

KIDS OPERATING ROOM
*(A company limited by guarantee
and not having share capital)*

(Company Number: SC585374)
(Charity Number: SC048523)

DIRECTORS' ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2021

KIDS OPERATING ROOM
DIRECTORS' ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2021

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KIDS OPERATING ROOM

LEGAL AND ADMINISTRATIVE INFORMATION

DIRECTORS AND CHARITY TRUSTEES

The Directors of the charitable company ("Kids OR") are known as its Trustees for the purposes of charity law. The Directors are:

Garreth R C Wood Executive Chairman
Nicola J C Wood
Graham Good
George G Youngson
Sarah T Masiyiwa
Lili Buffett

SECRETARY

Turcan Connell Company Secretaries Limited

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KIDS OPERATING ROOM
DIRECTORS' ANNUAL REPORT

Chairman's Statement

I am delighted to present the Annual Report and Accounts of Kids Operating Room for 2021.

Nicola and I are extremely proud of some incredible milestones we've reached this year as well as a world's first:

- In December, we opened our 50th Operating Room, this time in Ghana.
- Across our partner hospitals, we provided our 50,000th operation since we began KidsOR.
- More than 100 trainee surgeons are now regularly using our e-learning platform in Africa every month.
- Supporting the fight against Covid-19, we successfully completed the shipping and delivery of more than 22.9 million items of PPE, 300 Oxygen concentrators and 40 new ventilators, distributed across 9 countries in Africa.
- We opened the world's first ever dedicated paediatric Operating Room in a refugee camp.
- We are now generating more than \$1 Billion (USD) for the collective GDPs of our partner countries, every year we are operational.

Nicola and I wholeheartedly congratulate David Cunningham and the entire KidsOR team, who this year shipped a new Operating Room once every 12 days and because of their collective efforts, have created capacity for 30,000 children every year to access safe surgery in our Operating Rooms.

And let me assure you, we already have an even busier 2022 planned! As well as continuing to build state of the art Operating Rooms in often fragile health systems and training the workforce required to work in them, we now consider ourselves global advocates for the millions of children in this world who cannot access safe surgery. We plan to use that voice to make the case for every child to have access to the care they need, when they need it.

Through a new focus on advocacy, we will be working to coordinate precious resources, lobby governments, challenge donors and support health leaders to bring about a meaningful shift in global health funding, towards stronger health systems and greater support of children's surgical services across low-and middle-income countries.

Finally, I'd like to pause to acknowledge the many friends and colleagues of KidsOR who, while working on the front line of fighting this terrible COVID-19 pandemic, tragically lost their lives. Far too many incredible people who selflessly carried on working, in exceptionally difficult circumstances, to save others. May we be inspired by their courage to never give up fighting for those children who need us more now than ever before...

All of them, true heroes and I dedicate this statement to them.



Garreth Wood
Chairman

KIDS OPERATING ROOM

DIRECTORS' ANNUAL REPORT

The Directors present their strategic and annual report and accounts for the year ended 31 December 2021.

Legal and administrative information set out earlier forms part of this report. The financial statements comply with current statutory requirements, the Articles of Association, '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) and the Companies Act 2006.

Objectives and activities - the role of Kids Operating Room

Kids Operating Room (KidsOR) is a global health charity focused entirely on the provision of safe surgical services for children in low- and middle-income countries.

The focus of our work is to provide local surgeons and their teams with the necessary equipment and skills they need to maximise their potential impact.

We collaborate with University of California, San Francisco (UCSF) to record and assess the impact of this approach. By providing our partner surgeons with regular patient data we support them to monitor quality, audit activity and plan for anticipated case load.

Achievements and Performance

In 2021 the Kids Operating Room team delivered on a number of fronts to ensure children had access to safe surgery when they need it.

By the end of the year, our 50,000th operation had taken place, our 50th Operating Room had opened, we were supporting a record number of doctors to become surgeons, and we were supplying entire health workforces with Personal Protective Equipment (PPE) to keep them safe from Covid-19 while giving care.

In terms of new Operating Rooms, 2021 was our busiest year ever. On average, we shipped a new Operating Room to a partner hospital in a low-resource setting once every 12 days.

Each one equipped with more than 3,000 individual items of surgical equipment and every one individually designed to suit the local team, the local hospital, and to create an environment suitable for local children.

In some cases this included full construction projects, where the bricks and mortar had to be put in place before the Operating Room could be installed. Elsewhere this included full refurbishments of existing spaces.

On every project the detailed survey, design, shipping and installation process happened within budget despite volatile markets for both procurement and transportation. All projects, with the exception of those hospitals locked down for Covid reasons, were also delivered within the target timescale.

Achievements and Performance - continued



Picture 1: Our 50th Operating Room, this one in Ghana, opened in December 2021.

We know from our research team, working in collaboration with our colleagues at the Centre for Global Health Equity at University California, San Francisco (UCSF), that every Operating Room we open will provide at least 600 children a year with access to care.

Some hospitals do more, where the need is for more straightforward operations while others do less, where the need is for more complex procedures. The figure of 600 is therefore an average but, following the opening of our 50th Operating Room at the end of 2021, means we start 2022 with capacity to provide an expected 30,000 children with the essential, often emergency, care they need.

Our research is also starting to shine a light on how our Operating Rooms help improve quality of care, not just quantity of care.

In a study concluded in 2021 looking at our project in Burkina Faso, we examined the impact of upgrading existing Operating Rooms on surgical volume in a hospital in the capital city, Ouagadougou.

Surgical volume increased by 22% post installation of the KidsOR equipment with no additional staffing changes. Additionally, post-installation the surgical volume is following an increasing trend of +1 cases every month, compared to pre-installation where there was a decreasing trend in surgical volume of -8 per month.

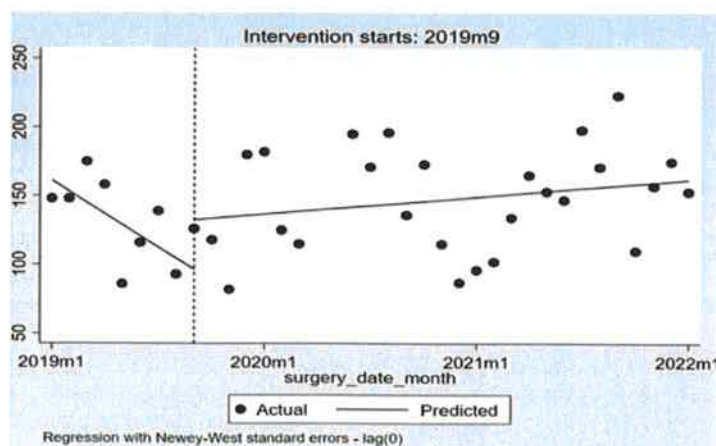


Image 2: Post-installation increase in operations and reversal of declining trend in Burkina Faso

Achievements and Performance - continued

Meanwhile, the mortality rate fell from an average of 20% pre-installation to just 4% post-installation. Not only this, but the data showed that the mortality rate was following a trend of 6.2% growth pre-installation, whilst the mortality rate post-installation is following a decreasing trend of -1%.

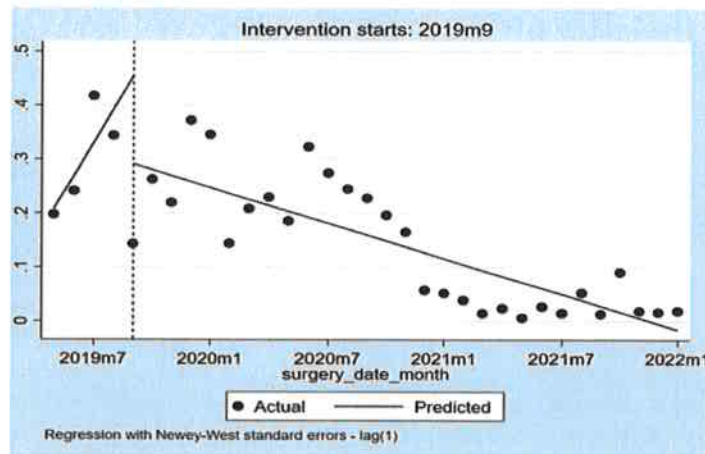


Image 3: Post-installation decrease in mortality in Burkina Faso.

In 2021 our surgical training scholarships and support project moved forward at pace. In May we launched the Pan African Paediatric Surgery E-Learning Platform (PAPSEP). This substantial project, delivered with partners at the Royal College of Surgeons of Ireland and both main Colleges of Surgeons in Africa, saw the world's first e-learning platform for paediatric surgery that is designed for, and created by, low-income country surgeons.

With more than 100 trainees now regularly using the platform, it is achieving its objective of helping drive up quality of teaching and graduating trainees.

12 more trainees also started on full scholarships either directly from KidsOR or as part of our partnership with Smile Train. Meanwhile, the first 10 trainees ever to receive a scholarship from KidsOR graduated in 2021, with them all now working and providing care in their home nations.



Image 4: Dr Alicia Massenga, the first trainee surgeon to receive a KidsOR scholarship who now works in a KidsOR Operating Room in western Tanzania.

Achievements and Performance - continued

During 2021, the KidsOR significantly stepped up to help protect healthcare workers from the Covid-19 pandemic, too. Having supported our partner surgeons during 2020 with the distribution of 25,000 FFP3 facemasks, in 2021 this work transformed as we became the preferred partner to the Scottish Government to ship some 22.9 million items of high-quality PPE to Zambia, Malawi and Rwanda initially, but then on to Zimbabwe, Uganda, Botswana, Mozambique, Sierra Leone and Senegal.

This delivery of much-needed equipment was coordinated with each relevant Ministry of Health, planned to arrive as their existing stocks would require with onward distribution plans supported to ensure front-line workers benefited from the donation.

Key partners at The Wood Foundation, Pula Ltd, Delta Philanthropy and the People's Postcode Lottery helped cover the transport costs along with financial support from the Scottish Government. The enormous scale of the project, which also included repacking every item to maximise shipping container space, was delivered by a small team within KidsOR and has given access to essential safety equipment to thousands of healthcare workers. Indeed, in some countries, the entire health workforce received the PPE they needed for several months.

In addition to this equipment and as part of the Scottish Government Covid response, we sent some 300 oxygen concentrators and 40 ventilators, all new and unused, to Zambia, Malawi and Rwanda. As with the PPE, this equipment was quickly put into use helping those most in need.

Structure and Governance

KidsOR was formed to support the creation and development of surgical services for children in low- and middle-income countries.

The Articles of Association reflect the current activities of the charity and the Directors are responsible for reviewing the Articles, the strategy of the charity, governance systems and monitoring performance in line with the strategic objectives. Kids Operating Room is a charity registered in Scotland number SC048523 and a company limited by guarantee number 585374.

The Board of Directors devolve day-to-day management of the charity to the Chief Executive, David Cunningham. Mr Cunningham is also a Board member of the UK Fundraising Regulator and a member of their Standards Committee. He is a member of the Scottish Government's Global Health Executive Committee, for whom he chairs a review panel on donating medical devices to low-resource settings, and he is a Trustee of the Foreign Policy Centre.

The Directors are required to disclose all relevant interests and register them with the Chief Executive. Directors will withdraw from decisions where a conflict of interest arises.

The Board of Directors ultimately make decisions relating to the activity of the charity, considering the recommendations made to them by staff and any advisory committees/groups.

In 2021 the Board continued its review of how it receives expert advice on clinical and/or regional matters.

The Global Advisors, set to be launched in 2022, are being developed to increase the number of advisors coming from the countries we support and from people with a lived experience of what we are trying to achieve.

KIDS OPERATING ROOM DIRECTORS' ANNUAL REPORT

Charitable Expenditure Policy

Kids Operating Room has a focused grant making policy centred on children's surgery in low- and middle-income countries. We will not normally fund projects that do not directly relate to the development and delivery of safe surgery for children in these countries.

Our funding is typically provided to support existing surgeons to deliver greater access to care or for trainee paediatric surgeons or anaesthesia providers to complete specialised training. We do not fund other organisations to deliver infrastructure projects on our behalf.

Hospitals can apply to us for an infrastructure investment through our application process (available in English, French and Spanish) although we mostly identify hospitals for investment through discussion with the relevant Ministry of Health and local surgical society.

Remuneration policy

The pay of the charity's staff is reviewed annually by the Board. While recognising the challenges of recruitment in the sector, the salary levels of staff are benchmarked against similar organisations working in global health to ensure that the remuneration set is fair and not significantly out of line with that generally paid for similar roles and levels of responsibility.

Volunteers

Although opportunities continued to be significantly restricted in 2021, the charity normally enjoys the support of a number of volunteers who make an important and significant contribution to our work. Volunteer opportunities can be in our Head Office, Dundee Centre for Global Operations, Nairobi office or on overseas trips.

Directors

Directors are appointed for three-year terms with an option to stand for re-election at the end of each three-year period. Directors are generally invited to join the Board following identification of a required skill-set and subsequent identification of a suitable individual. This could follow open advertisement or recommendation of an individual.

Once appointed, Directors receive an induction from the Chief Executive with new Directors required to enhance their knowledge through meetings with other members of the Board and, where possible, tours of the charity's UK facilities. The Chief Executive will also spend time with the Directors during their first year to ensure they are fully informed of the work of the charity and able to access all the information they wish to.

The terms of office, appointment process and wider governance of the charity were reviewed in 2018 as part of the formation of the charity. The Board has a mix of clinical and non-clinical representation.

During 2021, and up to the date of signing, the following served as Trustees of the charity and as directors of the company. Those who serve as Global Advisors are also shown.

Trustee	March Board	September Board	Global Advisor
Garreth Wood	✓*	✓*	
Nicola Wood	✓	✓	
Graham Good	✓	✓	
George Youngson	✓	✓	✓*
Sarah Masiyiwa	✓	✓	
Lili Buffett	✓	✓	

* Chair

In 2021, there were 2 Board meetings with the Directors attending the following number of meetings: Garreth Wood (2), Nicola Wood (2), Graham Good (2), Professor George Youngson (2), Sarah Masiyiwa (2), Lili Buffett (2).

KIDS OPERATING ROOM DIRECTORS' ANNUAL REPORT

2021 Financial Performance

Despite the challenges caused by the wider pandemic, in 2021 our financial performance was exceptionally strong, driven largely by our work in projects related to protecting healthcare workers in low-resource settings from Covid-19.

The very significant amount of work involved in this led to a substantial increase in our annual turnover.

We benefited from gifts-in-kind support primarily from DC Thomson who kindly donated warehouse space to the charity and from The Speratus Group Ltd (owned by our chairman), who donated office space.

We returned a small surplus in 2021 on the back of a large increase in activity, which is largely reflective of the nature of the Government work, which involved delivery of projects at cost and/or the movement of large amounts of stock.

2021 Financial Review

Total income for the financial year was £20,247,613 (2020 - £4,471,000). This income level exceeded expectations for 2021 and highlighted our capacity to deliver on a wide range of projects at short notice and for major partners, including the Scottish Government. Income is derived from several sources in the form of restricted and unrestricted funds. During the year new restricted funds were opened as a result of donations relating to Covid-19 projects, totalling £16,687,133, with these restricted funds used for the delivery of equipment to healthcare settings in Africa. Restricted funds were also received from a number of other donors, including Smile Train at £1,285,032 (2020 - £2,942,463). At 31 December 2021 restricted funds totalled £2,228,329 (2020 - £1,590,356) and unrestricted funds £5,590,118 (2020 - £6,193,353).

Our expenditure equalled £20,212,874 (2020 - £2,994,428), which was in-line with revised expectations as the year developed.

As a result, in 2021 there was an increase in net assets of £34,739 (2020 - £1,476,572).

Total funds at 31 December 2021 were £7,818,448 (2020 - £7,783,709). In-line with previously stated expectations, we expect this will reduce in 2022 as we see project delivery, overseas travel and trainee scholarships increase.

During 2021 there was one significant event that influenced income generation, namely the appointment of KidsOR to deliver Covid-19 related projects for healthcare workers in Africa. The Directors note their thanks to the Scottish Government for this work, along with all other donors and to the Speratus Group Ltd and to DC Thomson for their support in-kind.

Reserves Policy

The Directors have considered the reserves required, taking into account their current and future liabilities, and have agreed that a reserves policy is to be developed in 2022 as outstanding funding from The Wood Foundation has now all been drawn down.

KIDS OPERATING ROOM DIRECTORS' ANNUAL REPORT

Risk

The charity maintains a risk register that is frequently reviewed and updated by senior staff.

The pandemic exposed risks relating to inability to travel that led to some roles being recruited in Africa rather than in the UK. The opening of our Nairobi office has allowed growth of our Africa-based team and this is now extending to include engineering support and project installers. The lessons learned through this process, and the development of more local teams, are set to provide cost savings to the charity well beyond the existing pandemic.

Other external risks include the conflicts in Ukraine, which presents a significant risk to our capacity to fundraise (as global attention is, understandably, focused elsewhere), and in Ethiopia, which presents a significant risk to our capacity to deliver projects.

Out with this, the primary risk facing the charity remains loss or injury to a team or individual working overseas in a low-resource and/or hostile setting. This includes a team member testing positive for Covid-19 while overseas and being detained under local regulations. The charity ensures staff travelling to such places are suitably prepared and deploys significant security systems and training to ensure staff remain safe.

Risk associated with reputational damage resulting from a staff member or volunteer exploiting their position for personal gain (either in terms of sexual misconduct, mistreatment of vulnerable individuals or for financial gain) is a serious consideration for the charity and all staff and volunteers receive safeguarding training. This is repeated frequently, and staff are required to embed safeguarding into their daily duties, especially those working overseas.

An increasing number of US based donors, donating or granting in USD\$, presents a risk to the charity as exchange rates vary and levels are monitored to negate impact in this area; although a shift to purchasing in USD has alleviated this risk somewhat.

Beyond this, risks associated with general health and safety activities in our warehouse remain a constant threat and all staff/volunteers working for the charity are required to undertake training courses before being allowed to commence their duties. Investment has also been made in advanced training for key staff.

Failure to appoint to key roles and retain key staff as the charity goes through a period of growth is a risk that is constantly monitored and re-assessed as demand continues to rise.

All risks associated with operating the charity are overseen by the Board and managed by the Chief Executive.

Investment Policy

The Board continued to opt for funds to remain available for use during 2021 and has not deployed an investment policy. However, as the uncertainties surrounding the pandemic ease, an investment plan is expected to be put in place during 2022.

The investment performance of £0 (2020 - £3,031) reflected the bank's reduction to 0% the interest paid on the charity bank account.

Plans for the Future

Our objectives for 2022 are:

- To increase capacity to allow 45,000 children a year to access safe surgery in our Operating Rooms.
- To open at least 20 new Operating Rooms to enable this increase to happen.
- To fund 20 new surgical training scholarships in Africa.
- To establish and launch Kids Operating Room USA as a registered charity in the US.
- Begin fundraising activities in the US, under the leadership of a US Board.
- To grow our general fundraising income and to explore opportunities for further partnership projects, with existing and new partners.
- To advocate on behalf of children denied access to the care they need, including briefing politicians, carrying out social media activities and such other activities as are deemed appropriate to ensure KidsOR is a trusted advisor on the development of surgical services.

**KIDS OPERATING ROOM
DIRECTORS' ANNUAL REPORT**

Connected Bodies

Garreth Wood and Graham Good were Trustees of The Wood Foundation during 2021 and Directors of the Speratus Group Ltd. The Speratus Group Ltd own the building where our head office is based, some of which is provided as gift-in-kind support to the charity.

Going Concern

The Directors are satisfied that the accounts should be prepared on a going concern basis. They have reviewed the level of reserves, the budget for both income and expenditure for the next 12 months and reviewed the risks to the charity and its ability to continue to raise funds in the future.

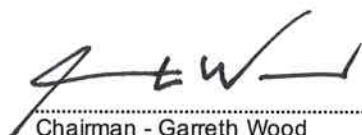
Provision of Information to Auditors

Each of the persons who are trustees at the time when this Trustees' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company and the group's auditors are unaware, and
- that each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company and the group's auditors in connection with preparing their report and to establish that the company and the group's auditors are aware of that information.

The auditors, Anderson Anderson & Brown Audit LLP, have expressed their willingness to remain in office and a resolution proposing their re-appointment will be presented at the annual general meeting.

The directors' and strategic report was approved by the board of directors and signed on its behalf.



Chairman - Garreth Wood

20/04/2022

Date

KIDS OPERATING ROOM

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors (who are also Trustees of Kids Operating Room for the purposes of charity law) are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company and charity in Scotland requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including income and expenditure, of the charitable company for that period. In preparing these financial statements, the Directors 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 Directors are responsible for keeping proper 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, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 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.

KIDS OPERATING ROOM
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
KIDS OPERATING ROOM

Opinion

We have audited the financial statements of Kids Operating Room (the 'charitable company') for the year ended 31 December 2021 which comprises the Statements of Financial Activities, Balance Sheet, Cashflow Statement and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 December 2021 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, Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis of 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 Auditors' 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 United Kingdom, including the Financial Reporting Council'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 Directors' 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 the charitable company'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 Directors with respect to going concern are described in the relevant sections of this report.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual report, other than the financial statements and our Auditors' report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

KIDS OPERATING ROOM
INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF
KIDS OPERATING ROOM

Other information - continued

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.

Opinion 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 Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements
- the Directors' report 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 Directors' Report.

We have nothing to report in respect of the following matters where the Companies Act 2006 and Charities Accounts (Scotland) Regulations 2006 (as amended) requires us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns 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 Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the directors (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 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 Directors are responsible for assessing the charity'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 Directors either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

KIDS OPERATING ROOM

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF KIDS OPERATING ROOM

Auditor responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the companies Act 2006 report in accordance with the Act and relevant regulations made or having effect thereunder.

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 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.

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements.

The laws and regulations we considered in this context were the Companies Act 2006, Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

We identified the greatest risk of material impact on the financial statements from irregularities including fraud to be:

- Management override of controls to manipulate the charitable company's financial statements
- Completeness and accuracy of income recognition

Our audit procedures to respond to these risks included:

- Testing of journal entries and other adjustments for appropriateness
- Review of supporting documentation to check income has been allocated correctly and recognised in the correct period
- Reviewing minutes of meetings of those charged with governance to identify any matters indicating

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 intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor report.

KIDS OPERATING ROOM

INDEPENDENT AUDITOR REPORT TO THE MEMBERS OF KIDS OPERATING ROOM

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, and to the charitable company's Trustees, as a body, in accordance with regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and directors 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, its members, as a body, and its trustees, as a body for our audit work, for this report, or for the opinions we have formed.

Anderson Anderson and Brown Audit LLP

Graeme Penman (Senior statutory auditor)

for and on behalf of

Anderson Anderson & Brown Audit LLP

Statutory Auditor
Kingshill View
Prime Four Business Park
Kingswells
Aberdeen
AB15 8PU

Date:

22 April 2022

KIDS OPERATING ROOM**STATEMENT OF FINANCIAL ACTIVITIES (incorporating income and expenditure account)
FOR THE YEAR ENDED 31 DECEMBER 2021**

	Note	Unrestricted Funds £	Restricted Funds £	2021 £	2020 £
INCOME AND ENDOWMENTS FROM:					
Donations and legacies	3	1,601,396	18,646,217	20,247,613	4,467,969
Investments	4	-	-	-	3,031
TOTAL		<u>1,601,396</u>	<u>18,646,217</u>	<u>20,247,613</u>	<u>4,471,000</u>
EXPENDITURE ON:					
Raising funds	5	307,824	-	307,824	65,837
Charitable activities	6	1,896,807	18,008,243	19,905,050	2,928,591
TOTAL		<u>2,204,631</u>	<u>18,008,243</u>	<u>20,212,874</u>	<u>2,994,428</u>
NET MOVEMENT IN FUNDS	8	(603,235)	637,974	34,739	1,476,572
RECONCILIATION OF FUNDS					
Total funds brought forward		6,193,353	1,590,356	7,783,709	6,307,137
Total funds carried forward	16	<u>5,590,118</u>	<u>2,228,329</u>	<u>7,818,448</u>	<u>7,783,709</u>


The charity has made no gains or losses other than as reported above.

The notes on pages 21 to 28 form part of these financial statements.

KIDS OPERATING ROOM
COMPANY NUMBER: SC585374
BALANCE SHEET - 31 DECEMBER 2021

	Note	2021 £	2020 £
FIXED ASSETS			
Tangible fixed assets	11	<u>132,350</u>	<u>127,779</u>
		<u>132,350</u>	<u>127,779</u>
CURRENT ASSETS			
Stock	12	1,542,226	995,780
Debtors	13	695,818	1,855,718
Cash at bank and in hand	17	<u>5,971,854</u>	<u>4,954,941</u>
		8,209,899	7,806,439
CREDITORS: <i>amounts falling due within one year</i>	14	<u>(523,801)</u>	<u>(150,509)</u>
NET CURRENT ASSETS		<u>7,686,098</u>	<u>7,655,930</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,818,448	7,783,709
NET ASSETS		<u>7,818,448</u>	<u>7,783,709</u>
FUNDS			
Unrestricted funds	16	5,590,118	6,193,353
Restricted funds	16	<u>2,228,329</u>	<u>1,590,356</u>
		<u>7,818,448</u>	<u>7,783,709</u>

Signed on behalf of the Board of Directors


 Chairman - Gareth Wood

20/04/2022
 Date

The notes on pages 21 to 28 form part of these financial statements.

KIDS OPERATING ROOM
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021

	Note	2021 £	2020 £
Net cash flow from operating activities			
Net income for the year		34,739	1,476,572
Interest receivable & income on fixed asset investments		-	(3,031)
Depreciation of tangible fixed assets	11	49,886	23,919
Loss on disposal of tangible fixed assets		-	1,647
(Increase)/decrease in stock		(546,446)	21,296
Decrease in debtors		1,159,900	3,248,017
Increase in creditors		<u>373,292</u>	<u>112,738</u>
Net cash provided by operating activities		<u>1,071,370</u>	<u>4,881,158</u>
Cash flow from investing activities			
Interest receivable & income on fixed asset investments		-	3,031
Purchase of fixed assets	11	<u>(54,457)</u>	<u>(138,324)</u>
Net cash used in investing activities		<u>(54,457)</u>	<u>(135,293)</u>
Increase in cash and cash equivalents	17	<u><u>1,016,913</u></u>	<u><u>4,745,865</u></u>

The notes on pages 21 to 28 form part of these financial statements.

KIDS OPERATING ROOM

NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2021

1. ACCOUNTING POLICIES

(a) Basis of accounts preparation

The financial statements are prepared under the historical cost convention, 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) - (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006. The company constitutes a public benefit entity as defined by FRS 102.

(b) Going concern

We have prepared forecasts based on the understanding that we have adequate working capital for our operations for the next 12 months from the date of approval of these financial statements.

We have taken actions to mitigate as much as possible effects of Covid-19, using local supplier for installations, ordering equipment in advance. The potential risks will be less compared to the last year. The risks are constantly being reviewed and appropriate actions taken to reduce/mitigate this risk.

At this stage, the Covid-19 is not impacting our business and based on our experience to date we expect this to remain the same. We don't expect any adverse impact to our ability to hit our income targets in the upcoming year. At the year-end we are in a very strong cash position and in line with our forecasts income and we expect this to continue in 2022.

We will continue to follow the various government policies and advice and, in parallel, we will continue our operations in the best and safest way possible without compromising the health of our people.

(c) Income

i) Donations and legacies

Donations and legacies are included in the Statement of Financial Activities in the year in which the charity has entitlement to the funds and it is probable that the income will be received and the amount can be measured reliably. Income includes:

Grant funding included in this category provides funding to support activities and is recognised where there is entitlement, probability of receipt, and the amount can be measured with sufficient reliability.

ii) Investment income

Income from investments is included in the Statement of Financial Activities in the year in which it is receivable.

iii) Donated facilities

Donated facilities are recognised when the charitable company has control over the item and the economic benefit can be measured reliably. On receipt the donated facilities are recognised on the basis of the value of the gift to the charitable company, which is the equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

(d) Expenditure

Liabilities are recognised when the charity has an obligation to make a payment to a third party.

Resources expended are included in the Statement of Financial Activities on an accruals basis, inclusive of any irrecoverable VAT.

Expenditure is directly attributed to the relevant category in the Statement of Financial Activities where practical.

KIDS OPERATING ROOM

NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2021

1. ACCOUNTING POLICIES (continued)

(d) Expenditure - continued

i) Grants to third parties predominantly related to medical training

Grants or instalments of grants offered in connection with projects with institutions are charged to the Statement of Financial Activities in the year when the offer is conveyed to the recipient except in those cases where the offer is conditional and the conditions are within the control of the charity, such grants being recognised as expenditure when payment is made.

Conditional grants where the conditions are outwith the control of the charity are charged to the Statement of Financial Activities in full in the year in which the offer is conveyed.

Grants which have been conveyed in the year but not recognised as expenditure are disclosed as contingent liabilities in the financial statements.

ii) Direct costs relating to the set up of surgical facilities

Direct costs are charged to the Statement of Financial Activities as costs are incurred, with the exception of equipment purchased for setting up surgical facilities. Such equipment is charged to the Statement of Financial Activities on completion of the installation.

iii) Support costs of the charity.

Support costs are those incurred directly in support of expenditure on the objects of the charity and include central overhead costs. The costs are charged to the Statement of Financial Activities in the period to which they relate.

(e) Taxation

Kids Operating Room is considered to pass the tests set out in Schedule 6, Part 1 of the Finance Act 2010 and therefore meets the definition of a charitable company for UK corporation tax purposes. Accordingly, the Company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Part II, Chapter 3 of the Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992, to the extent that such income or gains are applied exclusively to charitable purposes.

(f) Tangible fixed assets and depreciation

Fixed assets are capitalised at cost and written off over their expected useful lives as follows:

Plant and equipment	Straight line, 5-years for office furniture and 3-years for other fixed assets.
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(g) Stock

Stocks are stated at the lower of cost and net realisable value. Net realisable value represents the estimated amount which would currently be obtained from disposal of an asset after deducting estimated costs of disposal.

(h) Foreign currencies

Assets, liabilities, revenues and costs denominated in foreign currencies are recorded at the rates of exchange ruling at the dates of the transactions; monetary assets and liabilities at the balance sheet date are translated at the year-end rate of exchange. The resulting profits or losses are dealt with in the Statement of Financial Activities.

(i) Funds

Unrestricted funds include incoming resources receivable or generated for the objects of the charity without further specified purpose and are available as general funds. These funds can be used in accordance with the charitable objects at the discretion of the directors.

Restricted funds are to be used for specific purposes as laid down by the donor.

(j) Pensions

Eligible employees are members of defined contribution pension schemes. Pension costs charged to the Statement of Financial Activities represents the contributions payable by the company in the year.

KIDS OPERATING ROOM

NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2021

(k) Financial instruments

The charitable company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable and loans to related and third parties.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

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

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

(l) Debtors

Debtors are recognised and valued at the settlement amount after any applicable provisions. Prepayments are recognised at the amount prepaid.

(m) Cash at bank and in hand

Cash at bank and at hand includes cash and short term highly liquid investments.

(n) Liabilities and provisions

Liabilities are recognised when there is an obligation at the balance sheet date as a result of past events, it is probable a transfer of economic resource will be required in settlement and the amount can be reliably measured. Liabilities are recognised at the amount the charitable company anticipates it will pay to settle the debt.

2 JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements, requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported during the year for income and expenditure. However, the nature of estimation means that actual outcomes could differ from those 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.

KIDS OPERATING ROOM

NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2021

3 DONATIONS AND LEGACIES

	2021 £	2020 £
Donations - Restricted Funds		
Donated Facilities	100,000	97,188
SmileTrain	1,285,032	2,942,463
Covid-19 PPE	16,687,133	-
Others	574,052	381,428
	<u>18,646,217</u>	<u>3,421,079</u>
Donations - Unrestricted Funds		
Donations	1,601,396	1,046,890
	<u>1,601,396</u>	<u>1,046,890</u>
	<u>20,247,613</u>	<u>4,467,969</u>

During the year the charitable company benefited from donated facilities from DC Thomson and the Speratus Group Ltd which were deemed to have a market value of £100,000 (2020 - £97,188). Income and a corresponding cost (Note 6) have been recognised in respect of these donations for the year ended 31 December 2021.

In addition to the above the charity benefited from certain administrative functions from The Wood Foundation which were provided without charge. The directors consider the value of these donations to be immaterial, therefore have not recognised this in the accounts.

During the year restricted funds were received from SmileTrain. All the funds was for the installation of operating rooms in the different hospitals across Africa except for a training grant of £438,398 which was used for trainees scholarships.

Covid-19 PPE donations received relates to the donation of equipment to support the Covid-19 relief efforts, income and a corresponding cost based on the deemed market value of these donations have been recognised within income and costs in the current year with any remaining equipment held in stock at the year end. Also included within this heading are cash donations to support with the acquisition of further related equipment and related shipping costs.

Others - restricted grants was received from various donors which were used for the installation of operating rooms and to provide scholarships to local trainee surgeons in Africa.

4 INCOME FROM INVESTMENTS

	2021 £	2020 £
Bank interest receivable	-	3,031

5 EXPENDITURE ON RAISING FUNDS

	2021 £	2020 £
Fundraising Team	282,252	44,905
Fundraising Events	25,572	20,932
	<u>307,824</u>	<u>65,837</u>

6 EXPENDITURE ON CHARITABLE ACTIVITIES

	Surgical £	2021 £	2020 £
Direct costs:			
Unit Costs	1,732,777	1,732,777	1,325,770
Head Office Costs	677,061	677,061	579,025
Warehouse Costs	499,663	499,663	420,548
Africa Costs	157,159	157,159	102,817
Covid-19 PPE	16,383,000	16,383,000	-
	<u>19,449,660</u>	<u>19,449,660</u>	<u>2,428,160</u>
Support costs:			
Research & Advocacy Costs	130,947	130,947	181,569
Trainee & Scholarship Costs	146,218	146,218	138,447
Conferences & Seminar	112,212	112,212	-
Professional Fees	55,580	55,580	26,812
Other costs	10,434	10,434	153,603
	<u>455,390</u>	<u>455,390</u>	<u>500,431</u>
	<u>19,905,050</u>	<u>19,905,050</u>	<u>2,928,591</u>

In 2020, of the total expenditure on charitable activities, £1,830,723 was to unrestricted funds and £1,097,868 was to restricted funds.

KIDS OPERATING ROOM
NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2021

7 GOVERNANCE COSTS

	2021 £	2020 £
Auditor remuneration - UK	19,170	12,076
Legal	4,923	11,935
	<u>24,093</u>	<u>24,011</u>

8 NET MOVEMENT IN TOTAL FUNDS FOR THE YEAR is stated after charging:

	2021 £	2020 £
Auditor remuneration - audit fees	<u>13,800</u>	<u>9,240</u>

9 STAFF COSTS AND NUMBERS

	2021 £	2020 £
Staff costs		
Wages & Salaries	843,365	660,775
Social Security	90,936	60,461
Pension Costs	52,844	39,837
	<u>987,145</u>	<u>761,073</u>

The average number of persons employed during the year was as follows:

	2021 No.	2020 No.
Senior Management	5	4
Management & Administration	16	10
	<u>21</u>	<u>14</u>

During the year 3 employees within the group received emoluments of over £60,000 (2020: 4). Pension contributions totalling £20,000 were paid into direct contribution pension schemes in respect of 2 of these individuals (2020: £24,000, 3 individual). The Directors consider that it would be operationally sensitive to disclose any further remuneration information in respect of these individuals.

10 DIRECTORS' EMOLUMENTS AND EXPENSES

The Directors received no remuneration from the charity during the current period.

No Directors received or waived any expenses from the charity during the current period.

KIDS OPERATING ROOM
NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2021

11	TANGIBLE FIXED ASSETS	Plant & equipment	
		2021	2020
		£	£
	COST		
	At 1 January 2021	159,793	23,783
	Additions	54,457	138,324
	Disposals	-	(2,314)
	At 31 December 2021	<u>214,250</u>	<u>159,793</u>
	DEPRECIATION		
	At 1 January 2021	32,014	8,762
	Charge for the year	49,886	23,919
	Disposals Deprecation	-	(667)
	At 31 December 2021	<u>81,900</u>	<u>32,014</u>
	NET BOOK VALUES		
	At 31 December 2021	<u>132,350</u>	<u>127,779</u>
	At 1 January 2021	<u>127,780</u>	<u>15,021</u>
12	STOCK	2021	2020
		£	£
	Medical equipment	<u>1,542,226</u>	<u>995,780</u>
13	DEBTORS	2021	2020
		£	£
	Other debtors	594,774	1,135,975
	Prepayments and accrued income	<u>101,045</u>	<u>719,743</u>
		<u>695,818</u>	<u>1,855,718</u>
14	CREDITORS: amounts falling due within one year	2021	2020
		£	£
	Trade creditors	313,200	99,817
	Social security and other taxes	31,276	17,311
	Accruals and deferred income	<u>179,325</u>	<u>33,381</u>
		<u>523,801</u>	<u>150,509</u>

An amount totalling £NIL (2020 - £3,793) is accrued at the year end in relation to pension contributions.

KIDS OPERATING ROOM
NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2021

15 FINANCIAL INSTRUMENTS

	2021 £	2020 £
Financial assets		
Financial assets measured at fair value through profit or loss	5,971,854	4,954,941
Financial assets measured at amortised cost	<u>594,774</u>	<u>1,135,975</u>
	<u>6,566,628</u>	<u>6,090,916</u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u>492,525</u>	<u>133,198</u>

16 MOVEMENT IN FUNDS

	Brought forward £	Income £	Expenditure £	2021 Carried forward £
General Fund - Unrestricted	<u>6,193,353</u>	<u>1,601,396</u>	<u>(2,204,631)</u>	<u>5,590,118</u>
Restricted Funds				-
Donated Facilities	-	100,000	(100,000)	-
SmileTrain	1,448,534	1,285,032	(1,152,543)	1,581,023
Covid-19 PPE	-	16,687,133	(16,383,000)	304,132
Others	141,821	574,052	(372,700)	343,173
	<u>1,590,356</u>	<u>18,646,217</u>	<u>(18,008,243)</u>	<u>2,228,329</u>
Total Funds	<u>7,783,709</u>	<u>20,247,613</u>	<u>(20,212,874)</u>	<u>7,818,448</u>

Restricted funds include a fund for specific projects, office and warehouse facilities donated to the charitable company and the related deemed costs (Note 3).

Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	2021 £
Tangible fixed assets	132,350	-	132,350
Current assets	5,981,570	2,228,329	8,209,899
Current liabilities	<u>(523,801)</u>	<u>-</u>	<u>(523,801)</u>
At 31 December 2021	<u>5,590,118</u>	<u>2,228,329</u>	<u>7,818,448</u>

KIDS OPERATING ROOM**NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2021****16 MOVEMENT IN FUNDS (continued)**

The comparative figures for 2020 were:

	Brought forward £	Income £	Expenditure £	2020 Carried forward £
General fund - unrestricted	6,307,137	1,049,921	(1,163,705)	6,193,353
Restricted funds				
Donated facilities	-	97,188	(97,188)	-
SmileTrain		2,942,463	(1,493,928)	1,448,535
Other		381,428	(239,607)	141,821
	-	3,421,079	(1,830,723)	1,590,356
Total funds	6,307,137	4,471,000	(2,994,428)	7,783,709

Restricted funds include a fund for specific projects, office and warehouse facilities donated to the charitable company and the related deemed costs (Note 3).

Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	2020 £
Tangible fixed assets	127,779	-	127,779
Current assets	6,216,083	1,590,356	7,806,439
Current liabilities	(150,509)	-	(150,509)
At 31 December 2020	6,193,353	1,590,356	7,783,709

17 ANALYSIS OF CHANGES IN CASH IN YEAR

	2021 £	2020 £
Cash at bank and in hand at 1 January 2021	4,954,941	209,076
Increase/(decrease) in cash and cash equivalents	1,016,913	4,745,865
At 31 December 2021	5,971,854	4,954,941

18 RELATED PARTY TRANSACTIONS**Control**

Throughout the year the company was controlled by the Board of Directors.

Transactions

During the year, the charitable company benefited from donated office facilities valued at £10,000 (2020 - £17,188) and paid £83,700 (2020 - £20,500) in respect of these office facilities to the Speratus Group Ltd, a company of which Gareth Wood and Graham Good are Directors.

During the year, the charity paid £106,607 (2020 - £68,667) to The Wood Foundation Africa, a charity of which Gareth Wood and Graham Good served as Trustees during 2021. A further payment of £55,010 (2020 - £39,006) is due at the year ended 31 December 2021. These payments were for Kids OR Africa office rents and staff salaries.

During the year the charitable company was awarded grants amounting to £1,312,000 (2020 - £NIL) from the Wood Foundation, a charity of which Gareth Wood and Graham Good served as Trustees during 2021. The total amount outstanding in relation to this grant at the year ended 31 December 2021 is £NIL (2020 - £NIL).

19 OPERATING LEASE COMMITMENT

At 31 December 2021 the charity had future minimum lease payments under non-cancellable operating leases of £174,594 (2020 - £127,100).