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 2018
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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 (appointed 30 April 2018)
Nicola J C Wood          (appointed 30 April 2018)
Graham Good              (appointed 30 April 2018)
George G Youngson        (appointed 30 April 2018)
Alexander K Garden       (appointed 11 January 2018, resigned 30 April 2018)

SECRETARY

Turcan Connell Company Secretaries Limited

REGISTERED OFFICE

c/o Turcan Connell
Princes Exchange
1 Earl Grey Street
EDINBURGH
Scotland
EH3 9EE

PRINCIPAL ADDRESS

4th Floor
107 George Street
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Scotland
EH2 3ES

AUDITORS

Anderson, Anderson & Brown Audit LLP
Kingshill View
Prime Four Business Park
Kingswells
ABERDEEN
Scotland
AB15 8PU

BANKERS

Bank of Scotland
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ABERDEEN
Scotland
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SOLICITORS

Turcan Connell
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Chairman’s Statement

Nicola and I firmly believe that access to surgery is a basic human right and that every child should receive urgent or emergency healthcare when they need it. This sadly isn’t the case across many low- and middle-income countries (LMICs), which is why Kids Operating Room has created an innovative and sustainable solution to removing the barriers to surgery for the world’s poorest children.

KidsOR’s unique approach is to focus our investment entirely on local surgical teams. We work with governments and hospitals to support these teams by providing state-of-the-art equipment and by creating high-quality, child-friendly environments for them to work in. Where needed, we will provide training and maintenance support to the hospitals we partner with too.

We are proud of our hard-working team who have completed 9 Operating Rooms across Africa in our first year. By doing so we have created capacity for 6,700 children to get the life-saving and/or life-changing operations they needed; we prevented more than 113,000 years of disability from ever happening; and we achieved an estimated economic benefit to the countries we supported of $48,000,000.

I believe philanthropy requires Tenacity. For me, tenacity is the ability to hang on when letting go appears most attractive. I am inspired every day by the tenacity of those surgical teams we are proud to support across LMICs.

The grit, perseverance and resilience they show every day, in often impossibly difficult working environments, should be an inspiration to us all.

Garreth Wood
Chairman
The Directors submit their strategic report and the audited financial statements of Kids Operating Room for the period of incorporation on 11 January 2018 to 31 December 2018.

Legal and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the Articles of Association, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015) - (Charities SORP (FRS102)), 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 the developing world.

The Company’s charitable purposes are the advancement of health and saving of lives by equipping, constructing, and/or in any other way supporting surgical facilities for the provision of safe surgery for children throughout the world. This may extend to procuring equipment, maintaining facilities previously supported and/or providing training to those persons responsible for using any such facility; the collection and assessment of data for the purposes of reporting on impact; and/or such other related charitable objects as the company in its sole discretion may determine. The Company operates on a non-profit basis.

The focus of our work is to provide surgeons and their teams, who live and work in low- and middle-income countries, with the necessary equipment they need to maximise their potential. In other words, to give them the tools they need to do their jobs.

![Picture 1: An example of a KidsOR project – this was an empty room in Malawi that we transformed into a high-quality, fully equipped operating room for children’s surgery.](image)

We collaborate with Yale Medical School to monitor and assess the impact of this approach and in a paper published* in the journal 'Surgery', we showed the immense impact that could be achieved by focusing investment on local doctors; rather than sending doctors from western countries to deliver short-term services.

* Yap et al. A cost-effectiveness analysis of a pediatric operating room in Uganda.
KIDS OPERATING ROOM
DIRECTORS’ ANNUAL REPORT

Objectives and activities - the role of Kids Operating Room - continued

More cost effective, more sustainable and more impactful, our model was shown to be highly innovative and the research was awarded an ‘Excellence in Research Award’ by the American College of Surgeons.

By working closely with regional surgical colleges and the Global Initiative for Children’s Surgery we are well placed to identify those countries with high demand but poor delivery of surgical services for children. We can identify where any paediatric surgeon might be working and we then invest in the infrastructure around that person - ensuring they have a world-class operating room that meets the recognised standards for provision of equipment and that is also suitably decorated to be a child-friendly, high-quality environment to work in.

Our work has been warmly received by global organisations, national governments and local hospitals. In 2018, our first year of activity, we delivered new operating rooms, supported countries to develop children’s surgical services and helped grow fledgling services in areas where there had previously been no, or at best fragile and inefficient, services for children.

The impact of that is a combination of lives saved and lives of disability prevented to now become lives of hope and opportunity.

As a result, our early work has secured significant media coverage including articles in most major UK newspapers and a news report on the BBC, focusing on our work in Tanzania, that was broadcast through the BBC World News, BBC Africa and BBC World Service to an estimated audience of more than 250 million people.

In our first year, KidsOR has delivered real and life-saving services in some of the world’s poorest nations; set the foundations for significant future growth and delivered on objectives. We are proud of this impact, proud of the efficiency with which it is has been delivered and proud to present this review of our work.

Achievements and performance

2018 was our first year of activity. Our objectives were to establish the charity, create a warehouse and safe project delivery system, secure a supply chain, develop our initial team, complete pilot projects and plan for growth.

On all of these we completed or exceed our expectations and proudly delivered a number of projects with partner hospitals across Africa.

In Tanzania and Malawi we inherited two existing projects (3 operating rooms) from a previously funded charity initiative. In all three we carried out a review of current facilities and invested further.

Tanzania

In Tanzania, this included the creation of the country’s first-ever keyhole surgery service for children.

The importance of this new service is highly significant. The recovery time for children has been substantially reduced and the child is less likely to suffer from a post-operative surgical site infection, meaning that they can leave hospital much quicker. This means the child’s mother is able to return home, usually to other siblings, earlier than expected. In countries where those children may have no other care-giver, this alone can be life-saving.
It also means there is a higher patient turnover and so more children can be treated. The creation of this keyhole service in Tanzania, and the later funding support for the lead surgeon to access additional training in laparoscopic surgery, is a key component in the 90% increase in children accessing surgery in Dar Es Salaam. We have been able to help bring about, and in the reduction of waiting times from 3 years to just 2 weeks.
Achievements and performance - continued

Tanzania - continued

That impact, which was the focus of the BBC news story, was achieved through the KidsOR model of identifying the skilled local surgeon and putting in place the correct infrastructure around them. There has been no additional cost to the hospital, other than surgical disposables, for this transformation of service.

Rwanda

Our focus then shifted to Rwanda where, in partnership with the CHUK hospital in Kigali, we supported the country's only paediatric surgeon by creating Rwanda's first-ever dedicated operating room for children's surgery.

This landmark development in the care of Rwanda's children has not only allowed many more children to access the care they need but it has also enabled the hospital and local surgeon to start planning to train a second, and subsequent, surgeon(s).

Picture 4: A before & after image from Rwanda's first-ever dedicated children's operating room.

By supporting the sole surgeon caring for the nation's children we have helped put in place the seeds of an entire national surgical service. The operating room, which was officially opened by the President Elect of COSECSA (College of Surgeons of East, Central and Southern Africa) later in 2018, is now providing local children with the care they need every day of the week. Changing lives every single day it is open.
Malawi

In Malawi, we have our biggest concentration of investment with three operating rooms now open. In Blantyre, our keyhole surgery service in the Mercy James Institute for Paediatric Surgery and Intensive Care is another national first and allows the skilled local surgeons to offer world-class care to local children.

In the same hospital, we also supported the existing Ear, Nose and Throat surgeons to create a dedicated room for children’s ENT surgery. This project, a first for KidsOR beyond the provision of general surgery, included the provision of a specialist microscope, delivered with a significant training programme for the local team.

The outcome of these two projects has exceeded expectations.

In the former, the lead surgeon reported receiving a patient who had inhaled a rusty nail (see X-Ray below, reproduced with permission). Without surgery, this would eventually lead to the child’s slow and painful death. Without keyhole surgery, the child would face a major operation to open the chest and cut through into the lungs. Survival couldn’t be guaranteed and recovery would be long and painful. Instead, using the endoscopic equipment provided by KidsOR, the child underwent a 10-minute procedure where the lungs were accessed via the airway and, with the nail carefully removed, he went home later that day.

In the ENT operating room, we supported and enabled another first for KidsOR – the provision of Cochlear Implants for local deaf children. This transformative operation allows children to hear for the very first time or to have hearing restored after illness. Made possible by our investment, 4 children were operated on the week after our installation and had their implants switched on shortly after. Hearing their mother’s voice for the first time, being able to hear friends and communicate again after a period of deafness following illness, or simply being able to go to school – these are truly life-changing operations that continue to be delivered in our Malawi ENT facility.
Picture 5: Surgeons in Malawi using our microscope and operating room to complete a Cochlear Implant operation on a child – in this case, restoring hearing to a child who had become deaf following illness.

Picture 6: The first 4 patients to benefit from having Cochlear Implants in our Malawi ENT operating room.

Further north, in Lilongwe, we created the capital city’s first dedicated operating room for children. Here supporting the city’s only paediatric surgeon. Working with the hospital to support their own redevelopment plans, we timed an installation to meet their development and allowed the new surgical block to feature a world-class children’s operating room, a dedicated recovery space and a new waiting area for children.

The new facility has gone on to support various visiting surgeons who are working in partnership with the local surgeon to develop a training programme to help establish a wider service for children in the city.
Achievements and performance - continued

Sierra Leone

Towards the end of the year we opened our first project in West Africa – in Sierra Leone. We were proud to partner with Rotary International to deliver this new operating room for children in Freetown – a city still reeling from the recent Ebola outbreak and in a country whose healthcare systems were overwhelmed by that disease.

Picture 7: Our new operating room in Sierra Leone, delivered in partnership with Rotary International.

Our initial project in the country has helped the lone paediatric surgeon further establish a quality service for children and, with others such as the Kings College Sierra Leone project, we hope to support the long-term development of surgical services in the country, including developing these in the children's hospital in Freetown.

Impact

All of this work has had a significant impact in the countries where we have worked during 2018. Analysis of the operations carried out shows that roughly half were immediately life-saving while the other half prevented a life of disability.

Using figures relating to the relevant country's GDP and life-expectancy, we are able to project the impact in terms of years of disability prevented and financial impact for the local economy of our work.
Achievements and performance - continued

Impact - continued

Independent analysis suggests the 2018 impact of our work is as follows:

6,700 - Operations provided in our operating rooms

113,900 - Years of disability prevented from ever happening

$48,000,000 - Estimated economic benefit of our work in 2018, achieved by children surviving or having disabilities, such as deafness or clubfoot removed, and now being able to grow up and contribute to society.

From these wider figures, and from individual case studies, we believe it is clear that our work is saving and transforming lives. Looking ahead, we are confident that we have also laid the groundwork in 2018 for a significant increase in activity in the years ahead, which ought to lead to thousands more children accessing the care they need and deserve.

STRUCTURE AND GOVERNANCE

KidsOR was formed in January 2018, securing charity status later in the year, 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 Trustees 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 SC585374.

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.

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, taking into account the recommendations made to them by staff and any advisory committees/groups.

In 2018 the Board had one advisory board reporting to it:

- The International Advisory Board

The International Advisory Board, which has non-trustees as members, reviews all overseas work and helps set minimum standards of delivery by the charity. All members of the Advisory Board have experience of working in low-resource settings, with the majority of members coming from a clinical background.

The Advisory Board is well placed to review applications for support, recommend areas of investment to the Board and to review activity to ensure patient safety is always prioritised, new and/or best practice is deployed and investments are made in suitable locations.
Charitable expenditure policy

Kids Operating Room has a focused charitable expenditure policy centred on developing children’s surgery in low- and middle-income countries through a combination of infrastructure projects and medical training. We will not fund projects that do not directly relate to the development of surgery for children in these countries.

Our funding is typically provided to support existing surgeons provide greater access to care. We do not fund other organisations to deliver infrastructure projects on our behalf. We may give an individual surgeon and/or anaesthesia provider a grant to access training where this will result in more children accessing safe surgery.

Hospitals can apply to us for an infrastructure investment through our application process (available in English, French and Spanish). These applications are reviewed by the International Advisory Board who make recommendations to the Board.

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

The charity enjoys the support of a growing number of volunteers who make an important and significant contribution to our work. Although most volunteer opportunities are within our warehouse, we do plan to develop volunteering opportunities with our administration team and in fundraising.

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 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 2018, and up to the date of signing, the following served as Trustees of the charity and as directors of the company. Those who serve on the International Advisory Board are also shown.

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<th>Trustee</th>
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<tr>
<td>Garreth Wood</td>
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<td>Nicola Wood</td>
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<td>Graham Good</td>
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<tr>
<td>George Youngson</td>
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* Chair

In 2018, there were 2 Board meetings with the Trustees attending the following number of meetings: Garreth Wood (2), Nicola Wood (2), Graham Good (2), Professor George Youngson (2).
KIDS OPERATING ROOM
DIRECTORS' ANNUAL REPORT

2018 Financial Performance

In 2018 our financial performance was strong, thanks primarily to funding from The Wood Foundation (the foundation of our founders' family). Our total income was in excess of £4.5m.

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

Our expenditure was in-line with expectations at just over £1m with the balance of funds being carried forward for use in coming years.

2018 Financial Review

Kids Operating Room was largely funded by The Wood Foundation and did not actively seek funding from other sources in 2018. The charity intends to diversify funding in 2020 and has sufficient funds in place to allow this strategy to progress.

Total income for the financial year was £4,590,956 and expenditure equalled £1,002,632. This income level was in-line with expectations for 2018 and allowed for the establishment of the charity, the initial projects to be completed and a number of projects to be planned for the coming years.

In 2018 there were net assets of £3,588,324, which was in-line with expectations as we established the charity and planned for delivery of projects in 2019 and 2020.

Total funds at 31 December 2018 totalled £3,588,324 all of which are unrestricted.

During 2018 there were no significant events that influenced income generation and the Trustees note their thanks to our founders (Garreth and Nicola Wood) and The Wood Foundation for this financial support and to DC Thomson for their support in-kind.

Reserves policy

It is the reserves policy of Kids Operating Room to retain a reasonable level of reserves sufficient to meet short-term liabilities. The actual level of reserves held at any point in time may vary depending on the timing of future donor commitments and the charitable activities of Kids OR.

The Directors are satisfied that the level of reserves at 31 December 2018 is in line with the reserves policy, and will be used for ongoing project expenditure.

Risk

The charity maintains a risk register that is frequently reviewed and up-dated by senior staff.

The primary risk facing the charity is loss or injury to a team 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 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.
KIDS OPERATING ROOM
DIRECTORS’ ANNUAL REPORT

Risk - continued

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

In this first year of activity the Board has opted to ensure funds are available for use and has not deployed an investment policy. The Board will continue to review this as the organisation grows.

The investment performance of £956 relates solely to interest achieved from the charity bank account.

Plans for the Future Year

Our objectives for 2019 are:

- To develop our installation programme and to ensure 15 new Operating Rooms are opened during the year.
- To focus these developments on areas of greatest need, resulting in capacity for 9,000 more operations to be created.
- To create a 10-year strategy for Africa and to secure government buy-in to this work from the countries where these investments will happen.
- To expand our work beyond Africa, delivering our first projects in Latin America (including Haiti) and to develop a strategy for growth in this region.
- To develop a plan for small-scale development of services in areas of highest need in South East Asia.
- To further develop our warehouse facilities to become the hub for our global operations activities.
- To continue to build our team to meet demand and to ensure safe delivery of projects.
- To start considering fundraising, including developing an appropriate strategy, developing marketing/communication plans and preparing to implement from 2020 onwards.

Connected bodies

Garreth Wood and Graham Good are Trustees of The Wood Foundation, our single largest donor, and both are Directors of The Speratus Group Limited, who provide in-kind office accommodation in Edinburgh.

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 also reviewed the risks to the charity and its ability to continue to raise funds in the future.
KIDS OPERATING ROOM
DIRECTORS' ANNUAL REPORT

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
  is 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

AUDITORS

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

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

Chairman - Garreth Wood

Date 23 September 2019
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 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 2018 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 2018 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

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 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.

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.
KIDS OPERATING ROOM
INDEPENDENT AUDITORS’ REPORT TO THE DIRECTORS OF
KIDS OPERATING ROOM

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.

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

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

John Black (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: 23 September 2019
**KIDS OPERATING ROOM**

**STATEMENT OF FINANCIAL ACTIVITIES** (incorporating income and expenditure account)

**FOR THE FIRST PERIOD ENDED 31 DECEMBER 2018**

<table>
<thead>
<tr>
<th>Note</th>
<th>Unrestricted Funds</th>
<th>Restricted Funds</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td><strong>INCOME AND ENDOWMENTS FROM:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donations and legacies</td>
<td>3 4,500,000</td>
<td>90,000</td>
<td>4,590,000</td>
</tr>
<tr>
<td>Investments</td>
<td>4 956</td>
<td>-</td>
<td>956</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>4,500,956</strong></td>
<td><strong>90,000</strong></td>
<td><strong>4,590,956</strong></td>
</tr>
<tr>
<td><strong>EXPENDITURE ON:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Charitable activities</td>
<td>5 912,632</td>
<td>90,000</td>
<td>1,002,632</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>912,632</strong></td>
<td><strong>90,000</strong></td>
<td><strong>1,002,632</strong></td>
</tr>
<tr>
<td><strong>NET MOVEMENT IN FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>7 3,588,324</td>
<td>-</td>
<td>3,588,324</td>
</tr>
<tr>
<td><strong>RECONCILIATION OF FUNDS</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total funds brought forward</td>
<td>15</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total funds carried forward</td>
<td>3,588,324</td>
<td>-</td>
<td>3,588,324</td>
</tr>
</tbody>
</table>

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

The notes on pages 22 to 29 form part of these financial statements.
KIDS OPERATING ROOM
COMPANY NUMBER: SC585374
BALANCE SHEET - 31 DECEMBER 2018

<table>
<thead>
<tr>
<th>Note</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
</tr>
<tr>
<td>FIXED ASSETS</td>
<td></td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>10</td>
</tr>
<tr>
<td>CURRENT ASSETS</td>
<td></td>
</tr>
<tr>
<td>Stock</td>
<td>11</td>
</tr>
<tr>
<td>Debtors</td>
<td>12</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>13</td>
</tr>
<tr>
<td>CREDITORS: amounts falling due within one year</td>
<td></td>
</tr>
<tr>
<td>NET CURRENT ASSETS</td>
<td>13</td>
</tr>
<tr>
<td>TOTAL ASSETS LESS CURRENT LIABILITIES</td>
<td></td>
</tr>
<tr>
<td>NET ASSETS</td>
<td></td>
</tr>
<tr>
<td>FUNDS</td>
<td></td>
</tr>
<tr>
<td>Unrestricted funds</td>
<td>15</td>
</tr>
<tr>
<td>Restricted funds</td>
<td>15</td>
</tr>
</tbody>
</table>

Signed on behalf of the Board of Trustees

Trustee - Garreth Wood

Date: 23 SEPTEMBER 2017

The notes on pages 22 to 29 form part of these financial statements.
KIDS OPERATING ROOM  
CASH FLOW STATEMENT  
FOR THE FIRST PERIOD ENDED 31 DECEMBER 2018

<table>
<thead>
<tr>
<th>Description</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net cash flow from operating activities</strong></td>
<td></td>
</tr>
<tr>
<td>Net income for the year</td>
<td>3,588,324</td>
</tr>
<tr>
<td>Interest receivable &amp; income on fixed asset investments</td>
<td>(956)</td>
</tr>
<tr>
<td>Depreciation of tangible fixed assets</td>
<td>2,324</td>
</tr>
<tr>
<td>Increase in stock</td>
<td>(312,644)</td>
</tr>
<tr>
<td>Increase in debtors</td>
<td>(3,249,766)</td>
</tr>
<tr>
<td>Increase in creditors</td>
<td>34,544</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>61,826</td>
</tr>
<tr>
<td><strong>Cash flow from investing activities</strong></td>
<td></td>
</tr>
<tr>
<td>Interest receivable &amp; income on fixed asset investments</td>
<td>956</td>
</tr>
<tr>
<td>Purchase of fixed assets</td>
<td>(7,748)</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(6,792)</td>
</tr>
<tr>
<td><strong>Increase in cash and cash equivalents</strong></td>
<td>16</td>
</tr>
<tr>
<td></td>
<td>55,034</td>
</tr>
</tbody>
</table>

The notes on pages 22 to 29 form part of these financial statements.
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) (effective 1 January 2015) - (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, having made due and careful enquiry and preparing forecasts, are of the opinion that the company has adequate working capital to execute its operations over the next 12 months. The Directors, therefore, have made an informed judgement, at the time of approving the financial statements, that there is a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. As a result, the Directors have continued to adopt the going concern basis of accounting in preparing the financial statements.

(c) Income

i) Donations and legacies
Donations and legacies are included in the Statement of Financial Activities in the year in which they are receivable.

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.

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.
1. ACCOUNTING POLICIES (continued)

(d) Expenditure - continued

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 30% reducing balance

(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 trustees.

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.
(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.
3 DONATIONS AND LEGACIES

Donations - Restricted Funds
Donated facilities

Donations - Unrestricted Funds
Donations

During the year the charitable company benefited from donated facilities which were deemed to have a market value of £90,000. Income and a corresponding cost (Note 5) have been recognised in respect of these donations for the period ending 31 December 2018.

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

4 INCOME FROM INVESTMENTS

Bank interest receivable

5 EXPENDITURE ON CHARITABLE ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>Surgical facilities</th>
<th>2018 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£</td>
<td>£</td>
</tr>
<tr>
<td>Direct costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit costs</td>
<td>563,023</td>
<td>563,023</td>
</tr>
<tr>
<td>Head Office costs</td>
<td>203,852</td>
<td>203,852</td>
</tr>
<tr>
<td>Warehouse costs</td>
<td>90,852</td>
<td>90,852</td>
</tr>
<tr>
<td>Security</td>
<td>27,028</td>
<td>27,028</td>
</tr>
<tr>
<td></td>
<td>884,755</td>
<td>884,755</td>
</tr>
<tr>
<td>Support costs:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Insurance</td>
<td>2,013</td>
<td>2,013</td>
</tr>
<tr>
<td>Press &amp; publicity</td>
<td>27,594</td>
<td>27,594</td>
</tr>
<tr>
<td>Research/Data development</td>
<td>73,283</td>
<td>73,283</td>
</tr>
<tr>
<td>Miscellaneous expenses</td>
<td>2,016</td>
<td>2,016</td>
</tr>
<tr>
<td>Depreciation</td>
<td>2,324</td>
<td>2,324</td>
</tr>
<tr>
<td>Exchange losses</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Governance costs</td>
<td>10,624</td>
<td>10,624</td>
</tr>
<tr>
<td></td>
<td>117,877</td>
<td>117,877</td>
</tr>
<tr>
<td></td>
<td>1,002,632</td>
<td>1,002,632</td>
</tr>
</tbody>
</table>
KIDS OPERATING ROOM
NOTES ON THE FINANCIAL STATEMENTS - 31 DECEMBER 2018

6 GOVERNANCE COSTS

Auditors’ remuneration - UK
Legal

2018
£
6,900
3,724
10,624

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

2018
£
Auditors’ remuneration - audit fees
6,900

8 STAFF COSTS AND NUMBERS

2018
£
Staff costs
Wages and salaries
Social security
Other pension costs

147,022
17,785
13,492
178,299

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

2018
No.
Directors
Management & administration
4
2
6

During the year 1 employee considered to be key management received emoluments of over £60,000 including pension contributions paid into a defined contribution pension scheme in respect of this individual. The Directors consider that it would be operationally sensitive to disclose any further remuneration information in respect of this individual.

9 DIRECTORS’ EMOLUMENTS AND EXPENSES

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

No Director received or waived any expenses from the charity during the current period.
### 10 TANGIBLE FIXED ASSETS

<table>
<thead>
<tr>
<th></th>
<th>Plant &amp; equipment £</th>
<th>Total £</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>COST</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 11 January 2018</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Additions</td>
<td>7,748</td>
<td>7,748</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>7,748</td>
<td>7,748</td>
</tr>
<tr>
<td><strong>DEPRECIATION</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 11 January 2018</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Charge for year</td>
<td>2,324</td>
<td>2,324</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>2,324</td>
<td>2,324</td>
</tr>
<tr>
<td><strong>NET BOOK VALUES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>5,424</td>
<td>5,424</td>
</tr>
<tr>
<td>At 11 January 2018</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

### 11 STOCK

<table>
<thead>
<tr>
<th></th>
<th>2018 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medical equipment</td>
<td>312,644</td>
</tr>
</tbody>
</table>

### 12 DEBTORS

<table>
<thead>
<tr>
<th></th>
<th>2018 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts due from related undertakings</td>
<td>2,905,876</td>
</tr>
<tr>
<td>Other debtors</td>
<td>1,625</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>342,265</td>
</tr>
<tr>
<td></td>
<td>3,249,766</td>
</tr>
</tbody>
</table>

Amounts due from related undertakings includes £2,905,876 of grant funding committed by The Wood Foundation. In accordance with the agreed funding schedule £1,500,000 of this amount is expected to be received in more than one year.

### 13 CREDITORS: amounts falling due within one year

<table>
<thead>
<tr>
<th></th>
<th>2018 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>13,725</td>
</tr>
<tr>
<td>Social security and other taxes</td>
<td>6,588</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>14,231</td>
</tr>
<tr>
<td></td>
<td>34,544</td>
</tr>
</tbody>
</table>

An amount totalling £3,752 is accrued at the year end in relation to pension contributions.
14 FINANCIAL INSTRUMENTS

Financial assets

Financial assets measured at fair value through profit or loss 55,034
Financial assets measured at amortised cost 2,907,501

Total financial assets 2,962,535

Financial liabilities

Financial liabilities measured at amortised cost 27,956

Total financial liabilities 27,956

15 MOVEMENT IN FUNDS

<table>
<thead>
<tr>
<th>Fund Type</th>
<th>2018 Brought forward</th>
<th>2018 Income</th>
<th>2018 Expenditure</th>
<th>2018 Carried forward</th>
</tr>
</thead>
<tbody>
<tr>
<td>General fund - unrestricted</td>
<td>- 4,500,956</td>
<td>- 912,632</td>
<td>- 3,588,324</td>
<td></td>
</tr>
<tr>
<td>Restricted funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Donated facilities</td>
<td>- 90,000</td>
<td>- 90,000</td>
<td>- 90,000</td>
<td></td>
</tr>
<tr>
<td>Total funds</td>
<td>- 4,590,956</td>
<td>- 1,002,632</td>
<td>- 3,588,324</td>
<td></td>
</tr>
</tbody>
</table>

Restricted funds relate to office and warehouse facilities donated to the charitable company and the related deemed costs (Note 3).

Analysis of net assets between funds

<table>
<thead>
<tr>
<th>Type</th>
<th>Unrestricted Funds £</th>
<th>Restricted Funds £</th>
<th>2018 £</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tangible fixed assets</td>
<td>5,424</td>
<td>-</td>
<td>5,424</td>
</tr>
<tr>
<td>Current assets</td>
<td>3,617,444</td>
<td>-</td>
<td>3,617,444</td>
</tr>
<tr>
<td>Current liabilities</td>
<td>(34,544)</td>
<td>-</td>
<td>(34,544)</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>3,588,324</td>
<td>-</td>
<td>3,588,324</td>
</tr>
</tbody>
</table>
16 ANALYSIS OF CHANGES IN CASH IN YEAR

Cash at bank and in hand at 11 January 2018
Increase/(decrease) in cash and cash equivalents
At 31 December 2018

<table>
<thead>
<tr>
<th></th>
<th>2018</th>
<th>£</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>55,034</td>
</tr>
</tbody>
</table>

17 RELATED PARTY TRANSACTIONS

Control

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

Transactions

The company has taken advantage of the exemption contained in Financial Reporting Standard 102 §33.1A from disclosing transactions with parties wholly owned within the same group.

During the year the charitable company benefited from donated office facilities valued at £10,000 from The Speratus Group Limited, a company of which Garreth Wood and Graham Good are Directors.

During the year the charitable company was awarded grants amounting to £4,500,000 from The Wood Foundation, a charity of which Garreth Wood and Graham Good are also Trustees. The total amounts outstanding in relation to the grant transactions at the year end is £2,905,877.