced our annual impact report to demonstrate to our supporters and partners the difference we are making through the money we invest in research, training programmes and strategic partnerships with academic institutions and entrepreneurs.

We are a relatively small charity, operating in an area of huge demand from the millions of people suffering from poor musculoskeletal health. However, we believe that our investments can make a difference if they are well targeted, well managed and monitored, and if we work with the right partners.

We apply a rigorous evaluation process for all our investment decisions that involves our trustees, members of our Scientific Committee and external experts. All our committees comprise eminent figures in their respective fields of expertise. We also expect all recipients of funding to provide regular reports on the results achieved and the impact that it will have on the lives of patients.

It can be challenging to measure the impact of these investments, with the potential benefits often accruing many years down the line, but this will not stop us doing whatever we can to evaluate our performance and use this intelligence to inform our future activities.

Adrian Downing
Chair of the Board of Trustees

Message from our Chief Executive

As one of the few charities devoted to addressing the most important gaps in research funding and professional education in bone, joint and muscle wellbeing, we have a critical role to play in enabling pain-free movement for all.

Since 2004 we have funded 154 research projects and invested over £11m to advance knowledge and encourage innovation within musculoskeletal (MSK) health. We have also expanded our education programmes using the unusual circumstances created by the pandemic to develop a virtual delivery model. Even though we have reintroduced face-to-face meetings and training programmes, the popularity of our virtual courses - 98% of participants rated our events as 'excellent' or 'good' in terms of educational value - means that they have become a permanent part of our future training offer.

We are particularly grateful to our partners within leading institutions, including the Royal College of Surgeons of England, the British Hip Society, the Royal College of Surgeons of Edinburgh, the British Orthopaedic Association and the NHS Clinical Entrepreneur Programme. These partnerships leverage our seed funding and networking skills to attract new money to the orthopaedic ecosystem.

The most significant development during the past year has been the announcement of our partnership with the Health Innovation Network (HIN) to deliver ESCAPE-pain, an award-winning, evidence-based group rehabilitation programme for people with chronic joint pain. The addition of ESCAPE-pain to our portfolio is consistent both with our mission of achieving pain-free movement for all and with our strategy of supporting innovative ideas that help the lives of people suffering from poor MSK health.

We are also investing in innovative businesses that are active in the musculoskeletal field. We see this as following in the footsteps of our founder Ronald Furlong, who combined a highly successful career as an orthopaedic surgeon with an equally successful career as a business entrepreneur. We need to embrace Furlong's spirit of entrepreneurialism because the scale of the challenges facing all of us involved in musculoskeletal health continue to require new ideas and techniques.

The conversations of all of us working within MSK health are understandably dominated by concerns about increased waiting lists, treatment backlogs and how demand from an ageing population will continue to outstrip supply. However, notwithstanding these challenges we are optimistic that by working with the right partners and mobilising the wider MSK community we can make a positive difference to the lives of millions of people.

Dr Arash Angadji
Chief Executive

INTRODUCTION

The trustees present their report and the audited accounts for the year ended 31 March 2022.

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

The financial statements have been prepared in accordance with the accounting policies set out in the notes to the accounts and comply with the charity's governing document, the Charities Act 2011 and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102). Information required to be disclosed under Schedule 7 of the Companies Act 2006 are disclosed within the Strategic Report, which starts on page 9.

OBJECTIVES AND ACTIVITIES

Our principal, and over-riding, objectives are to promote the advancement of orthopaedic **research** and **education** and, in particular, the encouragement of innovation and partnership to advance knowledge and awareness of bone, joint and muscle health in the UK. These are the objects as set out in our governing document. Our specific aims and significant activities to achieve those principal aims are outlined below, and the activities undertaken to achieve them are shown in *italics*:

- To fund high quality **research and innovation** at centres of excellence in the field of musculoskeletal (MSK) medicine to support bone, joint and muscle wellbeing in the following areas:

1. Diagnosis – understanding the pathogenesis (the origin or development) of MSK conditions.
2. Treatment – exploring strategies to tackle pre-existing MSK conditions (including assessment of their effectiveness) to improve the quality of a patient's life.

We funded 11 new research projects worth £776,038 in 2021/22 compared to seven research projects worth £496,810 in 2020/21. We publish the results of this research at the end of the studies to demonstrate the impact of our funding. Our measures for success are:

- *Increased awareness of our research among professionals and patients*
- *The nurturing of talent within the field of MSK medicine*
- *The recruitment of advocates for our research within the broader MSK community*
- *Securing co-funding from partners for our research projects*
- *Translation of research results into measurable benefits for patients and NHS*

- To fund **education**, primarily through workshops, training courses, lectures, virtual conferences and webinars that will improve knowledge of prevention, diagnosis, treatment and the management musculoskeletal conditions. *During the past year we staged 77 events and in total we educated (including the ESCAPE-pain programme) 3,508 people with the support of 522 faculty members. On average, 98% of participants rated our events as 'excellent' or 'good' in terms of educational value. Income from events was £219,232 in 2021/22 compared to £160,352 in 2020/21, demonstrating a 37% increase as a result of the end of covid-19 restrictions.*

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

complement our basic science training courses. Sales to orthopaedic trainees of both publications form part of our fundraising strategy. They are available to buy online or at our course events. During the year we sold 77 books, an 84% decrease on the previous year, which is an expected result considering that the books were published some years ago. We are aiming to produce another educational product in 2022.

Three-year strategy

In addition to the over-arching objectives as outlined in the previous paragraph, we have developed a Strategy document that outlines more detailed aims, and which guides our operating decisions. Our 2020-2023 Strategy outlines 10 points that 'flesh out' how we will achieve our aims. We will:

1. Focus our investments on unmet patient needs and specifically on diagnosis and treatment – *we do this by making funding available via **The ORUK Inspiration Fund** and **The ORUK Early-career Research Fellowships** which are designed to support innovative projects that meet unmet needs and help patients achieve a better quality of life. These are open to orthopaedic surgeons, scientists, and physiotherapists.*
2. Extend the impact of our investments and attract additional funding for orthopaedic health by partnering with other sources of grant giving – *we partner with other organisations including the Royal College of Surgeons of England, the Royal College of Surgeons of Edinburgh, and the British Hip Society. By 'match-funding', we and these organisations are able to support more of the MSK community than we would be able to do alone, and this funding is available via the **Joint Partnership Fund**.*
3. Broaden our remit beyond pure orthopaedics to include the important surrounding ecosystem of orthopaedic wellbeing, including physiotherapy – *we do this via the delivery of the ESCAPE-pain programme and in addition via a suite of educational events with a theme of physiotherapy.*
4. Build an influencer network across the orthopaedic ecosystem including clinicians, academics, GPs, physiotherapists, specialist medical member associations, entrepreneurs, and investors – *this gradually being achieved by delivering point 3 above and expanding our portfolio to broaden our reach to the wider MSK community.*
5. Mobilise this influencer network to become a 'movement' that champions the importance of musculoskeletal health and the need for increased investment across the system – *this is a future target to address once we have successfully achieved point 4 above to influence policymakers and investors.*
6. Operate as a facilitator – connecting innovators with funders, academics with clinicians, and encouraging collaboration across the whole MSK community – *we do this regularly by making useful introductions to help our MSK community members to better deliver their missions.*
7. Invest in entrepreneurial people and organisations delivering breakthrough innovations – ***The Ronald Furlong Fund** is designed to support the development of one innovative and commercially viable idea from a UK-based start-up that solves the unmet needs of society around bone, joint and muscle well-being. To date we have invested in two start-up companies from this fund – Renovos Biologics, which is pioneering the use of a nanoclay in an injectable gel form that can carry biologic drugs capable of augmenting bone tissue regeneration; and Radii Devices, a company that uses state-of-the-art AI and biomechanical modelling to help clinicians design better fitting prosthetic sockets for people with limb loss or limb difference.*
8. Expand the breadth and depth of our educational programme to include more on and off-line courses and more subjects designed to appeal to a broader audience, including GPs and physiotherapists – *our educational programme is based on a blended model of virtual and in-person events (as well as recorded events available to purchase and download) that will improve knowledge of prevention, diagnosis, treatment, and the management of MSK conditions. Our events provide a welcoming forum for knowledge exchange between Health Care Professionals. More information on this is outlined on page 6 and also in the financial review on page 9.*

9. Review and challenge our investment strategy and cost base to ensure the maximum impact – *more detail on our investment policy and objectives is given on page 11*; and
10. Report our programmes and impact openly and share our learnings with partners and collaborators – *we annually publish our impact report (www.oruk.org/about-us/our-impact/download) to demonstrate our progress against our strategy.*

Grant making policy

We consider the support of grant applications that are within the scope of our charitable aims; that is to promote the advancement of orthopaedic research and education and, in particular, the encouragement of innovation and partnerships to advance bone, joint and muscle wellbeing in the UK. More information on the funding that is made available is given on our website at www.oruk.org/research/ explaining further the different Funds that are available, which were outlined on the previous page, as well as examples of recent research projects that were funded. We also published our Research Strategy Document 2020-23 as a sub-heading to our main 2020-23 Strategy www.oruk.org/research-strategy/download.

Public benefit

The Trustees confirm that they have referred to the guidance contained in the Charity Commission's general guidance on public benefit when reviewing the Charity's aims and objectives and in planning future activities. We aim to bring together relevant stakeholders to identify patients' priorities for diagnosis and treatment and to support innovative ideas with the clear aim of delivering substantive and safe solutions. We aim to tackle debilitating bone, joint and muscle disorders and ultimately enhance the quality of life, not only of patients but also of their carers and families. We have raised the public profile of the organisation through the staging of high-quality training and educational events. We continue to further raise the quality and public benefit of these events by engaging thought-provoking MSK opinion leaders as speakers and meeting hosts.

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

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

Short-term and longer-term aims and objectives

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

Our short-term objectives include managing our research portfolio, monitoring the performance of the researchers we fund, increasing the number of educational and ESCAPE-pain events, increasing our use of digital media, enhancing our profile by interacting with key opinion leaders and securing partnerships with likeminded organisations to increase the scope of our charitable activities.

Our longer-term objectives are to continue to increase awareness of ORUK, increase our impact through strategic partnerships and become the 'go to' place for influencers and opinion formers within the MSK community.

ACHIEVEMENTS AND PERFORMANCE

The summary of our main achievements is outlined in our CEO's report and in the section for objectives and activities on pages 6 to 8. We believe that we make a significant difference to beneficiaries and wider society in the areas of furthering academic research, supporting the work of MSK clinicians, furthering awareness of MSK conditions amongst the general public and in prioritising the needs of patients and the NHS.

STRATEGIC REPORT

FINANCIAL REVIEW

Financial position

In the 12 months to 31st March 2022, we generated total income of £1,339,020 compared to 1,171,772 in the previous year. During the pandemic we replaced our traditional face-to-face training with online courses. Although initially challenging, the pandemic crisis pushed us to be more innovative and this created significant value for the charity - we were able to 'live test' a virtual educational events programme and are now able to offer a hybrid or blended offering of virtual and face-to-face, placing us in a strong position to drive income from education and ESCAPE-pain forwards in the future. Enthusiasm to provide the ESCAPE-pain programme remains strong, demonstrated through steady training demand and eagerness to start/resume delivery of the programmes. The number of sites delivering ESCAPE-pain to people with knee and/or hip pain has grown from 137 to 162 sites. The ESCAPE-pain for backs programme has increased from 21 to 33 sites.

Having recovered significantly from the effects of the uncertainty surrounding the initial outbreak of c-19, share prices tumbled again during March as a result of the uncertain situation in Ukraine and this had a knock-on effect on our listed investment valuation as of 31st March 2022. Whilst the valuation at the balance sheet date had improved from that as of 31st March 2021, it was nowhere near the levels experienced in the months leading up to the end of February 2022. Our long-term investments in property have proven to have maintained their value during the 21/22 financial year, and we have been able to secure new tenants for the London property (as reflected in note 17 to the accounts) thereby generating additional rental income. We also negotiated a new 5 year lease with our Sheffield tenants in January 2022. Income generated from all of our investments is absolutely essential to us, as it represents our principal funding source. Sustaining the listed investments in particular will allow us to continue to invest in quality research across all the Funds that we have available. In the short-term, the research will drive our strategy; in the long-term it will benefit our educational offering. Our reserves policy on page 11 explains how we are seeking to protect these key assets for the future. More detail on our income and expenditure is given in the Statement of Financial Activities. On 31st March 2022, our net assets were £29.9 million, compared to £29.5 million on 31st March 2021.

Indemnity provisions – as part of the agreement relating to the sale of JRI there were indemnity provisions that related to past events of that entity. A number of those indemnity provisions came to an end during the 19/20 accounting year. The Trustees undertook a judgement exercise on 31st March 2022 to reassess the likelihood of the remaining provisions having a material impact and as a result it was considered that no change should be made to the total provision of £250,000 in relation to indemnities.

The principal risks and uncertainties that we face at this time are outlined in our Risk Register. This is kept under regular review by the Executive and is considered by the Finance Committee on a quarterly basis to update, identify and review existing and arising risks. Our most recent Risk Register outlined our Top Risks as being the maintenance of income from investments, and organisational resilience/talent retention.

Over the last two years, as explained above, our revenues and investments have been impacted by initially the c-19 pandemic and associated lockdown, and most by recently the war in Ukraine. We

have been fortunate that in the short-term we could rely on previously accrued cash balances and that in the long-term the value of our investments has recovered. Further consideration to the wider impact of c-19 on the MSK community is given below. We need our investments to continue to generate the income required to fund our research. The Board considers that the choice of two investment managers spreads this risk, with each manager deploying different investment strategies. The Board meets both managers regularly (at least twice a year) to carefully review their performance against our objectives. Uncertain times, both politically and economically, mean that risks can never be completely avoided, but the Board has put in place as many checks and balances as possible to mitigate these risks. A summary of our investment policy and investment objectives is shown on page 11.

In common with many other businesses and charities, ORUK is feeling the effects of the cost-of-living crisis. The main focus of this is ensuring that the charity is able to retain its talent, its staff, offering competitive salaries in line with the cost of living. In addition, the charity offers flexible working arrangements and is trialling a 4-day working week on an informal basis in 22/23. With a small team, organisational resilience can be a source of concern – the charity looks to mitigate this with its systems, by offering ongoing support to its staff and competitive pay and working arrangements, with flexibility around how and where work is done. Also, some functions are outsourced. The executive team has worked tirelessly and dynamically to embrace change so that it can continue to deliver our charitable aims and objectives.

Whilst not a key risk for ORUK, we do fear that junior investigators and post-docs may decide to move out of academic research simply because funding becomes ever harder to come by. In our research call for 22/23, we decided to reduce our research budget by £115K compared to the budget of £1m in 21/22, in order to adjust to the ongoing financial challenges.

The double impact: covid-19 and the war in Ukraine

While the storm clouds of c-19 have moved on, its destructive impact has created the longest elective surgery waiting list on record. In September 2021, the Health Foundation reported 1.6m fewer people than expected completed elective care pathways between January 2020 and July 2021. Sadly, patients living in socioeconomically deprived areas faced more disruption and delays than those in England's least deprived areas. Prolonged waiting has a significant impact on patients' mental and physical health. Patients in severe pain lose mobility and independence, their health deteriorates, they are unable to work, require more GP support and increasingly rely on stronger and stronger pain killers.

In April 2021, the Association of Medical Research Charities reported the long-term impact of c-19 on its members to be:

- 41% decrease in medical research spend in 2022.
- £310 million shortfall in UK medical research spend.
- 4.5 years for medical research spend to recover to 'normal' levels.

The Russian invasion of Ukraine created an additional global financial burden, severely impacting the UK economy, which has resulted in significantly higher inflation rates and cost of living than anticipated.

Investment policy and objectives

The Board receives quarterly reports from Sarasin & Partners and Rathbones, two investment management companies specialising in the charity field, each of whom handles an investment portfolio on our behalf. It has been difficult to establish benchmarks for their activity given the

financial uncertainty in the UK and overseas, both before and after the pandemic, and most recently affected by the war in Ukraine.

Whilst the investment managers work to various benchmarks and indices, our overarching target for the investment portfolios is a total return of RPI plus 4% per annum on a 3-year rolling basis. Our income target for each fund has previously been around the £320,000 per annum mark. We continued to receive a good stream of dividend income during 21/22, but it was at a cut in income compared to 20/21, as we were expecting; income received from investments in 21/22 was £587,305 compared to £619,940 in 20/21. Our budget for 22/23 falls between these two numbers. To offset the cut in income in 21/22, we asked our investment managers to monitor the values of both funds and they were instructed to liquidate some of the investments if/when the time was right to do so. In this way we were able to generate cash that we have set aside for research grant instalment payments, securing a realised gain on disposal of £302k. We may consider adopting a similar approach in 22/23 if this is required to top-up monies received.

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

Reserves policy

Our reserves policy ensures that we have sufficient funds to cover ongoing commitments and we are able to continue to fund our charitable activities. The trustees review our reserves policy annually and keep the position under careful review at Board meetings to ensure that it evolves with our strategy. Our key income-generating assets are our two properties and our listed investments*. Maintaining the 'capital' value of those assets will be imperative in order to generate sufficient income to sustain our future plans.

After the sale of our trading subsidiary in April 2018, the trustees collectively agreed that the proceeds of the sale should be spent carefully, as this will be the key to enabling us to invest in the long-term, not only in our charitable activities but also in strategic initiatives. We consider that these key assets are effectively ring-fenced to enable us to use the income that is generated from them to support our routine and ongoing running costs. The trustees consider that although there is no legal endowment in place to separate these assets, they should be considered to be endowed and in doing so, the trustees are acting in the spirit of the original intention of the founder of our charity.

At the balance sheet date our designated funds amounted to £29,340,411. Part of this represents our 'Capital Fund' [£28,205,411] and our 'Fabric Fund' [£250,000]. The remainder represents our 'Strategy Development Fund' (SDF) [£885,000]. The SDF has been reset at the balance sheet date to be our budget for the next financial year for New Research (both academic and non-academic projects) – the SDF encompasses The ORUK Inspiration Fund, The Ronald Furlong Fund and The ORUK Early Career Research Fellowships and The Joint Partnership Fund.

Designations are a choice for the Board and, given the uncertainties around the aftermath of the pandemic and the situation in Ukraine, these will be kept under close review.

Our free reserves

Our **free reserves** are identified as £471,297; being £543,163 as calculated below, less £71,866 of tangible fixed assets which are illiquid. Our ongoing target is to hold between £750k and £1m in readily available liquid funds in order to cover the running costs of the charity for 12 months. On 31st March 2022, cash in our current accounts amounted to £1.2m and we are therefore satisfied that we achieved our 'liquid funds' target.

Net assets	Unrestricted	Designated (unrestricted)	TOTAL
Tangible fixed assets	£71,866	£450,829*	£522,695
Investments	£85	£29,044,429*	£29,044,514
Net current assets	£471,212	£480,347	£951,559
Long-term liabilities	nil	(£385,194)	(£385,194)
Provisions	nil	<u>(£250,000)</u>	<u>(£250,000)</u>
Total	£543,163	£29,340,411	£29,883,574

*these are our key income-generating assets, as referred to on the previous page.

Going concern

The financial statements of the charitable company have been prepared on a going concern basis as the trustees have assessed the going concern position and have no reason to believe that there are any material uncertainties that would affect the ability of the charitable company to continue as a going concern for the foreseeable future. In order to plan for future cashflow requirements, the trustees have considered the period covering the next 12 months and have reviewed forecasts for that period in making their assessment.

PLANS FOR FUTURE PERIODS

Our work is an investment in the future that will benefit all of us. It will ease the burden on the NHS, reduce workplace sickness and improve the quality of life for millions of people. Pain, immobility, and the resulting isolation are serious issues, but we do not believe they are inevitable. We have outlined earlier in the Trustees Report (on pages 6 -8) how our 3-year Strategy guides us and how we have achieved our aims so far. Our Research Strategy is part of our overall Strategy, and it explains that our vision is focussed on three core areas:

1. Supporting early-career research talents within academia.
2. Supporting MSK professionals with ideas that address patients' unmet needs.
3. Supporting entrepreneurs and start-ups with game-changing ideas that can revolutionise MSK health care.

In addition to the research partnership agreements that we have already agreed, as explained on page 7, since the year end we have secured further research partnership agreements with the National Joint Registry and the British Orthopaedic Association. We continue to expand the portfolio of our education and training events, offering a variety of topics tailored for the MSK community, including academic scientists, orthopaedic surgeons, and physiotherapists.

We have partnered with Good Boost, Arthritis Action and ukactive to put forward a solution for *Innovate UK's Healthy Ageing Challenge - Designed for Ageing* initiative. The project entitled "Transforming gyms into community MSK hubs: mobilising the UK leisure sector to deliver inclusive, accessible, personalised and gamified health services for Older Adults with MSK conditions" is about rethinking and redesigning how MSK services are delivered in leisure/community centres rather than clinical departments. This partnership resulted in securing funding from Innovate UK grant to deliver the ESCAPE-pain training to 300 facilitators over the next 24 months.

We are planning to run the first national conference dedicated to the role of AI and big data in orthopaedics in September 2022. It will provide an opportunity for the wider MSK community to share best practice and identify solutions to common problems. Speakers will include senior clinicians, researchers and technologists actively involved in AI projects within orthopaedics, plus NHS leaders and policy makers.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

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

Committees

In addition to the Board of ORUK, there are two sub-committees that oversee the various activities of the charity: 'Research' and 'Finance, Investment and Audit' (FIAC). The Research Committee's responsibility is to ensure the integrity of the charity's programme of scientific research support and its relevance and importance to people affected by MSK conditions. The FIAC's responsibility is to help the Board of ORUK Trustees to discharge its fiduciary duties and responsibilities.

Decision making

The Charity has a Board of Trustee Directors who have the requisite skills, knowledge, and experience to discharge their duties as trustees of this incorporated charitable organisation. Day-to-day management of the charity is delegated to ORUK's leadership team, as detailed on page 3. At periodic meetings, the trustees agree broad strategic activities including investments, reserves, risk management and grant making. On-going performance of the research projects is also reported, as is the performance of the listed investments. The Scientific Advisory Committee (SAC) meets at regular intervals to assist with the review process of our research applications across our available Funds, and to recommend to the Trustees the best projects submitted for funding. The SAC is an independent review panel assessing each project separately to the charity www.oruk.org/about-us/team/#tab_scientific-advisory-committee.

Induction and training of new trustees

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

Key management personnel remuneration

Key management personnel (KMP) of the charity are considered to be the CEO and the trustees. To set the CEO's salary, a sub-committee of trustees undertakes research to benchmark average CEO salaries which is then discussed at an appraisal. Details of KMP remuneration is given in note 14 of the accounts.

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. Our risks and the steps taken to address them are further explained on pages 9 to 11.

FUNDRAISING STANDARDS INFORMATION

Our fundraising practices meet the values and principles of ORUK as an organisation. We are registered with the Fundraising Regulator. The impact of Covid-19 led us to cease our fundraising activities. We do not use external professional fundraisers, nor do we employ the services of any fundraising agencies or third parties. Most of our fundraising during the year related to Trust and Foundations and there is currently only a small amount of public fundraising. We have ensured that we meet the criteria set by the GDPR data protection regulations and all other relevant codes of conduct. To ensure that we take all reasonable care to protect vulnerable people, we comply with the guidance set out by the Institute of Fundraising. We received no complaints about our fundraising practices during the period.

TRUSTEES' RESPONSIBILITIES STATEMENT

The trustees (who are also directors of Orthopaedic Research UK for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and regulations. Company law requires the trustees to prepare financial statements for each financial period. Under that law, the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 (The Financial Reporting Standard applicable in the UK and Republic of Ireland). Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the statement of financial activities, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and accounting estimates that are reasonable and prudent;
- 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 company 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor are 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 charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Report of the Trustees, incorporating a strategic report, is approved by order of the board of trustees, as the company directors, on 4th October 2022 and signed on the board's behalf by:

Adrian Downing
Chair of the Board of Trustees

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

Opinion

We have audited the financial statements of Orthopaedic Research UK (the 'charitable company') for the year ended 31 March 2022 which comprise the statement of financial activities, balance sheet, statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- Give a true and fair view of the state of the charitable company's affairs as at 31 March 2022 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- Have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on Orthopaedic Research UK's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the trustees' annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- The information given in the trustees' annual report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The trustees' annual report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report. We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities set out in the trustees' annual report, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud are set out below.

Capability of the audit in detecting irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, our procedures included the following:

- We enquired of management and the finance committee, which included obtaining and reviewing supporting documentation, concerning the charity's policies and procedures relating to:
 - Identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - Detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - The internal controls established to mitigate risks relating to fraud or non-compliance with laws and regulations.
- We inspected the minutes of meetings of those charged with governance.
- We obtained an understanding of the legal and regulatory framework that the charity operates in, focusing on those laws and regulations that had a material effect on the financial statements or that had a fundamental effect on the operations of the charity from our professional and sector experience.
- We communicated applicable laws and regulations throughout the audit team and remain alert to any indications of non-compliance throughout the audit.
- We reviewed any reports made to regulators.
- We reviewed the financial statement disclosures and tested these to supporting documentation to assess compliance with applicable laws and regulations.
- We performed analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.
- In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments, assessed whether the judgements made in making accounting estimates are indicative of a potential bias and tested significant transactions that are unusual or those outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves concealment, forgery, collusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the charitable company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume

responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Judith Miller (Senior statutory auditor)

31 October 2022

for and on behalf of Sayer Vincent LLP, Statutory Auditor

Invicta House, 108-114 Golden Lane, London EC1Y 0TL

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

For the year ended 31 March 2022

		CURRENT YEAR			
		Unrestricted funds	Restricted funds	31 March 2022	31 March 2021
	Note	£	£	Total £	Total £
Income from:					
Donations and legacies	2	4,647	2,996	7,643	5,838
Charitable activities	5	307,073	-	307,073	163,813
Other trading activities	3	-	-	-	-
Investments	4	1,024,304	-	1,024,304	1,002,121
Total income		1,336,024	2,996	1,339,020	1,171,772
Expenditure on:					
Raising funds	6	50	-	50	59,611
Charitable activities	7	1,641,388	2,996	1,644,384	1,100,253
Total expenditure		1,641,438	2,996	1,644,434	1,159,864
Gains on revaluation of fixed assets	24	-	-	-	30,880
Other net gains on investments	24	698,972	-	698,972	4,457,206
Net income		393,558	-	393,558	4,499,994
Transfers between funds	24	-	-	-	-
Net movement in funds		393,558	-	393,558	4,499,994
Reconciliation of funds:					
Total funds brought forward	24	29,490,016	-	29,490,016	24,990,022
Total funds carried forward	24	29,883,574	-	29,883,574	29,490,016

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

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

For the year ended 31 March 2022

	Note	PRIOR YEAR		31 March 2021 Total £
		Unrestricted funds £	Restricted funds £	
Income from:				
Donations and legacies	2	5,838	-	5,838
Charitable activities	5	163,813	-	163,813
Other trading activities	3	-	-	-
Investments	4	1,002,121	-	1,002,121
Total income		1,171,772	-	1,171,772
Expenditure on:				
Raising funds	6	59,611	-	59,611
Charitable activities	7	1,100,253	-	1,100,253
Total expenditure		1,159,864	-	1,159,864
Gains/(losses) on revaluation of fixed assets	24	30,880	-	30,880
Other net losses on investments	24	4,457,206	-	4,457,206
Net expenditure		4,499,994	-	4,499,994
Transfers between funds	24	-	-	-
Net movement in funds		4,499,994	-	4,499,994
Reconciliation of funds:				
Total funds brought forward	24	24,990,022	-	24,990,022
Total funds carried forward	24	29,490,016	-	29,490,016

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

Balance Sheet

As at 31 March 2022

	Note	31 March 2022 £	31 March 2021 £
Fixed assets			
Tangible assets	17	522,695	949,228
Mixed motive investments	18	209,995	99,996
Investments	18	28,834,519	28,041,629
		<hr/>	<hr/>
Current assets		29,567,209	29,090,853
Stock		1,327	1,907
Debtors	19	103,219	39,866
Cash at bank and in hand		1,985,334	1,515,649
		<hr/>	<hr/>
		2,089,880	1,557,422
Creditors: amounts falling due within one year	20	(1,138,321)	(715,572)
		<hr/>	<hr/>
Net current assets		951,559	841,850
		<hr/>	<hr/>
Total assets less current liabilities		30,518,768	29,932,703
Creditors: amounts falling due after more than one year	22	(385,194)	(192,687)
Provisions for liabilities	21	(250,000)	(250,000)
		<hr/>	<hr/>
Net assets	25	29,883,574	29,490,016
		<hr/>	<hr/>
Charity Funds			
Restricted income funds		-	-
Unrestricted funds:			
General funds		543,163	659,843
Designated funds – capital assets fund	29	28,205,411	27,080,173
Designated funds – fabric fund	29	250,000	250,000
Designated funds – strategy development fund	29	885,000	1,500,000
		<hr/>	<hr/>
Total charity funds	24	29,883,574	29,490,016
		<hr/>	<hr/>

The financial statements were approved and authorised for issue by the Board on 4 October 2022

Signed on behalf of the board of trustees

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Mr A Downing, Trustee

The notes on pages 23 to 38 form part of these financial statements

Statement of Cash Flows

For the year ended 31 March 2022

		31 March 2022 £	31 March 2021 £
	Note		
Cash flow from operating activities	26	(759,734)	(561,390)
Net cash flow from operating activities		(759,734)	(561,390)
Cash flow from investing activities			
Income from investments	4	587,305	619,940
Rent from investments	4	436,329 670	381,867 314
Net interest received	4	(74,238)	(6,912)
Purchase of property, plant & equipment	17	(1,816,422)	(1,554,240)
Purchase of investments less net cash acquired Receipts from sale of investments	18 18	2,095,775	1,781,599
Net cash flow from investing activities		1,229,419	1,222,568
Net increase/(decrease) in cash and cash equivalents		469,685	661,178
Cash and cash equivalents at 31 March 2021		1,515,649	854,471
Cash and cash equivalents at 31 March 2022	26	1,985,334	1,515,649

The notes on pages 23 to 38 form part of these financial statements

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

Orthopaedic Research UK is a charitable company, limited by guarantee, incorporated in England and Wales. The address of the registered office is given in the charity information on page 3 of these financial statements. The nature of the charity's operations and principal activities are given on page 6 of these financial statements.

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

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

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

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

Fund accounting

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

Designated funds are unrestricted funds earmarked by the trustees for particular purposes.

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

Income recognition

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

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

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

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

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Expenditure recognition

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

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

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

Support cost allocation

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

Going concern

The trustees consider that there are no material uncertainties about the charity's ability to continue as a going concern. The trustees do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period.

Tangible fixed assets

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

Freehold property, for which fair value can be measured reliably, is measured at fair value at each reporting date with changes in fair value recognised in 'net gains/(losses) on revaluation of fixed assets' in the SoFA. The trustees have adopted a policy of regular revaluation of freehold property, and undertake this professionally once every three years, with informal reviews annually. Freehold property includes the space the charity occupies within its London property. See note 17 for further detail.

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

Freehold land	Freehold	– not depreciated
buildings	Fixtures and fittings	– straight line over 50-years
Computer equipment		20%-25% on cost
		– 33 1/3% on cost

Impairment

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

Investment property

Investment properties 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 include the tenant occupied space in the London and Sheffield properties. See note 18 for further detail.

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments

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

Stock

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

Debtors and creditors receivable / payable within one year

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

Provisions

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

Operating leases

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

Foreign currency

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

Employee benefits and termination 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. Termination benefits are employee benefits payable as a result of either the charity's decision to terminate an employee's employment before the normal retirement date, or an employee's decision to accept voluntary redundancy in exchange for those benefits. Termination payments do not provide the charity with future economic benefits therefore the charity recognises them as an expense in the SoFA immediately.

Tax

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

Cash and cash equivalents

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

Financial instruments

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

Pensions

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

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

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

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

Valuation of properties – freehold land and buildings and investment properties are included at fair value. The last professional valuation was undertaken at 31 March 2021 and the trustees have concluded that no material movement in this valuation has taken place since the year end.

Key sources of estimation uncertainty

The following key sources of estimation uncertainty at the end of the reporting period have a significant risk of causing a material adjustment to the carrying amounts of liabilities within the next financial year:

Spread of rent free period (RFP) - the charity has a long-term commitment on premises. The lease commitment is for 40 years, effective January 2017, with a significant RFP. At the end of the RFP, rent will be charged at market value. The charity is accruing for estimated rent calculated using RPI. In prior years, RPI has not been significant, but at the balance sheet date inflation is high resulting in a significant adjustment to the accrued rent during the accounting period. If inflation continues to rise, a material adjustment will be required in the next financial year.

2 DONATIONS AND LEGACIES

	31 March 2022	31 March 2021
	£	£
Donations	7,643	5,838

The donations figures include both restricted and unrestricted income. Unrestricted donations received during the year amounted to £4,647 (2021 - £5,838) and restricted donations received during the year amounted to £2,996 (2021 - £nil).

3 OTHER TRADING ACTIVITIES (UNRESTRICTED)

	31 March 2022	31 March 2021
	£	£
Fundraising/challenge events	-	-

4 INVESTMENT INCOME (UNRESTRICTED)

	31 March 2022	31 March 2021
	£	£
Rental income Dividends	436,329	381,867
received Bank interest	587,305	619,940
received	670	314
	1,024,304	1,002,121

5 INCOME FROM CHARITABLE ACTIVITIES (UNRESTRICTED)

	31 March 2022	31 March 2021
	£	£
Education (training courses)	219,231	160,352
Escape-pain (training courses)	85,081	-
Publishing	2,761	3,461
	307,073	163,813

6 EXPENDITURE ON RAISING FUNDS

	31 March 2022	31 March 2021
	£	£
Fundraising costs	50	59,611

7 CHARITABLE ACTIVITIES COSTS

	Direct & support costs	Grant funding of activities 31.3.22 (see note 11)£	Totals
	£		£
Promoting best orthopaedic practice through education Publishing and sponsorship	381,317	-	381,317
Research into best orthopaedic practice	12,695	-	12,695
Governance costs (note 10)	-	901,403	901,403
	348,969	-	348,969
	742,981	901,403	1,644,384

Charitable activities costs above include support cost allocations, which are analysed in note 10. Investment management costs are included in governance costs and total £29,110 (2021 - £24,871).

	Direct & support costs	Grant funding of activities 31.3.21 (see note 11)£	Totals
	£		£
Promoting best orthopaedic practice through education Publishing and sponsorship	210,178	-	210,178
Research into best orthopaedic practice	21,369	-	21,369
Governance costs (note 10)	-	599,185	599,185
	269,521	-	269,521
	501,068	599,185	1,100,253

Notes to the Financial Statements

For the year ended 31 March 2022

8 GRANTS PAYABLE

	31 March 2022 £	31 March 2021 £
Research into best orthopaedic practice	901,403	599,185

See note 11 for an analysis

9 NET INCOME

	31 March 2022 £	31 March 2021 £
Net income is stated after charging: Depreciation - owned assets	16,369	14,035

10 ALLOCATION OF SUPPORT COST

	Research	Promoting (through education)	Fundraising	Governance	31 March 2022 Total £
Support cost	£	£	£	£	£
Human resources	43,940	8,788	-	123,030	175,758
Premises/insurance	35,253	7,051	-	98,709	141,013
Communications & PR Travel expenses	11,402	2,280	-	31,925	45,607
Other expenses	166	45	-	1,095	1,306
Depreciation	17,579	3,516	-	81,958	103,053
	4,376	875	-	12,252	17,503
Total	112,716	22,555	-	348,969	484,240

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

	Research	Promoting (through education)	Fundraising	Governance	31 March 2021 Total £
Support cost	£	£	£	£	£
Human resources	40,092	27,336	-	114,810	182,238
Premises/insurance	13,236	9,024	-	37,902	60,162
Communications & PR Travel expenses	17,443	11,893	-	49,951	79,287
Other expenses	-	37	-	72	109
Depreciation	12,078	8,235	-	57,780	78,101
	3,142	2,142	-	8,998	14,282
Total	85,991	58,667	-	269,521	414,179

Notes to the Financial Statements

For the year ended 31 March 2022

11 GRANT MAKING

Name of institution	Purpose for which grants made (research)	31 March 2022 £
Queen Mary, University of London	<i>JPF - predicting mortality in major trauma using an AI risk prediction model</i>	
Newcastle University		30,000
University	<i>JPF - can statins reduce inflammatory response to orthopaedic biomaterials</i>	35,023
	<i>JPF - research fellowship - epidemiology of infection following hip fracture surgery</i>	
South West London Elective Orthopaedic Centre/Epsom		50,000
University of Oxford Nottingham	<i>IF - machine learning to detect and predict loosening of the femoral component of an uncemented total hip replacement</i>	49,500
University of East	<i>ECRF - anterior shoulder dislocations/glenohumeral joint osteoarthritis</i>	97,878
Anglia Southampton University	<i>ECRF - effect of exercise on patients with low back pain</i>	109,408
University of Bath	<i>IF - Dupuytren's disease and MMP-14</i>	34,850
	<i>IF - using microbubbles to deliver local treatments in fracture non-union</i>	49,764
Imperial College London	<i>ECRF - open-source finite element ankle model for in-silico assessment of treatment</i>	
Newcastle University		101,961
University of East Anglia	<i>ECRF - optimising outcomes after patellofemoral joint replacements</i>	110,000
Newcastle University	<i>ECRF - a theranostic for bone cancers</i>	107,654
	<i>project underspend (see note below)</i>	(212)
Grants to institutions	<i>project underspend (see note below)</i>	(12,268)
Patent fees		763,558
		25,129
Direct costs of grant making		788,687
Support costs of grant making – see note 10		112,716
TOTAL COSTS OF GRANT MAKING		901,403

JPF= Joint Partnership Fund; IF= Inspiration Fund; ECRF= Early-career Research Fellowships (as shown on page 7).

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

11 GRANT MAKING (continued) - prior year

Name of institution	Purpose for which grants made (research)	31 March 2021 £
University of Bristol		46,812
University of Edinburgh		(8,314)
Newcastle University		90,000
Newcastle University		75,000
South West London Elective Orthopaedic Centre & University of Brighton Imperial		50,000
College London (ICL)		64,438
University of Southampton		75,000
University College London (UCL)		95,560
Grants to institutions		488,496
Staff cost, patent fees and SAC meetings		24,698
Direct costs of grant making		513,194
Support costs of grant making – see note 10		85,991
TOTAL COSTS OF GRANT MAKING		599,185

12 AUDITOR'S REMUNERATION

Amounts payable to the auditor for statutory audit services of the charity are £11.35k (2021 - £10.8k).

Amounts payable to the auditor and its associates for other services of the charity are £nil (2021 -£300).

13 TRUSTEES' REMUNERATION AND BENEFITS

No trustees received remuneration or benefits from the charity. One trustee, Mr M Gouldstone, provides consultancy services to the charity's subsidiary undertaking, Novara Therapeutics Ltd, and received £10,800 via his own limited company (2021 - £7,200) during the year for these services. This remuneration is permitted within the charity's Articles of Association and was approved by the Board of Trustees following a process as set out in those Articles.

Trustees' expenses

Expenses totalling £341 (2021 - £72) were paid to 2 trustees in the year (2021 - 1) by the charity, representing reimbursement of travelling expenditure. In addition, the charity expended £5,333 (2021 -£nil) on hosting trustee meetings.

STAFF COSTS AND EMPLOYEE BENEFITS**14**

	31 March 2022 £	31 March 2021 £
Wages and salaries Social security costs	301,102	273,536
Employer's contribution to defined contribution pension schemes	29,142	25,886
	20,568	21,170
	350,812	320,592

The amount of £350,812 (2021 - £320,592) above includes £121,778 (2021 - £116,118) of employee benefits received by key management personnel, including the CEO, for services to the charity. Key management personnel are defined on page 13. Included in the values above are termination/ex-gratia payments totalling nil (2021 £7,687) paid to an employee during the year.

Notes to the Financial Statements

For the year ended 31 March 2022

15 STAFF COSTS

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

	2022 (Charity) Number	2021 (Charity) Number
Charitable activities	4	3
Governance	2	2
	<u>6</u>	<u>5</u>

The charity pays contributions into a money purchase group personal scheme for the benefit of the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. Contributions paid into the scheme by the charity in the period were £20,568 (2021 -£21,170). The pension creditor at the period end was nil (2021 - £nil).

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

	2022 (Charity) Number	2021 (Charity) Number
£60,001 - £70,000	-	-
£70,001 - £80,000	-	-
£90,000 - £100,000	-	1
£100,000 - £110,000	<u>1</u>	<u>-</u>

16 RELATED PARTY TRANSACTIONS

The key management personnel (KMP) of the charity comprises the CEO and the trustees. Transactions with trustees are set out in note 13. Total employee benefits of the key management personnel of the charity were £121,778 (2021 - £116,118).

Aggregate donations received from related parties amounted to £nil (2021 £nil).

17 TANGIBLE FIXED ASSETS

	Freehold land & buildings £	Fixtures, fittings & equipment £	Totals £
COST/VALUATION			
At 31 March 2021	1,071,631	19,496	1,091,127
Additions	-	74,238	74,238
Disposals	-	(4,775)	(4,775)
Transfer to investment property	(483,202)		(483,202)
At 31 March 2022	<u>588,429</u>	<u>88,959</u>	<u>677,388</u>
DEPRECIATION			
At 31 March 2021	133,083	8,816	141,899
Charge for the year	4,517	11,852	16,369
Disposals	-	(3,575)	(3,575)
At 31 March 2022	<u>137,600</u>	<u>17,093</u>	<u>154,693</u>
NET BOOK VALUE			
At 31 March 2022	<u>450,829</u>	<u>71,866</u>	<u>522,695</u>
At 31 March 2021	<u>938,548</u>	<u>10,680</u>	<u>949,228</u>

17 TANGIBLE FIXED ASSETS (continued)

The freehold building relates to the charity-occupied part of 10a Chandos House in London. This building was acquired in January 2008. The property was recognised at fair value on transition to SORP (FRS 102) using a previous fair value valuation. The building is being depreciated from the FRS 102 transition date of 1/4/14 and has a net book value of £450,829; land is not depreciated. The historic cost equivalent of this asset at net book value is £389,852, and depreciation at historic cost would be £2,253. The trustees have adopted a policy of regular revaluation of freehold property, and undertake this professionally once every three years, with informal reviews annually. The freehold property was subject to independent, professional valuation on 31/3/21. The valuation was undertaken by Colliers International Valuation UK LLP, a firm of independent valuers. The valuation was carried out in accordance with the requirements of the RICS Valuation - Professional Standards Manual. Further information on property valuations is contained in note 18b. The transfer from tangible fixed assets to investment properties is to reflect the change in the use of the property with more floor space being rented out.

18a FIXED ASSET INVESTMENTS

	Unlisted investments	Mixed motive investments	Investment properties (18b)	Listed investments	Totals
	£	£	£	£	£
COST/VALUE					
At 31 March 2021	85	99,996	7,463,370	20,578,174	28,141,625
Revaluations	-	-	-	698,972	698,972
Additions	-	109,999	-	1,706,423	1,816,422
Transfer from freehold	-	-	483,202	-	483,202
Disposals	-	-	-	(2,095,707)	(2,095,707)
At 31 March 2022	85	209,995	7,946,572	20,887,862	29,044,514
NET BOOK VALUE					
At 31 March 2022	85	209,995	7,946,572	20,887,862	29,044,514
At 31 March 2021	85	99,996	7,463,370	20,578,174	28,141,625

The historic cost of investment properties is disclosed in note 18b. Income from investments is shown in note 4. Shares in group undertakings were included at cost less impairment. Investment properties and listed investments are included at market value. This is commented on in more detail in note 18b below. Historic cost of listed investments is £17,196,728. Unlisted investments are included at cost which at the year end is considered to be the equivalent of market value. The transfer to investment properties from tangible fixed assets is to reflect the change in the use of the property with more floor space being rented out.

The unlisted investment above relates to an 85% shareholding in a subsidiary undertaking, Novara Therapeutics Limited, a company registered in England and Wales under company number 12841228. The subsidiary has been excluded from consolidation as its inclusion is not material for the purpose of giving a true and fair view. The company's aggregate liabilities at 31/3/22 were £25,154 (2021 £11,475), it had no turnover for its first accounting period and its loss for the year was £13,679 (2021 £11,575).

	Unlisted investments	Mixed motive investments	Investment properties	Listed investments	Totals
	£	£	£	£	£
COST/MARKET					
VALUE At 31 March	-	49,998	7,309,250	16,552,530	23,911,778
2020 Revaluations	-	-	154,120	4,303,086	4,457,206
Additions	85	49,998	-	1,504,157	1,554,240
Reallocation	-	-	-	-	-
Disposals	-	-	-	(1,781,599)	(1,781,599)
At 31 March 2021	85	99,996	7,463,370	20,578,174	28,141,625
NET BOOK VALUE					
At 31 March 2021	85	99,996	7,463,370	20,578,174	28,141,625
At 31 March 2020	-	49,998	7,309,250	16,552,530	23,911,778

Notes to the Financial Statements

For the year ended 31 March 2022

18b INVESTMENT PROPERTIES

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

The investment properties were subject to independent, professional valuation as at 31/3/21. The London property valuation was undertaken by Colliers International Valuation UK LLP, a firm of independent valuers. The Sheffield property valuation was undertaken by Mark Jenkinson & Son, a firm of independent valuers. Both valuations were carried out in accordance with the requirements of the RICS Valuation -Professional Standards Manual. The historic cost equivalent of these assets is £4,411,349 and £3,498,868 respectively.

The trustees carry out a formal valuation of properties every three years, checking in with valuers in between.

The Sheffield property was valued at £3.85m which represents 12.88% of the balance sheet value.

The London property was valued at £4.685m, with the investment property element representing 15.68% of the balance sheet value.

It remains the trustees' current intention to hold both properties for the long term.

19 DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2022	31 March 2021
	£	£
Trade debtors	41,598	2,800
Other debtors	6,081	1,776
Amounts owed by group undertakings	23,712	9,243
Prepayments and accrued income	31,828	26,047
	103,219	39,866

20 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	31 March 2022	31 March 2021
	£	£
Trade creditors	90,578	66,819
Grants payable	654,653	364,227
Taxation and social security	23,946	26,451
Other creditors	10,966	18,758
Accruals and deferred income	358,178	239,317
	1,138,321	715,572

Deferred income includes monies held for courses to be held in the next financial year amounting to £60,865 (2021 - £61,654), and rents invoiced in advance, amounting to £119,047 (2021 - £93,994).

	31 March 2022	31 March 2021
	£	£
Balance at the beginning of the period Amount released to income in the period Amount deferred in the period	155,648	151,911
	(155,648)	(151,911)
	179,912	155,648
Balance at the end of the period	179,912	155,648

Notes to the Financial Statements

For the year ended 31 March 2022

21 RECONCILIATION OF GRANT COMMITMENTS AND PROVISIONS

	31 March 2022 £	31 March 2021 £
Grant commitments at 31 March 2021	556,915	255,064
Grants adjusted/charged in the period (note 11) Grants paid in the period	763,558 (280,626)	488,496 (186,645)
Grant commitments at 31 March 2022	1,039,847	556,915
	31 March 2022 £	31 March 2021 £
Provisions at 31 March 2021	250,000	250,000
Indemnity provision released in the period	-	-
Provisions at 31 March 2022	250,000	250,000

As part of the sales agreement relating to JRI, ORUK committed to a number of indemnity provisions relating to past JRI events. The indemnities had specific, but varying, time periods applied. trustees have considered the likelihood of the provision crystallising and have concluded that provision in the accounts should be made for those considered most probable. At the balance sheet date, they have updated their review of the provisions and consider that the provisions brought forward from the prior year should still be retained in the accounts. More information is supplied in note 27.

22 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	31 March 2022 £	31 March 2021 £
Grants payable	385,194	192,687

23a OPERATING LEASE COMMITMENTS PAYABLE AS A LESSEE

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

	31 March 2022 £	31 March 2021 £
Less than one year	3,401	4,366
Two to five years	-	-
Over five years	468,082	94,312
	471,483	98,678
Land and buildings	468,082	94,312
Other (equipment)	3,401	4,366
	471,483	98,678

Notes to the Financial Statements

For the year ended 31 March 2022

23b OPERATING LEASE COMMITMENTS RECEIVABLE AS A LESSOR

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

	31 March 2022 £	31 March 2021 £
Less than one year	431,925	362,160
Two to five years	1,376,270	526,855
Over five years	-	-
	1,808,195	889,015

24 FUND RECONCILIATION

	Balance at 31 March 2021 £	Income £	Expenditure £	Transfers £	Gains/ (losses) £	Balance at 31 March 2022 £
Other charitable funds	29,490,016	1,336,024	(1,641,438)		698,972	29,883,574
Restricted	-	-2,996	(2,996)	-	-	-
	29,490,016	1,339,020	(1,644,434)	-	698,972	29,883,574

Of the £29,883,574 of other charitable funds above, £29,340,411 has been identified as being 'designated' at the period-end; this is further explained in note 25a and note 29. The purpose of the designated fund is to ring-fence key income-generating assets so that the charity can continue with its charitable activity of investing in research, and to enable the charity to invest in its fundraising plan to realise its vision of 'pain-free movement for all'.

	Balance at 31 March 2020 £	Income £	Expenditure £	Transfers £	Gains/ (losses) £	Balance at 31 March 2021 £
Other charitable funds	24,990,022	1,171,772	(1,159,864)	-	4,488,086	29,490,016
Restricted	-	-	-	-	-	-
	24,990,022	1,171,772	(1,159,864)	-	4,488,086	29,490,016

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

	General Unrestricted £	Designated £	Restricted £	Total Funds £
Tangible fixed assets	71,866	450,829	-	522,695
Investments	85	29,044,429	-	29,044,514
Net current assets	471,212	480,347	-	951,559
Long term liabilities	-	(385,194)	-	(385,194)
Provisions	-	(250,000)	-	(250,000)
Net assets at 31 March 2022	543,163	29,340,411	-	29,883,574

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

	General Unrestricted £	Designated £	Restricted £	Total Funds £
Tangible fixed assets	10,680	938,548	-	949,228
Investments	-	28,141,625	-	28,141,6
Net current assets	841,850	-	-	841,850
Long term liabilities	(192,687)	-	-	(192,687)
Provisions	-	(250,000)	-	-(250,000)
Net assets at 31 March 2021	659,843	28,830,173	-	29,490,016

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

	31 March 2022 £	31 March 2021 £
Net income for period	393,558	4,499,994
Dividends received	(587,305)	(619,940)
Interest receivable	(670)	(314)
Depreciation of tangible fixed assets	16,369	14,034
Losses/(gains) on investments	(698,972)	(4,488,086)
Reverse indemnity provision	-	-
(Profit)/loss on disposal of tangible fixed assets	1,132	248
Rent from freehold investment property	(436,329)	(381,867)
(Increase)/decrease in stock	580	930
(Increase)/decrease in debtors	(63,353)	46,825
(Decrease)/increase in creditors	615,256	366,786
Net cash flow from operating activities	(759,734)	(561,390)

Cash and cash equivalents at 31 March 2022 were £1,985,334 (2021 - £1,515,649). This amount is analysed as £1,826,349 (2021 - £1,216,333) of bank balances, £158,483 held by investment houses as 'cash' balances available to invest (2021 - £298,814) and £502 (2021 - £502) of cash.

ANALYSIS OF CHANGES IN NET DEBT

	Balance at 31 March 2021 £	Cashflows £	Balance at 31 March 2022 £
Cash	1,216,835	610,016	1,826,851
Cash-equivalents	298,814	(140,331)	158,483
Grants falling due within 1 year	(364,227)	(315,176)	(679,403)
Grants falling due in more than 1 year	(192,687)	(167,757)	(360,444)
	958,735	(13,248)	945,487

27 CONTINGENT LIABILITIES

As outlined in note 21, in prior periods ORUK committed to a number of indemnity provisions - initially these were provided for within the accounts but as the likelihood of these crystallising reduced, the provisions were reversed. Of the four indemnities committed to, two have already fallen outside the time limit restriction, one lapsed just after the balance sheet date with no charge arising, and one remains provided for in the accounts. At the date of signing the accounts, there are no contingent liabilities remaining.

28 LEGAL STATUS OF THE CHARITY

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

29 ANALYSIS OF DESIGNATED FUNDS

		31 March 2022	31 March 2021
		£	£
An analysis of the funds is given below:			
Strategy Development Fund	<i>new research (academic and non-academic)</i>	885,000	1,500,000
Fabric Fund	<i>ongoing maintenance to Furlong House (grade II listed) to ring fence</i>	250,000	250,000
Capital Fund	<i>key income generating assets</i>	28,205,411	27,080,173
		29,340,411	28,830,173

30 POST BALANCE SHEET EVENTS

After the year end, the market value of the listed investments has continued to fall as a result of the continuing uncertainties in Europe, the concerns around inflation and the costs of living, and the recent announcements made in the mini-Budget. The latest valuation, obtained in September 2022, totalled £19,085,069 (total market value at 31 March 2022 was £20,887,862). The trustees are in regular contact with the investment managers - in-person presentations are given twice per year, and reports are made at each Finance Committee meeting. The trustees are aware of the uncertainty surrounding the portfolios and are keeping them under close review.

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