

Charity Registration No. 1044906

Company Registration No. 02992437 (England and Wales)

THE ORTHOPAEDIC INSTITUTE LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019
PAGES FOR FILING WITH REGISTRAR



THE ORTHOPAEDIC INSTITUTE LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Dr B A Ashton Chairman	
	Mrs V Edwards	
	Mr R Freeman	
	Prof W Masry	
	Mrs L Osselton	
	Mr C Niblock	
	Mr R Lumby	
	Mr E R Evans	(Appointed 11 August 2018)
	Mr J S Bratt	(Appointed 11 August 2018)
	Prof. S Roberts	(Appointed 11 August 2018)
	Dr R Madhok	(Appointed 1 February 2019)
Charity number	1044906	
Company number	02992437	
Registered office	The Robert Jones & Agnes Hunt Orthopaedic Hospital Oswestry Shropshire SY10 7AG	
Auditor	Baldwins Audit Services Column House London Road Shrewsbury SY2 6NN	
Solicitors	Hatchers Solicitors LLP Thornes Hall Castle Street Shrewsbury Shropshire SY1 1DA	
Investment advisors	Barclays Wealth Windsor Court 2nd Floor 1-3 Windsor Place Cardiff CF10 3BX	

THE ORTHOPAEDIC INSTITUTE LIMITED

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THE ORTHOPAEDIC INSTITUTE LIMITED

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 31 MARCH 2019

The Trustees present their report and accounts for the year ended 31 March 2019.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with the Charity's Memorandum and Articles of Association, the Companies Act 2006 and the 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).

Objectives and activities

The objects of the Charity are to promote by all available means the study of disease and particularly disorders of the locomotor system and allied subjects, and generally to improve the standard of knowledge of the means of prevention, diagnosis and methods of treatment and cure of such disorders, and to initiate, encourage, support and carry out research and investigation into the causes of such disorders and the possibilities of prevention and alleviation or cure.

The Charity's main objectives for the year continue to be funding and facilitating medical research and teaching at the Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Foundation Trust, Oswestry, Shropshire.

The strategies to achieve the objectives of the Charity are:

To encourage researchers to submit projects to the Institute for funding, coupled with persuading smaller research departments to be more forthcoming in this respect.

To continue the organisation and running of training courses, together with a variety of specialised teaching and training courses open to doctors in general and medical staff throughout this country and overseas.

To continue with our support for the very successful Research Days where patients, donors, schools and members of the public are invited to come along to view the research work that is being carried out and to ensure the ongoing trend of attracting high profile Professors, Consultants and Clinicians to attend this annual event. These two days enhance the profile of the Hospital and improves its national and international reputation.

To promote in the local press and on our updated website our achievements much more aggressively.

To endeavour to promote the Institute with the legal profession, to try and encourage future legacies and donations.

Public benefit

The Trustees have paid due regard to the Charity Commission guidance on public benefit and consider this when deciding which activities the Charity should undertake. All of the charities activities focus on medical research and teaching and are undertaken to further our charitable purposes for the public benefit.

THE ORTHOPAEDIC INSTITUTE LIMITED

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

Achievements and performance

Each year the Charity produces an extensive annual report, which fully explains the projects receiving funding and the progress in the year. Copies of this report are available from the registered office. Brief descriptions of the major funds supporting these projects are recorded in the notes to the accounts.

Circulating our Annual Report enables us to keep in close contact with our funders. We seek medical research funding for various innovative projects over a 2/3 year time span to provide continuity to our research staff. During the year the Orthopaedic Institute provided funding for three new research projects with over thirty projects ongoing at the year end.

Locally we have a very active Hospital League of Friends and the Oswestry Rheumatology Association who annually donate a grant to the Institute to fund a research project.

Local profile also enables the fundraiser to liaise closely with local charitable organisations. This initiative continues to bring in funds for the work of the Charity. Patients are very supportive of the Hospital and the Institute.

During the year 23 courses were held, all being well attended and generating income of £150,681 (2018 - £165,770). Our course administrator focused on cost reduction and course costs decreased to £65,937 (2018 - £70,653), and the courses generated a net surplus for the Charity of £84,744 (2018 - £95,117). The courses included clinical examination and one day viva for FRCS (Tr&Orth), anatomy and surgical exposures, ST3 interview preparation, spine treatments, imaging of orthopaedic implants, shoulder and elbow, GP study days, spinal imaging, ORLAU gait, foot and ankle and the week long basic science course.

The fixed asset investments held by the Charity at the 31 March 2019 had a market value of £1,360,525 (2018 - £1,286,668). The income stream from the investments including bank interest is £50,424 (2018 - £54,127). The Trustees are satisfied with the performance of the investment portfolio against the objectives detailed within the financial review.

Financial review

The Charity has generated a surplus this year of £217,495 (2018: deficit of £20,703), which includes an unrealised gain on the investment portfolio of £72,328. In addition, the Charity sold its shares in Arklow Engineering Limited as part of a management buyout, and realised a surplus of £176,557. Further details of income and fund balances are presented elsewhere within this report. (2018 had an unrealised loss of £12,415).

It is the policy of the Charity that unrestricted funds which have not been designated for a specific use should be maintained at a level equivalent to between three and six month's expenditure. The Trustees consider that reserves at this level will ensure that, in the event of a significant drop in funding, they will be able to continue the Charity's current activities while consideration is given to ways in which additional funds may be raised. This level of reserves has been maintained throughout the year.

Given the long-term nature of the research projects undertaken by the Charity the Trustees designate unrestricted funds to individual projects soon after they are received. This allows for long term planning and security for the research staff. As a result of this policy significant balances are retained as designated for particular research projects.

The Charity has the policy of retaining a low level of unrestricted undesignated funds to meet administration costs and provide a small reserve for starting new projects or appeals. The Trustees have the policy that this balance should exceed £10,000 per year to cover approximately three months administration expenses. The unrestricted general fund fluctuates throughout the year as unrestricted income is received and held as such until it is allocated to specific projects. The Trustees policy is that the unrestricted general fund should not exceed £80,000 and this is monitored at the quarterly committee meetings.

At the year-end, unrestricted undesignated reserves excluding gains on investments totalled £80,000.

THE ORTHOPAEDIC INSTITUTE LIMITED

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

The main source of the Charity's income is generated from charities, grant making bodies, individual donors and surpluses on courses. The reputation of the Hospital has enabled the Institute to forge long standing personal connections with the decision makers and this has enabled personal contact when support is sought.

Funds are either received in response to applications made by the research teams for specific projects in which case the income is used to support those projects or for income received where no specific application has been made the research teams apply for grants from these reserves.

The investment objectives are:

The creation of a sufficient financial return to enable the Charity to carry out its purposes effectively and without interruption, and

The maintenance and, if possible, enhancement of the investment funds whilst they are invested.

To obtain a reasonable balance between capital growth and income so that the Charity can meet future as well as current needs.

To avoid investments that are unduly risky.

The Trustees' policy is to invest in an appropriate mix of real assets, i.e. equities, fixed interest and monetary assets. Trustees recognise that the returns on equities, while expected to be greater over the longer-term than those of fixed interest and monetary assets, are likely to be more volatile. Investment in a mix of asset classes should nevertheless provide the levels of return required and mitigate volatility for the Trust to achieve its objectives.

The Trustees have delegated their investment powers to an appointed investment manager. The investment manager is responsible for carrying out all day-to-day investment decisions including acquisition and realisation of investments. The investment manager is required to exercise the power to give effect to the principles as contained in this statement and, in particular, must have regard to the need for diversification and suitability of investments selected. Due to changing investment practice, the investment manager is appointed on a discretionary basis.

Whilst the Trustees are not involved in the day-to-day operation of the investment portfolio and cannot directly influence attainment of a performance target, they will assess performance on an annual basis. Measurable targets have been developed for the investment manager consistent with the achievement of the objectives set out above and an acceptable level of risk with no holding in a single equity or pooled vehicle having a value that is more than 7% of the total equity portfolio. The Trustees do not wish to participate in any underwriting arrangement or hold direct investments quoted on AIM or OFEX markets.

The appointment of the investment manager will be reviewed from time to time by the Trustees, based upon the results of their monitoring of performance, investment process and the manager's compliance with the requirements of the Trustee Act 2000 and guidance of the Charity Commissioners.

The investment manager will meet the Trustees (or a designated body of trustees) at least once a year to review performance over the preceding period and to discuss and agree the strategy to be adopted.

Although generally the interests of a trust's beneficiaries are best served by seeking to obtain a sound financial return from a suitably diverse portfolio of investments, the investment manager will have the regard to not investing in those assets which could be detrimental to the objectives and aims of the Trust. The Trust does not have an ethical investment policy.

The investment powers of the Trustees have been formally vested in the Charity's independent stockbrokers, Barclays Wealth.

THE ORTHOPAEDIC INSTITUTE LIMITED

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

The Trustees have conducted their own review of the major risks to which the Charity is exposed and systems have been established to mitigate those risks. External risks to funding have led to the engagement of a fundraiser to oversee appeals made by the Charity and report to the Trustees on fundraising progress each quarter.

Internal risks are minimised by the implementation of procedures for authorisation of all transactions and projects and to ensure consistent quality of delivery for all operational aspects of the charitable company. These procedures are periodically reviewed to ensure that they still meet the needs of the Charity.

Long term aims and objectives

The Institute intends to continue to be supportive of the Trust Board at the Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust and to work alongside the Trust to assist with funding of medical research projects.

We intend to continue developing our fundraising base by approaching newly formed charities and seeking to acquire new connections. We will encourage researchers to submit projects for funding. Liaison with local solicitors is vital to maintain the receipt of legacies which assist considerably when funding research projects.

We will continue to support teaching and training and running of courses for the medical profession. Courses are vital not only in attracting the delegates and generating income but also to promote the Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust and retain our standard as a Centre of Excellence with national and international reputation.

Structure, governance and management

The Charity is a company limited by guarantee and therefore has no share capital. Each member is liable, upon winding up, to an amount not exceeding £1. The Charity was incorporated on 21st November 1994 to take over and continue the administration of the pre existing Charity The Institute of Orthopaedics. The company was established under a Memorandum of Association, which established the objects and powers of the charitable company and is governed under its Articles of Association.

The Trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of this report were:

Dr B A Ashton Chairman

Mrs V Edwards

Mr R Freeman

Prof W Masry

Mrs L Osselton

Mr C Niblock

Mr R Lumby

Mr E R Evans

Mr J S Bratt

Prof. S Roberts

Dr R Madhok

(Appointed 11 August 2018)

(Appointed 11 August 2018)

(Appointed 11 August 2018)

(Appointed 1 February 2019)

The Trustees retiring by rotation are:

Mrs L Osselton

Mr R Lumby

Mr C Niblock

As set out in the Articles of Association the members of the Orthopaedic Institute Limited nominate the Chair of the Trustees. Each year one third of the Trustees retire by rotation and may offer themselves for re-election. When a vacancy exists the new Trustee will be of similar standing to the retiring Trustee. All members are circulated with invitations to nominate Trustees prior to the Annual General Meeting advising them of the retiring Trustees and requesting nominations for the Annual General Meeting.

THE ORTHOPAEDIC INSTITUTE LIMITED

TRUSTEES REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

The paid administrators of the Charity have been delegated by the Trustees as being responsible for day to day management.

The Charity collaborates very closely with the medical department at Keele University in carrying out many research projects.

The Charity operates within the environs of the Robert Jones & Agnes Hunt Orthopaedic NHS Foundation Hospital. The NHS Trust engages the staff undertaking research projects, teaching and administration. The Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Foundation Trust recharges their salary costs to the Charity.

Disclosure of information to auditor

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditors 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 auditors are aware of that information.

The Trustees report was approved by the Board of Trustees.

Dr B A Ashton Chairman
Trustee
Dated: 18 September 2019



THE ORTHOPAEDIC INSTITUTE LIMITED

STATEMENT OF TRUSTEES RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2019

The Trustees, who are also the directors of The Orthopaedic Institute Limited for the purpose of company law, are responsible for preparing the Trustees Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Charity will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Charity 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 Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE ORTHOPAEDIC INSTITUTE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE ORTHOPAEDIC INSTITUTE LIMITED UNDER SECTION 449 OF THE COMPANIES ACT 2006

Opinion

We have audited the financial statements of The Orthopaedic Institute Limited for the year ended 31 March 2019 which comprise Statement of Financial Activities incorporating Income and Expenditure Account and the related notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

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 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 2018, and of its incoming resources and application of resources 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

THE ORTHOPAEDIC INSTITUTE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE ORTHOPAEDIC INSTITUTE LIMITED (CONTINUED)

UNDER SECTION 449 OF THE COMPANIES ACT 2006

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Trustees report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees report and statement of responsibilities has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our 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 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 Trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Trustees report and from the requirement to prepare a strategic report.

Responsibilities of Trustees

As explained more fully in the Trustees responsibilities statement, the Trustees 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 directors 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 Trustee 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 company or to cease operations, or have no realistic alternative but to do so.

THE ORTHOPAEDIC INSTITUTE LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE ORTHOPAEDIC INSTITUTE LIMITED (CONTINUED)

UNDER SECTION 449 OF THE COMPANIES ACT 2006

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>. This description forms part of our Auditor's report.

Baldwins Audit Services

Dawn Owen BA (Hons) FCA (Senior Statutory Auditor)
for and on behalf of Baldwins Audit Services

24.09.2019

Statutory Auditor

Column House
London Road
Shrewsbury
SY2 6NN

THE ORTHOPAEDIC INSTITUTE LIMITED

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2019

		Unrestricted funds	Designated funds	Restricted funds	Total	Total
	Notes	2019 £	2019 £	2019 £	2019 £	2018 £
<u>Income from:</u>						
Donations and legacies	3	22,987	-	145,265	168,252	96,682
Charitable activities	4	169,894	-	8,449	178,343	204,370
Investments	5	50,424	-	-	50,424	54,127
Total income		243,305	-	153,714	397,019	355,179
<u>Expenditure on:</u>						
Raising funds	6	93,727	-	15,984	109,711	104,724
Charitable activities	7	273,844	-	44,854	318,698	258,898
Total resources expended		367,571	-	60,838	428,409	363,622
Net gain/(loss) on investments	11	72,328	176,557	-	248,885	(12,260)
Net incoming/(outgoing) resources before transfers		(51,938)	176,557	92,876	217,495	(20,703)
Gross transfers between funds		51,938	(7,712)	(44,226)	-	-
Net income/(expenditure) for the year. Net movement in funds		-	168,845	48,650	217,495	(20,703)
Fund balances at 1 April 2018		80,000	1,999,236	1,178,013	3,257,249	3,277,952
Fund balances at 31 March 2019		80,000	2,168,081	1,226,663	3,474,744	3,257,249

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

THE ORTHOPAEDIC INSTITUTE LIMITED

BALANCE SHEET

AS AT 31 MARCH 2019

	Notes	2019 £	£	2018 £	£
Fixed assets					
Tangible assets	12	1,360,793		1,398,593	
Investments	13	1,453,061		1,286,668	
		<u>2,813,854</u>		<u>2,685,261</u>	
Current assets					
Debtors	17	5,200		7,264	
Cash at bank and in hand		758,725		626,800	
		<u>763,925</u>		<u>634,064</u>	
Creditors: amounts falling due within one year	18	<u>(103,035)</u>		<u>(62,076)</u>	
Net current assets		660,890		571,988	
Total assets less current liabilities		<u>3,474,744</u>		<u>3,257,249</u>	
Income funds					
Restricted funds	21	1,226,663		1,178,013	
<u>Unrestricted funds</u>					
Designated funds:		2,168,081		1,999,236	
Unrestricted funds		80,000		80,000	
		<u>2,248,081</u>		<u>2,079,236</u>	
Total unrestricted funds		<u>3,474,744</u>		<u>3,257,249</u>	

The financial statements were approved by the Trustees on 18 September 2019

Dr B A Ashton Chairman
Trustee



Company Registration No. 02992437

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

Charity information

The Orthopaedic Institute Limited is a private company limited by guarantee incorporated in England and Wales. The registered office is The Robert Jones & Agnes Hunt, Orthopaedic Hospital, Oswestry, Shropshire, SY10 7AG. The registered number is 02992437.

1.1 Accounting convention

These accounts have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), "Accounting and Reporting by Charities" the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. The Charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the Charity. Monetary amounts in these financial statements are rounded to the nearest £.

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments at fair value. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the financial statements, the Trustees have a reasonable expectation that the Charity has adequate resources to continue in operational existence for the foreseeable future. Thus the Trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

1.4 Incoming resources

Incoming resources, including legacies, are recognised when the Charity is legally entitled to the income after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

The Charity does not receive material gifts in kind, neither does it provide for the value of services provided by volunteers.

Course income is accounted for in the period in which the course is delivered.

1.5 Resources expended

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.

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:-

Long leasehold

Over the period of the lease

With the exception of the long leasehold property the Charity operates a policy of charging all expenditure on capital items to the Statement of Financial Activities in the year in which it is occurred.

1.7 Fixed asset investments

Listed investments are included in the Balance Sheet at market value. Unlisted investments are included at cost as an approximation of market value unless there is specific evidence to the contrary.

1.8 Impairment of fixed assets

At each reporting end date, the Charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

1.9 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.10 Financial instruments

The Charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Charity's balance sheet when the Charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally 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.

Basic financial assets

Basic financial assets, which include debtors, loan notes and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

1 Accounting policies

(Continued)

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Charity's contractual obligations expire or are discharged or cancelled.

1.11 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

Termination benefits are recognised immediately as an expense when the Charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

1.12 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.13 Taxation

The Charity is exempt from corporation tax on its charitable activities.

1.14 Debtors

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

1.15 Creditors

Creditors and provisions are recognised where the Charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount.

2 Critical accounting estimates and judgements

In the application of the Charity's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

3 Donations and legacies

	Unrestricted funds	Restricted funds	Total	Total
	2019 £	2019 £	2019 £	2018 £
Donations and gifts	22,987	145,265	168,252	96,682
	<u>22,987</u>	<u>145,265</u>	<u>168,252</u>	<u>96,682</u>
For the year ended 31 March 2018	<u>9,432</u>	<u>87,250</u>		<u>96,682</u>

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2019

4 Charitable activities

	Course fee income	Publishing	Services provided by the Institute	Fundraising events	Total 2019	Total 2018
	2019 £	2019 £	2019 £	2019 £	£	£
Sales within charitable activities	150,681	538	14,055	13,069	178,343	204,370
Analysis by fund						
Unrestricted funds	142,232	538	14,055	4,620	169,894	185,217
Restricted funds	8,449	-	-	8,449	8,449	19,153
	150,681	538	14,055	13,069	178,343	204,370
For the year ended 31 March 2018						
Unrestricted funds	146,617	4,471	20,155	13,974	185,217	185,217
Restricted funds	19,153	-	-	-	19,153	19,153
	165,770	4,471	20,155	13,974	204,370	204,370

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

5 Investments

	Unrestricted funds	Restricted funds	Total	Total
	2019 £	2019 £	2019 £	2018 £
Income from listed investments	48,532	-	48,532	45,372
Income from unlisted investments	-	-	-	7,421
Interest receivable	1,892	-	1,892	1,334
	<u>50,424</u>	<u>-</u>	<u>50,424</u>	<u>54,127</u>
For the year ended 31 March 2018	<u>40,564</u>	<u>13,563</u>		<u>54,127</u>

6 Raising funds

	Total	Total
	2019 £	2018 £
<u>Fundraising and publicity</u>		
Staging fundraising events	21,653	6,388
Staff costs	23,849	17,552
	<u>45,502</u>	<u>23,940</u>
<u>Fundraising trading</u>		
Course expenses	41,360	55,398
Staff costs	24,577	15,255
	<u>65,937</u>	<u>70,653</u>
<u>Investment management</u>	(1,728)	10,131
	<u>109,711</u>	<u>104,724</u>

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

7 Charitable activities

	2019 £	2018 £
Depreciation and impairment	37,800	37,800
Research and laboratory equipment	98,950	33,499
Education, training and prizes	7,928	6,120
Research salaries, fees and expenses	152,189	164,322
	<u>296,867</u>	<u>241,741</u>
Share of governance costs (see note 8)	21,831	17,157
	<u>318,698</u>	<u>258,898</u>

8 Support costs

	Support costs £	Governance costs £	2019 £	2018 £
Sub-contractor costs	-	9,086	9,086	8,080
Printing, stationery and miscellaneous	-	7,885	7,885	4,217
Auditors' remuneration	-	4,860	4,860	4,860
	<u>-</u>	<u>21,831</u>	<u>21,831</u>	<u>17,157</u>
Analysed between Charitable activities	-	21,831	21,831	17,157

Governance costs includes payments to the auditors of £4,860 (2018 - £4,860) for audit fees.

9 Trustees

None of the Trustees (or any persons connected with them) received any remuneration, benefits or expenses from the Charity during the year.

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

10 Employees

Number of employees

The average monthly number of employees during the year was:

	2019 Number	2018 Number
	2	2
	<u>2</u>	<u>2</u>
Employment costs	2019	2018
	£	£
Wages and salaries	46,624	32,490
Social security costs	1,109	-
Other pension costs	693	317
	<u>48,426</u>	<u>32,807</u>

Other employment services required by the Charity were supplied by employees of The Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Foundation Trust in respect of research, education and administration duties and invoiced to The Institute by the Hospital.

A part-time book-keeper and part-time administrator are engaged by The Institute and are both self-employed.

There were no employees whose annual remuneration was £60,000 or more.

11 Net gains/(losses) on investments

	Unrestricted funds	Total
	2019	2018
	£	£
Realised gain	176,557	155
Unrealised gain/(loss)	72,328	(12,415)
	<u>248,885</u>	<u>(12,260)</u>
Net gain/(loss) on sale of investments		

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

12 Tangible fixed assets

	Long leasehold £
Cost	
At 1 April 2018	1,979,993
At 31 March 2019	1,979,993
Depreciation and impairment	
At 1 April 2018	581,400
Depreciation charged in the year	37,800
At 31 March 2019	619,200
Carrying amount	
At 31 March 2019	1,360,793
At 31 March 2018	1,398,593

The leasehold property is the Leopold Muller Arthritis Research Centre. This building was constructed on land held on a 60 year lease that started on 28th March 1995. No depreciation was charged during the first 8 years of the lease. The leasehold interest which now covers both the land and the building is now being amortised so as to write off the cost of construction of the building over the remaining period of the lease.

The Robert Jones and Agnes Hunt Orthopaedic Hospital have undertaken to provide cover on the building equivalent to that normally provided by a comprehensive insurance policy.

13 Fixed asset investments

	Listed investments £	5% Loan stock £	Total £
Cost or valuation			
At 1 April 2018	1,286,668	-	1,286,668
Additions	1,529	92,536	94,065
Valuation changes	72,328	-	72,328
At 31 March 2019	1,360,525	92,536	1,453,061
Carrying amount			
At 31 March 2019	1,360,525	92,536	1,453,061
At 31 March 2018	1,286,668	-	1,286,668

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

13 Fixed asset investments

(Continued)

Fixed asset investments revalued

Costs of investments held at 31 March 2019 £1,232,578 (2018 - £1,231,049).

5% loan stock relates to loan notes to Ashfield 2018 Limited received on the sale of its shares in Arklow Engineering Limited. No accounts or financial information have been obtained for this company and whilst the Charity has a legal obligation to receive these funds in 2023, at the date of signing these financial statements the Trustees do not have certainty as to whether this will be recoverable. No provision has been made against the value of the loan stock.

14 Analysis of investments at market value

	2019 £	2018 £
UK Equities	1,360,525	1,286,668
Unlisted Loan Stock	92,536	-
	<u>1,453,061</u>	<u>1,286,668</u>

15 Financial instruments

	2019 £	2018 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	852,016	631,397
Equity instruments measured at cost less impairment	<u>1,360,525</u>	<u>1,286,668</u>
Carrying amount of financial liabilities		
Measured at amortised cost	<u>38,596</u>	<u>22,251</u>

Financial assets measured at amortised cost consists of trade debtors, other debtors, loan stock and cash at bank and in hand.

Financial liabilities measured at amortised cost consists of trade creditors and accruals.

In relation to the equity instruments measured at fair value, income of £48,532 (2018 - £45,372) has been recognised in the year. The fair value adjustment for the year was a gain of £72,328 (2018 - a loss of £12,415). In relation to the disposals in the year a gain of £176,557 has been realised (2018 - £155) in respect of the sale of the Arklow Engineering Limited shares following a management buy out.

16 Stocks

The Charity holds stock of specialist publications for use on courses held and for external sales. At the year end it is not possible to measure the net realisable value of this stock with sufficient certainty to permit its inclusion in the financial statements. This is largely due to the high volume of stock held which has an indeterminate useful life.

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

17 Debtors

	2019 £	2018 £
Amounts falling due within one year:		
Trade debtors	-	2,851
Other debtors	755	1,746
Prepayments and accrued income	4,445	2,667
	<u>5,200</u>	<u>7,264</u>

18 Creditors: amounts falling due within one year

	2019 £	2018 £
Other taxation and social security	1,151	500
Trade creditors	15,245	8,202
Other creditors	63	-
Deferred income	63,225	39,325
Accruals	23,351	14,049
	<u>103,035</u>	<u>62,076</u>

19 Deferred Income

Deferred income represents course fees paid during the year which relate to courses held in the following year and amounts received in the year ended 31 March 2019 for fundraising events to take place after 31 March 2019. The amount deferred at the year end will be released in the year ended 31 March 2020 as the relevant courses are provided to the delegates and the fundraising events take place.

	2019 £
Deferred income as 1 April 2018	39,325
Amounts released in the year	(39,325)
B/fwd deferred income remaining	<u>-</u>
Deferred income at 31 March 2019	<u>63,225</u>

20 Retirement benefit schemes

Defined contribution schemes

The Charity operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Charity in an independently administered fund.

The charge to profit or loss in respect of defined contribution schemes was £693 (2018 - £317).

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

21 Movement in funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Balance at 1 April 2018 £	Incoming resources £	Resources expended £	Transfers £	Gains and losses £	Balance at 31 March 2019 £
Unrestricted funds						
Unrestricted	80,000	243,305	(367,571)	51,938	72,328	80,000
Designated	1,999,236	-	-	(7,712)	176,557	2,168,081
	<u>2,079,236</u>	<u>243,305</u>	<u>(367,571)</u>	<u>44,226</u>	<u>248,885</u>	<u>2,248,081</u>
Restricted	1,178,013	153,714	(60,838)	(44,226)	-	1,226,663
	<u>3,257,249</u>	<u>397,019</u>	<u>(428,409)</u>	<u>-</u>	<u>248,885</u>	<u>3,474,744</u>

A detailed analysis of the movement in funds is given in note 21.

22 Analysis of net assets between funds

	Unrestricted funds 2019 £	Designated funds 2019 £	Restricted funds 2019 £	Total 2019 £
Fund balances at 31 March 2019 are represented by:				
Tangible assets	-	501,693	859,100	1,360,793
Investments	-	1,453,061	-	1,453,061
Current assets/(liabilities)	80,000	213,327	367,563	660,890
	<u>80,000</u>	<u>2,168,081</u>	<u>1,226,663</u>	<u>3,474,744</u>

23 Financial commitments, guarantees and contingent liabilities

The Trustees have approved on-going research commitments over the next two years totalling £ 408,342 (2018: £485,046).

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

24 Related party transactions

Remuneration of key management personnel

Key management personnel are the trustees. The Institute Administrator, previously a member of the key management team, was remunerated by the Robert Jones and Agnes Hunt Orthopaedic Hospital NHS Foundation Trust and the costs recharged to the charity, included within research, salaries, fees and expenses.

Remuneration of key management personnel is as follows:-

	2019 £	2018 £
Aggregate compensation	-	14,289

No remuneration is paid to key management personnel.

Transactions with related parties

During the year the Charity entered into the following transactions with related parties:

The Charity operates within the environs of the Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Foundation Trust. Due to this a significant number of transactions are undertaken between the two entities, the transactions are within the normal activities of the Charity and are conducted on an arm's length basis. Due to the volume of such transactions it is not practical to separately identify the total amount arising during the year.

The staff undertaking research projects, teaching and administration are engaged by the NHS Trust. Their salary costs are recharged by the Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Foundation Trust to the Charity on a monthly basis.

At the year end £8,264 (2018: £7,841) was owed to the Robert Jones & Agnes Hunt Orthopaedic Hospital NHS Foundation Trust for goods and services.

No guarantees have been given or received.

THE ORTHOPAEDIC INSTITUTE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2019

25 Auditor's liability limitation agreement

In accordance with the Companies Act 2006 (s538), we are required to disclose any auditor liability limitation agreements in effect.

A resolution was passed dated 26 April 2017 which limits the liability of the auditor to £5m for any loss or damage suffered by The Orthopaedic Institute Limited arising out of or in connection with the provision of the services provided by the auditor including negligence but not willful default.