

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 2022

KIDS OPERATING ROOM
DIRECTORS' ANNUAL REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2022

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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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39 Albyn Place
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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 (KidsOR).

Much like the previous year, KidsOR has had another hugely busy and productive year:

- We opened our 50th Operating Room, including attending the official opening of our Operating Room at Kakuma Refugee Camp in Kenya.
- At an event held in Westminster we looked at how the UK can best assist low-income countries to strengthen their health care systems, with a particular focus on surgery as a high-priority area for investment.
- We witnessed the handover of our PPE in Zambia, as well as also supplying lifesaving PPE to front line workers across eight other countries.
- We launched our solar surgery system in front of a large audience during a side event at the United Nations General Assembly. This system reduces hospital running costs, reduces carbon emissions and improves patient care. We look forward to rolling this out across multiple countries in 2023.
- As well as signing a joint MOU with University of California San Francisco (UCSF) on processing our data, in the same month we also hosted colleagues from our successful partnership with Smile Train for team building and planning.
- Throughout the year we hosted several MPs and MSPs to discuss advocating for our work and developing cross-party relationships in both the Scottish and UK parliaments.
- We continued to foster new partnerships with other key stakeholders and have successfully increased the number of fundraising partnerships, most notably with ELMA Philanthropy.

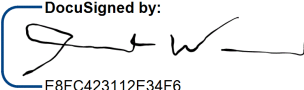
KidsOR is now providing capacity for more than 35,000 children a year to have an operation. This is a staggering figure and Nicola and I continue to be hugely grateful to CEO, David Cunningham and the entire KidsOR team for their relentless work, dedication and planning, which has seen us install 24 new Operating Rooms in 2022.

As the team continued to adapt to a pandemic-aware way of working this year, I'd also like to thank Lesley Glen, Chief Operating Officer of KidsOR, who spent time with all our staff to review working arrangements and then coordinated the launch of a new hybrid working policy, which has been implemented globally and widely welcomed by the entire KidsOR team.

We also engaged with our staff over the course of 2022 on our ambitions and values to help shape our next five-year strategy. I am excited to launch this next 'chapter' of KidsOR - with a great team in place, shared values and a relentless work ethic, together we can achieve our mission, of a world where every child can access surgery.

Finally, in early 2023, KidsOR will be 5 years old: Working across 27 countries we have created capacity for almost 100,000 operations since we started. That many operations prevents some 1.5 million years of disability from ever happening because children now survive or live disability free thanks to their operation. What's more, because these children can grow up and contribute to their nations' futures, 100,000 operations can be calculated in economic benefit too - and it's almost \$3 Billion of value over the lifetimes of those children. Nicola and I could not be prouder of our charity and the brilliant team behind it.

Just think what we can achieve over the next five years and more...

DocuSigned by:

E8FC423112E34F6...
Garreth Wood
Chairman

KIDS OPERATING ROOM DIRECTORS' ANNUAL REPORT

The Trustees present their annual report and accounts for the year ended 31 December 2022.

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) (effective 1 January 2015)' 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 of care, audit activity and plan for anticipated case load.

Achievements and Performance

In 2022 KidsOR continued to make strides towards delivering our vision to ensure children have access to safe surgery when they need it.

By the end of the year capacity for over 100 operations every day, had been increased in our Operating Rooms around the world. In 2022 alone, over 525,000 years of disability were prevented from ever happening thanks to the operations taking place in our facilities.

By the end of 2022 we had 59 Operating Rooms in action with a further 4 in transit - each one comprising of 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.

We celebrated a number of "firsts" during 2022 – opening an Operating Room in the Kakuma refugee camp, the world's first dedicated paediatric Operating Room in a refugee setting. We also shipped our first Operating Room to Asia, which will be installed early in 2023 in Kabul; delivering much needed care to the children of Afghanistan.

We were delighted to be shortlisted for the Big Impact category at the UK Third Sector Awards during the year, recognising this crucial impact that our work is having on the provision of care for children in the countries where we work.

We know that every Operating Room we open will provide capacity to provide an average of 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. With 59 Operating Rooms in service at the end of 2022, this means that we go into 2023 with capacity to provide more than 35,000 children with the essential care they need each year.

Our research activity is also vital as it helps us assess how our Operating Rooms help improve quality of care, as well as quantity of care. With a solid and growing base of evidence we have been delighted during 2022 to be able to play an important role in raising awareness of the important part surgery plays in strengthening health systems. In June 2022 we were pleased to gather influential stakeholders at a global health event in Westminster to further explore the importance of these interventions.

We took part in the COSESCA annual conference in Namibia in December 2022 where we were able to share our research with partners and stakeholders. Our commitment to collecting data in conjunction with our local partners was evident, as many of the other contributors at the conference utilised data from KidsOR facilities to develop their research and share findings.

**KIDS OPERATING ROOM
DIRECTORS' ANNUAL REPORT**

Achievements and Performance - continued

Our work to support our local partners in health system strengthening continued to gather pace during 2022 with our team providing support to the government of Uganda in developing its plan to develop paediatric surgical care, and our team also participated in the development of National Surgical Obstetric and Anaesthesia Plans with partner nations across the region.

In 2022 our surgical training scholarships and support projects gathered pace. The Pan African Paediatric Surgery E-Learning Platform (PAPSEP) continued to grow with an increase of 20 users. This substantial project has been delivered with partners at the Royal College of Surgeons of Ireland and both main Colleges of Surgeons in Africa. It is the world's first e-learning platform for paediatric surgery that is designed for, and created by, low-income country surgeons with the objective of helping drive up quality of teaching and graduating trainees.

Elsewhere, 20 more trainees started on paediatric surgery scholarships during 2022 and we worked closely with our partner Smile Train to continue to grow the numbers of surgeons delivering care in Africa. By the end of 2022 12 scholars had graduated through our programmes.

We were excited in 2022 to develop a solar support system for our Operating Rooms, which not only tackles the challenge of resilience of electricity supply but helps reduce the carbon footprint of the hospital by harnessing the power of the sun to provide power and back-up capacity. We are excited in 2023 to pilot the roll out of this new initiative into a selection of sites, alongside our key partner Smile Train.

During 2021 KidsOR worked in partnership with the Scottish Government to provide PPE to a number of low-income countries as part of the global effort to tackle the Covid 19 pandemic. Over the course of 2022 we maintained our working relationship with the Scottish Government and took delivery of additional PPE and equipment, which will enable us to continue to help equip many of our partner hospitals to work effectively and safely. This partnership enables equipment to be quickly put into use helping those most in need.

We consolidated our commitment to Social Responsibility during 2022, launching our Social Responsibility Statement and establishing a network of internal champions to ensure the commitments we have made are embedded in all that we do.

Structure and Governance

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

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

During 2022 the Trustees undertook a full review of the strategy and have published an ambitious strategy to drive our charitable activities over the next 5 years.

The Board of Trustees 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 Trustee of the Foreign Policy Centre and 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.

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

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

In 2022 the Board commenced a review of the structure for securing clinical advice with advisors from the countries we support and from people with lived experience of what we are trying to achieve. The Board will consider detailed proposals with a view to implementation during 2023.

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, key partners 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 and local markets 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.

Trustees

Trustees are appointed for three-year terms with an option to stand for re-election at the end of each three-year period. Trustees 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, Trustees receive an induction from the Chief Executive with new Trustees 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 Trustees 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 2022, and up to the date of signing, the following individuals served as Trustees of the charity and as directors of the company, and their attendance at Board is set out below.

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

* Chair

KIDS OPERATING ROOM
DIRECTORS' ANNUAL REPORT

2022 Financial Performance

Kids Operating Room has delivered a robust financial performance during 2022 despite the ongoing challenges caused by the wider pandemic and the challenges facing the global and UK economies throughout 2022.

Income for the year was £7.1m compared to £20.2m in 2021. In 2021 income reflected the significant donation of PPE in relation to Covid19 support in low-income countries (£16.7m) which has now been distributed to beneficiary countries. Support provided of donated equipment in 2022 totalled £2.4m. Excluding the impact of these significant donations of PPE and other equipment, other sources of income therefore grew in 2022 by £1.5m compared to the prior year.

We have continued to work closely with our key partner Smile Train in 2022 on a number of projects. We secured significant investment in a 5-year programme through the Elma Foundation to support a programme in Zimbabwe, Zambia and Malawi. We are also working closely with the Scottish Government to deliver key projects in Zambia and Malawi.

We benefited from gifts-in-kind support primarily from DC Thomson who kindly donated warehouse space to the charity and from The Speratus Group (owned by our chairman), who own the building where our head office is based, some of which is provided as gift-in-kind support to the charity.

During 2022 expenditure remained controlled within our budgeted parameters, totalling £4.2m, resulting in a reported surplus of £2.9m. Total reserves increased by £2.9m with the balances anticipated to reduce over 2023 as projects are delivered.

Reserves Policy

Our aim is to generate a level of surplus that maintains sufficient reserves to ensure liquidity, provides headroom for strategic investment and ensures resilience against financial risks. Given the specifics of accounting rules for revenue that require recognition in the year when a commitment is secured this means that there can be significant variations in reported results where projects cross years. Our aim therefore is to ensure we maintain reserves over the medium-term taking account of cross year variations. The Board have considered the reserves required, taking into account current and future liabilities, and have agreed that a target minimum cash balance of £2m should be maintained.

Risk

The Board has considered its risk appetite during 2022 and the organisation maintains a risk register that is frequently reviewed and updated by the Senior Management Team and considered by the Board.

KidsOR is exposed to external risks arising from the economic climate and inflation, with the ongoing impact of global conflicts and cost of living crisis posing a risk to the ability of charities in all sectors to raise funds. KidsOR is investing in growing the fundraising team and our new 5-year strategy takes steps to diversify the income sources.

In terms of our operations, 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. The charity ensures staff travelling to such places are suitably prepared and deploys significant security systems and training to ensure staff remain safe. 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.

Risk associated with reputational damage remains high in our awareness. All staff and volunteers receive safeguarding training which 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 these are monitored to manage impact in this area, whilst an element of purchasing in USD helps to mitigate this risk.

As the recruitment market continues to be difficult, and at a time of growth for the charity, we are alert to the risks that any difficulties in recruitment and retention may pose to our operations. During 2022 the charity has focussed on this area with key steps including a review of our flexible working policies, strong commitment to supporting staff through the cost-of-living challenges and a focus on staff engagement.

**KIDS OPERATING ROOM
DIRECTORS' ANNUAL REPORT**

Investment Policy

The Board continued to opt for funds to remain available for use during 2022 and has not deployed an investment policy. During 2023 with available interest rates rising and taking account of projected cash balances, KidsOR will take steps to generate interest from introducing deposit account options, and more widely will revisit options for putting an investment policy in place.

Plans for the Future

During 2022 the Board defined an ambitious strategy for the next 5 years to move closer to our vision of a world where every child has access to safe surgery.

We have set out four key strategic objectives to deliver the strategy. By 2027 we will :

- Create capacity for 200,000 children a year to access safe surgery
- Deliver 1,000 training opportunities
- Collect data in all new partner hospitals for at least 3 years followed by a transition to locally led data control. 20 peer reviewed publications will also be sought in high-impact journals
- Surgery for children ought to be a core pillar in each country National Plan and we will advocate to ensure this happens in at least 10 low-income countries. In high-income countries we will advocate for a funding shift towards wider health system strengthening (including surgery) from donor nations

We have set out our 2023 Business Plan with clear targets and performance indicators at team and individual levels, defining the steps we will take in 2023 to drive these strategic objectives forward.

During 2023 we plan to explore the potential for commercial opportunities around our areas of expertise as part of the diversification of revenue, in line with our strategy.

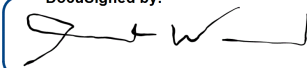
During 2022 a charitable body was set up in the USA, Kids Operating Room USA Inc, who intend to work in close partnership with KidsOR to raise funds to deliver high impact projects in low-resource settings. We are delighted to be working in partnership with Kids Operating Room USA and look forward to working closely with them as they launch during 2023.

Connected Bodies

Graham Good was a Trustee of The Wood Foundation during 2022 and Garreth Wood and Graham Good are also Directors of the Speratus Group. The Speratus Group owns the building where our head office is based, some of which is provided as gift-in-kind support to the charity.

Going Concern

The Trustees 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.

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Chairman - Garreth Wood

5/26/2023

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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 AUDITOR REPORT TO THE DIRECTORS OF
KIDS OPERATING ROOM

Opinion

We have audited the financial statements of Kids Operating Room (the 'charitable company') for the year ended 31 December 2022 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 2022 and of its incoming resources and application of resources, including its income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, 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 Auditor 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

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 Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity'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.

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 Auditor 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 DIRECTORS 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 DIRECTORS 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 DIRECTORS 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.

DocuSigned by:

ABA0857FA74F43C...
5/30/2023

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:

KIDS OPERATING ROOMSTATEMENT OF FINANCIAL ACTIVITIES (incorporating income and expenditure account)
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	Unrestricted Funds £	Restricted Funds £	2022 £	2021 £
INCOME AND ENDOWMENTS FROM:					
Donations and legacies	3	<u>2,352,780</u>	<u>4,764,631</u>	<u>7,117,411</u>	<u>20,247,613</u>
TOTAL		<u>2,352,780</u>	<u>4,764,631</u>	<u>7,117,411</u>	<u>20,247,613</u>
EXPENDITURE ON:					
Raising funds	4	317,751	-	317,751	307,824
Charitable activities	5	<u>1,489,682</u>	<u>2,426,303</u>	<u>3,915,984</u>	<u>19,905,050</u>
TOTAL		<u>1,807,433</u>	<u>2,426,303</u>	<u>4,233,736</u>	<u>20,212,874</u>
NET MOVEMENT IN FUNDS	7	545,347	2,338,328	2,883,676	34,739
RECONCILIATION OF FUNDS					
Total funds brought forward		<u>5,590,118</u>	<u>2,228,329</u>	<u>7,818,448</u>	<u>7,783,709</u>
Total funds carried forward	15	<u><u>6,135,466</u></u>	<u><u>4,566,657</u></u>	<u><u>10,702,123</u></u>	<u><u>7,818,448</u></u>

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

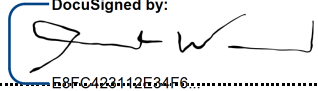
The notes on pages 18 to 25 form part of these financial statements.

KIDS OPERATING ROOM
COMPANY NUMBER: SC585374
BALANCE SHEET - 31 DECEMBER 2022

	Note	2022 £	2021 £
FIXED ASSETS			
Tangible fixed assets	10	<u>105,993</u>	<u>132,350</u>
		<u>105,993</u>	<u>132,350</u>
CURRENT ASSETS			
Stock	11	4,201,105	1,542,226
Debtors	12	3,180,092	695,818
Cash at bank and in hand	16	<u>3,487,769</u>	<u>5,971,854</u>
		10,868,966	8,209,899
CREDITORS: <i>amounts falling due within one year</i>	13	<u>(272,835)</u>	<u>(523,801)</u>
NET CURRENT ASSETS		<u>10,596,130</u>	<u>7,686,098</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		10,702,123	7,818,448
NET ASSETS		<u><u>10,702,123</u></u>	<u><u>7,818,448</u></u>
FUNDS			
Unrestricted funds	15	6,135,466	5,590,118
Restricted funds	15	<u>4,566,657</u>	<u>2,228,329</u>
		<u>10,702,123</u>	<u>7,818,448</u>

The notes on pages 18 to 25 form part of these financial statements.

Signed on behalf of the Board of Directors

DocuSigned by:

 E8FC423442E34F6.....
 Chairman - Gareth Wood
 5/26/2023
 Date

KIDS OPERATING ROOM
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £	2021 £
Net cash flow from operating activities			
Net income for the year		2,883,676	34,739
Depreciation of tangible fixed assets	10	52,107	49,886
Increase in stock		(2,658,879)	(546,446)
Increase/Decrease in debtors		(2,484,274)	1,159,900
(Decrease)/Increase in creditors		<u>(250,966)</u>	<u>373,292</u>
Net cash provided by operating activities		(2,458,335)	1,071,370
Cash flow from investing activities			
Purchase of fixed assets	10	<u>(25,750)</u>	<u>(54,457)</u>
Net cash used in investing activities		(25,750)	(54,457)
(Decrease)/Increase in cash and cash equivalents	16	<u><u>(2,484,085)</u></u>	<u><u>1,016,913</u></u>

The notes on pages 18 to 25 form part of these financial statements.

KIDS OPERATING ROOM

NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2022

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

The directors have evaluated the charitable companies ability to continue as a going concern after reviewing the projected income and expenditure for the next twelve months from the date of approval of these financial statements and have concluded that the company has sufficient resources to continue its operations in the foreseeable future.

The charity has an agreed strategy and business plan and continues to invest in fundraising resources to secure funding through donations, grants, and other sources.

There will be risks and challenges due to changes in the economic climate and inflationary pressures, which could affect our performance and projected cash flow. Therefore management continually monitors its financial position and has stress tested the projected cash flow for adverse scenarios.

(c)

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 use.

(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 2022

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 core activities

Direct costs are charged to the Statement of Financial Activities as expenses incurred.

iii) Support costs of the charity.

Support costs are charged to the Statement of Financial Activities as expenses incurred.

(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

Stock is 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 2022

(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 JUDGEMENTS 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 2022

3 DONATIONS AND LEGACIES

	2022 £	2021 £
Donations - Restricted Funds		
Donated Facilities	100,000	100,000
Donations for Surgical Capacity Programmes	3,582,808	1,285,032
Covid 19 PPE	-	16,687,133
Others	<u>1,081,823</u>	<u>574,052</u>
	<u>4,764,631</u>	<u>18,646,217</u>
Donations - Unrestricted Funds		
Donations Equipment	2,298,665	270,782
Donations Others	<u>54,116</u>	<u>1,330,614</u>
	<u>2,352,780</u>	<u>1,601,396</u>
	<u>7,117,411</u>	<u>20,247,613</u>

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 (2021 - £100,000). Income and a corresponding cost (Note 6) have been recognised in respect of these donations for the year ended 31 December 2022.

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.

The charity received £3,583k (2021- £1,285k) in donations and grants for programmes to develop surgical capacity. These programmes are to support the development of operating rooms and training of surgeons across a range of Low and Middle Income Countries. Significant supporters of this activity during 2022 included Smiletrain, the Elma Philanthropies and Scottish Government.

Donations were received in 2021 to support the Covid 19 relief efforts. As at 31 December 2022 these donations have all been distributed to beneficiaries apart from a small value of residual stock (£48k).

Other restricted donations received during the year primarily funded individual operating room projects.

Donations of equipment to support healthcare in LMICs were received in 2022 to the value of £2,299k (2021- £271k) and other unrestricted donations included donations from fundraising events and individual donors.

4 EXPENDITURE ON RAISING FUNDS

	2022 £	2021 £
Fundraising Team	311,199	282,252
Fundraising Events	<u>6,552</u>	<u>25,572</u>
	<u>317,751</u>	<u>307,824</u>

5 EXPENDITURE ON CHARITABLE ACTIVITIES

	2022 £	2021 £
Direct costs:		
Surgical Installation Costs	1,664,442	1,732,777
Warehouse Costs	486,755	499,663
Africa Costs	276,559	157,159
Covid-19 PPE	255,171	16,383,000
Research & Advocacy Costs	290,367	130,947
Trainee & Scholarship Costs	<u>368,209</u>	<u>146,218</u>
	<u>3,341,502</u>	<u>19,049,763</u>
Support costs:		
Head Office Costs	561,873	677,061
Conferences & Seminars	127,802	112,212
Professional Fees & Other Costs	117,819	70,601
Exchange (Gain)	<u>(233,011)</u>	<u>(4,587)</u>
	<u>574,483</u>	<u>855,286</u>
	<u>3,915,984</u>	<u>19,905,049</u>

In 2022, the total expenditure on unrestricted charitable activities was £1,489,682 (2021 - £1,896,807) and in 2022 £2,426,303 (2021 - £18,008,243) was for restricted funds.

KIDS OPERATING ROOM

NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2022

6 GOVERNANCE COSTS

	2022 £	2021 £
Auditor and Accountancy Services	17,394	19,170
Legal	19,179	4,923
	<u>36,573</u>	<u>24,093</u>

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

	2022 £	2021 £
Auditor Remuneration - Statutory Audit	<u>16,200</u>	<u>13,800</u>

8 STAFF COSTS AND NUMBERS

	2022 £	2021 £
Staff costs		
Wages & Salaries	1,059,973	843,365
Social Security	122,068	90,936
Pension Costs	62,837	52,844
	<u>1,244,878</u>	<u>987,145</u>

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

	2022 No.	2021 No.
Senior Management	4	5
Management & Administration	21	16
	<u>26</u>	<u>21</u>

During the year 3 employees within the group received emoluments of over £60,000 (2021: 2). Pension contributions totalling £30,000 circa were paid into direct contribution pension schemes in respect of 3 of these individuals (2021: £20,000 circa, 2 individual). The Directors consider that it would be operationally sensitive to disclose any further remuneration information in respect of these individuals.

9 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 2022

10	TANGIBLE FIXED ASSETS	Plant & equipment 2022 £	Plant & equipment 2021 £
	COST		
	At 1 January 2022	214,250	159,793
	Additions	25,750	54,457
	Disposals	-	-
	At 31 December 2022	<u>240,000</u>	<u>214,250</u>
	DEPRECIATION		
	At 1 January 2022	81,900	32,014
	Charge for the year	52,107	49,886
	Disposals Deprecation	-	-
	At 31 December 2022	<u>134,007</u>	<u>81,900</u>
	NET BOOK VALUE		
	At 31 December 2022	<u>105,993</u>	<u>132,350</u>
	At 1 January 2022	<u>132,350</u>	<u>127,780</u>
11	STOCK	2022 £	2021 £
	Medical equipment	<u>4,201,105</u>	<u>1,542,226</u>
12	DEBTORS	2022 £	2021 £
	Other debtors	3,085,600	594,774
	Prepayments and accrued income	94,492	101,045
		<u>3,180,092</u>	<u>695,819</u>
13	CREDITORS: amounts falling due within one year	2022 £	2021 £
	Trade creditors	189,728	313,200
	Social security and other taxes	49,791	31,276
	Accruals	33,315	179,325
		<u>272,835</u>	<u>523,801</u>

No amount in relation to pension contributions is accrued at the year end (2021 - £NIL).

KIDS OPERATING ROOM

NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2022

14 FINANCIAL INSTRUMENTS

	2022 £	2021 £
Financial assets		
Financial assets measured at fair value through profit or loss	3,487,769	5,971,854
Financial assets measured at amortised cost	<u>3,085,600</u>	<u>594,774</u>
	<u><u>6,573,369</u></u>	<u><u>6,566,628</u></u>
Financial liabilities		
Financial liabilities measured at amortised cost	<u><u>223,044</u></u>	<u><u>492,525</u></u>

15 MOVEMENT IN FUNDS

	Brought forward £	Income £	Expenditure £	2022 Carried forward £
General Fund - Unrestricted	<u>5,590,118</u>	<u>2,352,780</u>	<u>(1,807,433)</u>	<u>6,135,466</u>
Restricted Funds				
Donated Facilities	-	100,000	(100,000)	-
Donations for Surgical Capacity Programmes	1,581,023	3,582,808	(1,503,248)	3,660,584
Covid 19 PPE	304,132	-	(255,171)	48,962
Others	<u>343,173</u>	<u>1,081,823</u>	<u>(567,884)</u>	<u>857,112</u>
	<u><u>2,228,329</u></u>	<u><u>4,764,631</u></u>	<u><u>(2,426,303)</u></u>	<u><u>4,566,657</u></u>
Total Funds	<u><u>7,818,448</u></u>	<u><u>7,117,411</u></u>	<u><u>(4,233,736)</u></u>	<u><u>10,702,123</u></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 £	2022 £
Tangible fixed assets	105,993	-	105,993
Current assets	6,302,308	4,566,657	10,868,966
Current liabilities	<u>(272,835)</u>	<u>-</u>	<u>(272,835)</u>
At 31 December 2022	<u><u>6,135,466</u></u>	<u><u>4,566,657</u></u>	<u><u>10,702,123</u></u>

KIDS OPERATING ROOM

NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2022

15 MOVEMENT IN FUNDS (continued)

The comparative figures for 2021 were:

	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)	-
Donations for Surgical Capacity Programmes	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	5,981,569	2,228,329	8,209,899
Current liabilities	(523,801)	-	(523,801)
At 31 December 2021	<u>5,590,118</u>	<u>2,228,329</u>	<u>7,818,448</u>

16 ANALYSIS OF CHANGES IN CASH IN YEAR

	2022 £	2021 £
Cash at bank and in hand at 1 January 2022	5,971,854	4,954,941
(Decrease)/Increase in cash and cash equivalents	<u>(2,484,085)</u>	<u>1,016,913</u>
At 31 December 2022	<u>3,487,769</u>	<u>5,971,854</u>

17 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 (2021 - £10,000) and paid £88,974 (2021 - £83,700) 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 £190,546 (2021 - £106,607) to The Wood Foundation Africa, a charity of which Graham Good is a Director and Trustee. A further payment of £54,930 (2021 - £55,010) is due at the year ended 31 December 2022. These payments were for the KidsOR Africa office rents and reimbursement of staff salaries.

During the year, the charitable company was awarded £147,500 (2021 - £1,300k) from The Wood Foundation, a charity of which Graham Good is a Trustee. The total amount outstanding to this grant at the year ended 31 December 2022 is £147,500 (2021 - £NIL).

During the year, the charity reimbursed £14,960 (2021 - £12,452) to J W Holdings Ltd, a company of which Graham Good is a Director. These payments were for the KidsOR staff's private medical and death-in-service policies.

18 OPERATING LEASE COMMITMENT

At 31 December 2022 the charity company had future minimum lease payments under non-cancellable operating leases of £87,918 (2021 - £174,594).