

THE SMILE TRAIN UK
TRUSTEES' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2014
Charity Registration No. 1114748
Company Registration No. 05738962 (England and Wales)

GRANT THORNTON UK LLP
Grant Thornton House
Melton Street, Euston Square
London, NW1 2EP

THE SMILE TRAIN UK

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	S Schaefer E F Monopoli R Toth Resigned – 30 June 2014 E Long Resigned – 30 June 2014 H Brown Resigned – 4 October 2013 C Stanger Appointed – 1 July 2014 R Reichbach Appointed – 19 August 2014
Secretary	BWB Secretarial Limited 2-6 Cannon Street London EC4M 6YH
Charity number	1114748
Company number	05738962
Principal address	Davenport House 16 Pepper Street London E14 9RP
Registered office	C/O Bates Wells & Braithwaite London LLP 2-6 Cannon Street London EC4M 6YH
Auditors	Grant Thornton UK LLP Grant Thornton House Melton Street, Euston Square London, NW1 2EP
Bankers	HSBC Plc 60 Queen Victoria Street London EC4N 4TR
Solicitors	Bates Wells & Braithwaite London LLP 2-6 Cannon Street London EC4M 6YH

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TRUSTEES' REPORT

FOR THE YEAR ENDED 30 JUNE 2014

The Trustees, who are also the directors of The Smile Train UK (the 'Charity') for the purposes of company law, submit their annual report and the audited financial statements of the Charity for the year ended 30 June 2014. The accounts present information of the individual entity and not of the group.

The Trustees confirm that the annual report and financial statements of the Charity have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the Charity's Memorandum and Articles of Association, the Companies Act 2006 and the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities", issued in March 2005.

The Trustees' report is also the directors' report required by s417 of the Companies Act 2006.

The Charity is taking advantage of small company exemptions in order not to disclose the Charity's use of financial instruments, key performance indicators and non-financial key performance indicators.

Structure, governance and management

Management of the Charity

The Board of Trustees (which has a minimum of three) is the body responsible for the management of the Charity. The Board meets periodically as needed and aims to meet quarterly each year. Implementation of the day to day activities of the Charity during the fiscal year was undertaken by S Schaefer, R Toth and B Gonzalez Day who are all employees of Smile Train, Inc ('Smile Train'). However, none of these three receive any remuneration from the Charity for this work. S Schaefer and R Toth were also Trustees of the Charity. In addition, during the year there were two Trustees who are not on the Board of Smile Train nor are they paid employees or consultants of Smile Train. This governance arrangement is in accordance with the Articles of Association of the Charity. All major and strategic decisions regarding the Charity are approved by the Charity's Board of Trustees.

Smile Train is a US-based non-profit organisation headquartered in New York City. Its offices are located at 41 Madison Avenue, New York, NY 10010. Smile Train and the Charity are dedicated to helping children worldwide who are born with cleft lips and palates. This is stated in the Charity's objects. Smile Train has charitable affiliates operating in Canada, Germany and India. Smile Train and the Charity share common goals, objectives and a management team. The Charity benefits from a number of donated services from Smile Train, including the time of Smile Train employees, for which the Charity is not invoiced. Further details of these donated services are provided in Note 6 of the financial statements.

Smile Train is the sole company law member of the Charity. The Charity is therefore a subsidiary of Smile Train although the Board of Trustees of the Charity are responsible for its day to day management and ensuring it furthers its charitable purposes. Smile Train is controlled by a Board of Directors who have nominated Roy Reichbach, a Director of Smile Train, as their authorised representative for all dealings with the Charity as sole member. There is no ultimate controlling party of Smile Train.

The Board of Trustees of the Charity together with their professional advisors reviewed the payment and level of fees paid to B Mullaney, a former Trustee, in the years ended 30 June 2011, 30 June 2010, 30 June 2008, and 30 June 2007 and determined that the fees paid were not appropriate and were paid in breach of the Charity's Memorandum and Articles of Association. The Charity Commission granted consent to proceedings against B Mullaney and the UK High Court handed down judgment in the Charity's favour in December 2013 covering the

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TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

full amount claimed by the Charity plus interest and costs. The sum of £760,167 was received by the Charity in February 2014, in full satisfaction of said judgment, and has been included in Other Income.

Governing document

The Charity is a charitable company limited by guarantee and is governed by its Memorandum and Articles of Association, as amended by special resolutions dated 23 March 2006, 29 August 2012, and 11 October 2013.

There is currently one member who agrees to contribute £1 in the event of the Charity winding up.

The Charity is a registered charity with the Charity Commission (Charity registration no. 1114748).

Appointment and election of Trustees

Trustees shall be appointed by resolution of the sole member for a renewable term of three years.

None of the Trustees has any beneficial interest in the Charity and none is a member of the Charity.

The Trustees, who are also the directors for the purpose of company law, and who served during the year were:

S Schaefer	
E F Monopoli	
R Toth	Resigned – 30 June 2014
E Long	Resigned – 30 June 2014
H Brown	Resigned – 4 October 2013

The Trustees, who are also the directors for the purpose of company law, and who were appointed or removed after the year ended 30 June 2014 were:

C Stanger	Appointed – 1 July 2014
R Reichbach	Appointed – 19 August 2014

Induction and training of Trustees

Once appointed, Trustees are briefed on their legal obligations under charity and company law, provided with a copy of the Memorandum and Articles of Association of the Charity and the current budget and updated on the business plan and recent financial performance of the Charity. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

Risk management

We are committed to a policy of identifying, monitoring and managing the risks that might adversely affect the activities in which we are involved. In this context, risk is defined as the potential to fail to achieve the Charity's objectives and for loss, financial and reputational, inherent in the environment in which we operate and in the nature of the transactions undertaken.

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FOR THE YEAR ENDED 30 JUNE 2014

There has been in place throughout the year an on-going process for identifying, evaluating and managing the significant risks faced by the Charity which has been regularly reviewed by the Trustees. Appropriate actions have been put in place to mitigate the exposure to and the consequences of these risks.

Objectives and activities

As stated in the Memorandum and Articles of Association, the objects of the Charity are:

1. to relieve the suffering of children with cleft lips or palates or both;
2. to advance the education and training of the public, including doctors, nurses and medical support staff in all matters relating to cleft lip and palate surgery and treatment and the support of those with this condition; and;
3. to promote research into and the knowledge and study of the cause, improvement and application of treatments, cures and other medicinal agents, methods and processes that may relieve the suffering of those with cleft lips and palates.

The Trustees have paid due regard to guidance on public benefit issued by the Charity Commission in deciding what activities the Charity should undertake and believe that in reading the Trustees' report in totality that any reader would be satisfied the objects of the Charity have been achieved through the performance of the various worthwhile causes.

These objectives are achieved through on-going direct mail and print advertising campaigns used to advance the education of the public and raise awareness of cleft lips and palates. These campaigns are also targeted at raising donations within the UK. The Charity uses the income received from these donations and other sources, net of related expenses, to fund cleft lip and palate treatment in countries around the world, by granting funds to Smile Train who has the infrastructure in place to directly carry out the Charity's objectives. Smile Train's mission is to help poor children in countries in need around the world who suffer from cleft lip and palate, by providing free surgery, free training for doctors and related research. It is estimated that there are more than one million children suffering with unrepaired clefts.

Throughout the year staff employed by Smile Train provide management and operational services to the Charity, along with various marketing and administrative services. These services are not paid for by the Charity. The value of these donated services is £263,461 (2013: £174,714) and this has been included within the Statement of Financial Activities.

Achievements and performance

During the year the Charity paid £5,160,355 (2013: £5,910,039) in programme activities cost (see Note 6). Of this amount, the Charity spent £792,568 (2013: £1,039,280) on public education and awareness in the UK and granted the remaining £4,367,787 (2013: £4,870,759) to Smile Train to fund cleft lip and palate treatment in countries in need around the world.

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TRUSTEES' REPORT (CONTINUED)

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Through its public education and awareness initiatives the Charity believes it has reached millions of households in the UK and has successfully brought attention to the cause of cleft lip and palate, help to prevent clefts, how to repair clefts and the prevalence of this birth defect in developing countries. The Charity benefits from its relationship with Smile Train by leveraging management, operational support and administration as well as its contractual relationships with Smile Train partner hospitals. The Charity grants funds to Smile Train for surgeries primarily in India and China.

We have referred to Smile Train's surgeries in India and China but Smile Train undertakes a number of other activities. Below are examples of some of the work undertaken by Smile Train around the world which is part funded by grants received from the Charity. More information along with the Smile Train, Inc. and Affiliates Combined Audited Financial Statements and the annual report can be found on Smile Train's website www.smiletrain.org.

Surgeries Performed

The Charity funded approximately 21,500 (2013: 27,000) free cleft surgeries through Smile Train partner hospitals for children primarily in India and China. Smile Train, its affiliates and the Charity provided 128,013 (2013: 126,503) free cleft surgeries for poor children around the world. These children otherwise might never have received treatment for their cleft lip and palate.

Smile Train partner hospitals delivered free cleft surgeries in fiscal year 2014 in the following parts of the world:

55,287	South Asia (including India)
27,457	East Asia (including China)
16,919	Southeast Asia
9,418	Middle East and North Africa
9,000	Africa
8,822	Latin America
<u>1,110</u>	"Rest of the World"

128,013 Total

Smile Train also performed the following charitable activities during the fiscal year. In the future, in addition to funding cleft surgeries, the Charity may choose to fund similar activities.

Partnerships

The key to helping more children is investing in partnerships with local medical professionals and collaborative organisations who can provide free cleft surgeries and the related cleft care that these children need. Smile Train is always searching for new partners in the developing world who have the experience, passion, and infrastructure to provide safe and high-quality cleft lip and palate treatment.

At the end of fiscal year 2014, there were more than 1,100 Smile Train partner hospitals around the world serving children in need of cleft care in their communities. Through partnerships and programmes with Smile Train, these hospitals were able to treat more children with clefts than ever before.

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TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

Grants awarded

In addition to the partner programmes that deliver the majority of free cleft surgeries that Smile Train provides, the following grants are also awarded to help strengthen the programmes of hundreds of doctors, hospitals, charities and organisations who help poor children suffering with clefts.

Education and Training Grants

Smile Train supported educational and training conferences in fiscal year 2014, including:

August 2013 – 5th Smile Train Anesthesiologists and Reconstructive Surgeons (STARS) Conference

Held in New Delhi, India on 22nd – 25th August, Smile Train hosted international faculty and participants with combined cleft experience of over 400,000 surgeries. More than 200 Smile Train partner surgeons and 50 partner anesthesiologists from 14 countries attended the training event to explore the latest techniques and recommendations on providing safe and high-quality cleft care.

October 2013 – ASPS/PSF/Smile Train International Scholarship Program

Two Smile Train partner surgeons, Dr. Lora Mae de Guzman from the Philippines and Dr. Mekonen Eshete from Ethiopia, were selected as 2013 Smile Train - American Society of Plastic Surgeons - Plastic Surgery Foundation International Scholars. They were honoured at the annual ASPS meeting in San Diego, California, USA and dedicated more than two weeks to intensive cleft training with top cleft centers across the United States. The advanced interdisciplinary training that they received will help our Smile Train partner surgeons implement similar comprehensive approaches and greatly enhance the cleft care that they provide in the Philippines and Ethiopia.

April 2014 – Community Health Worker Training Workshop

Smile Train hosted a training workshop for 91 community health workers from the county of Nyeri, Kenya on 9th April. The workshop was held in conjunction with the Office of the First Lady and the County Executive for Health. The focus of the training was to educate community health workers in identification of cleft lip and/or palate, awareness building related to combating the stigma associated with clefts, and important feeding and nutritional information for parents of babies born with a cleft. The training also helped to establish a referral system for new patients with Smile Train partner hospitals. Given the success of the pilot program, three more trainings have been planned in the region during 2014 - 2015.

Multiple Dates – Smile Train Safe Nursing Care Saves Lives Training

A critical component of safe cleft treatment is the nursing care that is being provided before, during and after surgery. The nursing staff at Smile Train partner hospitals is often the first line of support for families receiving cleft care. In Africa, Smile Train developed a safe nursing care "training of trainers" programme that has now been launched among partners worldwide. The training course combines lectures, demonstrations, group discussions, and scenario-based activities in order to improve the level of care for Smile Train patients. Among the topics included in the training are post-operative care following cleft surgery, post-operative complications, monitoring vital signs, and pediatric basic life support. In 2014, trainings were held in Indonesia, Mexico, Brazil, India, and Pakistan, training more than 120 Smile Train nurses with critical skills. Given the "training of trainers" model, these nurses returned to their hospitals and shared learning and skills with their nursing colleagues, helping to further the impact of the programme.

Smile Grants

While Smile Train grants predominantly focus on medical treatment, this grant programme targets the poorest of the poor who would never make it to the hospital for treatment without additional financial support to help the family with expenses such as food and shelter during their stay, money to cover the cost of traveling to and from

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the hospital, or money to help offset a parent's lost wages during a hospital stay. While the amount of support a family needs in this regard is often relatively small, it can mean the difference between a child receiving surgery or living their life with an unrepaired cleft.

Ancillary Care Grants

Smile Train's vision is to ensure every child born with a cleft can lead a full and productive life. A key to this is the critical follow-up care such as speech therapy and orthodontics that many patients require after surgery. Ancillary Care Grants augment and enhance the free cleft surgery programmes and help these children learn to speak properly and, ultimately, have the opportunity for a full life ahead.

Equipment Grants

These grants assist hospitals in purchasing essential equipment such as surgical instruments, pulse oximeters, and anesthesia machines for the operating room to help increase the number of children who can be treated and to ensure safe surgery for all Smile Train patients.

Financial review

We have set out the full details of our income and expenditure in the statement of financial activities (SOFA) on page 11. The Charity income for the year, principally representing income from donors was £8.6m (2013: £8.7m) which includes £0.76m of Other Income (see Note 3). Total resources expended, principally representing programme costs, were £8.2m (2013: £8.1m). As a result, we recorded net incoming resources of £0.4m (2013: £0.5m). Unrestricted funds (excluding designated funds) balance at the end of fiscal year 2014 stood at £1.4m (2013: £1m).

Funds

The Charity holds two types of funds – Restricted Funds and Unrestricted Funds.

Restricted Funds are those funds for which the original donors specified, directly or indirectly, the purposes for which they wanted the money to be used. The Trustees manage these funds but are governed by the donors' wishes as to how the funds are utilised. During the year ended 30 June 2014, £132,581 (2013: £39,325) of such restricted donations were spent in accordance with the donors' directions and £1,963 (2013: £35,194) were remaining to be spent.

Unrestricted Funds are those funds for which the original donors did not give any particular instructions as to how they wished the funds spent. These funds are allocated by the Trustees at their discretion. At the end of the year, the value of these funds (including designated funds) stood at £1.5m (2013: £1.1m).

Reserves policy

In reviewing the risks faced by the Charity and its operational plans for the forthcoming period, the Trustees have decided that it is appropriate that the Charity holds reserves of £150,000. This is equivalent to twelve months administrative expenditure. The Trustees have decided that the balance should be held in a designated reserve and this is presented as such on the face of the balance sheet. The Trustees consider that reserves at this level will ensure that in the event of a significant drop in funding, they will be able to continue the Charity's current administrative functions while consideration is given to ways in which additional funds may be raised. This level of reserves has been maintained throughout the year. As there are unrestricted funds of £1,396,834 (2013: £991,395) held in excess of this level, these can be available for use in both unrestricted and designated funds

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FOR THE YEAR ENDED 30 JUNE 2014

to be spent on generating voluntary income and charitable activities. The reserves policy is reviewed annually by the Trustees (see Note 13).

Plans for the future

Thanks to the generosity of our donors, Smile Train, its affiliates and the Charity, during fiscal year 2014, were able to provide more than 128,000 (21,500 for the Charity) free cleft surgeries for poor children, train a record number of doctors and grow our programmes in every aspect all over the world.

For fiscal year 2015, the Charity plans to refine and enhance marketing and fundraising campaigns to engage new and current donors and continue to grow the supporter base. The Charity will continue to raise funds to help grow cleft treatment programmes by making grants to Smile Train and to generate awareness and public education about the problems of clefts. To assist in these efforts, the Charity has hired its first fundraising marketing manager to provide local knowledge and expertise.

In fiscal year 2015, grants from the Charity to Smile Train will continue to be made under a grant agreement which outlines Smile Train's reporting obligations to the Charity.

While Smile Train and the Charity were busy doing all of these things this past year, an estimated 170,000 children were born with clefts in the developing world. Without intervention, these children have little prospect of ever receiving the cleft surgery they so desperately need.

Their families, often living on less than £1 a day are too poor to ever afford surgery. Their local doctors and hospitals are too poor to afford free surgery programmes. And their government may not consider the problem of clefts a high priority when compared to other life threatening afflictions.

The Charity cares about these children and with the continued support of our donors, and working with Smile Train, will keep working hard to grow cleft lip and palate treatment programmes, train more doctors, find more partners and help more children.

In addition to providing much needed surgery, the Charity will fund programmes to address more comprehensive care, to include speech therapy, orthodontics and tertiary care.

The Charity will continue to work with Smile Train to meet its objectives for the future.

Auditors

A resolution proposing that Grant Thornton UK LLP be appointed as auditors of the Charity was passed by the sole member on 27 November 2012. The Trustees approved Grant Thornton UK LLP as auditors for fiscal year 2014 on 24 June 2014.

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STATEMENT OF TRUSTEES' RESPONSIBILITIES

The Trustees (who are also the directors of the Charity for the purposes of company law) are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Charity and of the incoming resources and application of resources, including the income and expenditure, of the Charity for that period. In preparing these financial statements, the Trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgments and estimates that are reasonable and prudent; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Charity will continue in business.

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Charity's transactions and disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees confirm that:

- so far as each Trustee is aware, there is no relevant audit information of which the Charity's auditor is unaware; and
- the Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the Charity's auditor is aware of that information.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In preparing this report, the Trustees have taken advantage of the small companies exemptions provided by Section 415A of the Companies Act 2006.

On behalf of the board of Trustees



S Schaefer
Trustee

23 February 2015

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INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE SMILE TRAIN UK

We have audited the accounts of The Smile Train UK for the year ended 30 June 2014 which comprise of the Statement of Financial Activities and the Balance Sheet, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charity's members those matters we are required to state to them in an auditors' 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 Charity and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

As explained more fully in the Trustees' Responsibilities Statement set out on page 8, the Trustees (who are also the directors of the Charity 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.

Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of the audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF THE SMILE TRAIN UK

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Charity's affairs as at 30 June 2014 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Carol Rudge
Senior Statutory Auditor

for and on behalf of Grant Thornton UK LLP
Statutory Auditor and Chartered Accountants
London

23 February 2015

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STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Unrestricted funds £	Restricted funds £	Total 2014 £	Total 2013 £
<u>Incoming Resources:</u>					
Voluntary income	2	7,119,962	99,350	7,219,312	8,204,099
Gift in Kind	2	263,461	-	263,461	174,714
List rental and interest income	5	352,530	-	352,530	312,404
Other income	3	761,376	-	761,376	-
Total Incoming Resources		8,497,329	99,350	8,596,679	8,691,217
<u>Resources Expended:</u>					
Costs of generating funds					
Costs of generating voluntary income					
	6	2,581,471	-	2,581,471	1,861,491
Charitable activities					
Total programme costs	6	5,027,774	132,581	5,160,355	5,910,039
Governance costs	6	482,645	-	482,645	372,415
Total Resources Expended		8,091,890	132,581	8,224,471	8,143,945
Net incoming/(expended) resources		405,439	(33,231)	372,208	547,272
Net movement in funds		405,439	(33,231)	372,208	547,272
Fund balances at 1 July 2013		1,141,395	35,194	1,176,589	629,317
Fund balances at 30 June 2014		1,546,834	1,963	1,548,797	1,176,589

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

All amounts relate to continuing operations.

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BALANCE SHEET

AS AT 30 JUNE 2014

		2014		2013	
	Note	£	£	£	£
Fixed Assets					
Tangible Assets	9		697		-
Current Assets					
Debtors	10	350,251		285,363	
Cash at bank and in hand		1,563,594		1,181,717	
		<u>1,913,845</u>		<u>1,467,080</u>	
Creditors: amounts falling due within one year	11	(365,745)		(290,491)	
Net current assets			1,548,100		1,176,589
Total assets less current liabilities			<u>1,548,797</u>		<u>1,176,589</u>
Income funds					
Restricted funds	12		1,963		35,194
Unrestricted funds					
Designated funds	13		150,000		150,000
Other charitable funds			1,396,834		991,395
			<u>1,548,797</u>		<u>1,176,589</u>

The accounts were approved by the Board on 19 February 2015.



S Schaefer
Trustee

23 February 2015

Company Registration No. 05738962

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NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2014

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention. The results of the wholly owned subsidiary, the Smile Train UK Trading Company Limited, have not been consolidated as they are immaterial.

The Charity has taken advantage of the exemption in Financial Reporting Standard No 1 from the requirement to produce a cash flow statement on the grounds that it is a small Charity.

The accounts have been prepared in accordance with applicable United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice), the Statement of Recommended Practice, "Accounting and Reporting by Charities", issued in March 2005 and the Companies Act 2006.

After making appropriate enquiries of senior management, the Trustees have reasonable expectation that the Charity has adequate resources to continue its activities for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

1.2 Incoming resources

Donations, legacies, list rental revenue, and other forms of voluntary income are recognised as incoming resources when the Charity is entitled to the income, except insofar as they are incapable of financial measurement.

The Charity benefits from services donated to it by Smile Train. These donated services are recognised within the Statement of Financial Activities and are valued at the estimated cost incurred by Smile Train.

1.3 Resources expended

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to that category.

Costs of generating funds are those incurred in attracting voluntary income.

Governance costs are those incurred in connection with administration of the charity and compliance with statutory requirements.

Programme costs reflect the costs associated with funding surgeries through Smile Train and the production of printed public educational material and services to raise awareness, both of which are considered to further the Charity's objectives. When educational material is distributed as part of a joint-purpose mailing, the costs are allocated across the expenditure categories on the basis of word count.

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NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

1.4 Foreign currency translation

Transactions denominated in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. All differences are included in net outgoing resources.

1.5 Funds

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

Designated funds comprise funds which have been set aside at the discretion of the Trustees for specific purposes. The purposes and uses of the designated funds are set out in the notes to the accounts.

1.6 Tangible fixed assets and depreciation

The Charity capitalizes expenditures for fixtures, fittings and equipment and leaseholds in excess of £1,000 which are stated at cost less accumulated depreciation and amortization.

Depreciation of fixtures, fittings and equipment is provided using the straight-line method over the following estimated useful lives:

Fixtures and fittings	5 years
Equipment	3 years

Leasehold improvements are amortized over the term of the related lease or the estimated useful life of the improvement, whichever is shorter.

2 Voluntary income

	Unrestricted funds	Restricted funds	Total 2014	Total 2013
	£	£	£	£
Donations and gifts	7,119,962	99,350	7,219,312	8,204,099
Gift in Kind	263,461	-	263,461	174,714
Total	7,383,423	99,350	7,482,773	8,378,813

Gift in Kind is management, operational, administrative, marketing and fundraising services provided by Smile Train staff to the Charity at no cost.

3 Other Income

The Board of Trustees of the Charity together with their professional advisors reviewed the payment and level of fees paid to B Mullaney, a former Trustee, in the years ended 30 June 2011, 30 June 2010, 30 June 2008, and 30 June 2007 and determined that the fees paid were not appropriate and were paid in breach of the Charity's Memorandum and Articles of Association. The Charity Commission granted consent to proceedings against B Mullaney and the UK High Court handed down judgment in the Charity's favour in December 2013 covering the full amount claimed by the Charity plus interest and

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FOR THE YEAR ENDED 30 JUNE 2014

costs. The sum of £760,167 was received by the Charity in February 2014, in full satisfaction of said judgment, and has been included in Other Income.

4 Legacy Notifications

At 30 June 2014, in addition to legacy income that has been included in voluntary income, the Charity is expected to benefit from a number of legacies from estates for which the administration had yet to be finalized. The Charity's future income from these legacies is estimated at approximately £1m.

5 List Rental

In fiscal year 2014, list rental income was £352,491 (2013: £312,393) for which corporation tax of approximately 22% (£76,829; 2013: £70,095) is payable, and has been included in Governance costs.

6 Total resources expended

	Staff costs £	Other costs £	Total 2014 £	Total 2013 £
Costs of generating funds				
Advertising and fundraising costs	96,496	2,294,659	2,391,155	1,728,380
Gift in Kind	190,316	-	190,316	133,111
	286,812	2,294,659	2,581,471	1,861,491
Charitable Activities				
Programme costs	-	4,367,787	4,367,787	4,870,759
Printed educational materials and services	-	792,568	792,568	1,039,280
Total programme costs	-	5,160,355	5,160,355	5,910,039
Governance costs				
Staff costs	48,248	-	48,248	36,472
Audit fees	-	44,428	44,428	50,454
Other accounting fees	-	19,865	19,865	7,500
Legal fees	-	106,490	106,490	80,780
Gift in Kind	73,145	-	73,145	41,604
Corporation tax	-	78,000	78,000	68,925
Other administrative expenses	-	112,469	112,469	86,680
Total governance	121,393	361,252	482,645	372,415
Total	408,205	7,816,266	8,224,471	8,143,945

The Charity staff costs relate to work carried out on the marketing and fundraising strategies, the cultivation of major donors and the management of the donation processing, direct marketing and media placement suppliers. Two thirds of staff compensation has been allocated to advertising and fundraising costs while one third is allocated to governance costs.

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NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

Grants made to Smile Train of £4,367,787 (2013: £4,870,759) are included in programme costs for direct inclusion in their programme expenses.

Gift in Kind is management, operational, administrative, marketing and fundraising services provided by Smile Train staff to the Charity at no cost.

7 Trustees

During the year ended 30 June 2014, none of the trustees received compensation for his or her services and none was reimbursed travelling expenses by the Charity as these expenses were reimbursed by Smile Train.

8 Employees

Number of employees

There were three employees throughout the year (2013: two).

Employee Costs	2014 £	2013 £
Wages and salaries	130,900	98,606
Employee Benefits NI	13,844	10,811
	<u>144,744</u>	<u>109,417</u>

The number of employees who earned more than £60,000 during the year was:

	2014	2013
£60,001 - £70,000	1	-

9 Tangible fixed assets

Cost	Fixtures, fittings and equipment £
At 1 July 2013	-
Additions	1,004
At 30 June 2014	<u>1,004</u>
Depreciation	
At 1 July 2013	-
Charge for the year	307
At 30 June 2014	<u>307</u>
Net book value	
At 1 July 2013	-
At 30 June 2014	<u>697</u>

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NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

10 Debtors		
	2014	2013
	£	£
Trade debtors	-	68,881
Prepayments and accrued income	350,251	216,482
	350,251	285,363

11 Creditors: amounts falling due within one year		
	2014	2013
	£	£
Trade creditors	63,239	83,036
Amounts owed to group undertakings	16,358	2,095
Accruals	200,780	65,861
Other creditors	-	3,000
Corporation tax liability	76,829	68,924
Other taxation and social security	8,539	67,575
	365,745	290,491

12 Restricted Funds

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

Movement in Funds

	Balance at 1 July 2013 £	Incoming Resources £	Resources expended £	Balance at 30 June 2014 £
Restricted donations	35,194	99,350	132,581	1,963
	35,194	99,350	132,581	1,963

Donations received are recorded as unrestricted or restricted, depending on the nature of the donor's restriction. All donor restricted donations are recorded as restricted income if the donation is received with donor conditions that restrict its use.

13 Designated funds

The income funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the Trustees for specific programmatic purposes:

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NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2014

Movement in Funds

	Balance at 1 July 2013 £	Incoming Resources £	Resources expended £	Balance at 30 June 2014 £
Designated reserve	150,000	-	-	150,000
	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>150,000</u>

The reserves policy as decided by the Trustees is outlined in the Trustees' Annual Report at page 6.

14 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Designated funds £	Total £
Fund balances at 30 June 2014 are represented by:				
Fixed assets	697	-	-	697
Current assets	1,761,882	1,963	150,000	1,913,845
Creditors: amounts falling due within one year	(365,745)	-	-	(365,745)
Total	<u>1,396,834</u>	<u>1,963</u>	<u>150,000</u>	<u>1,548,797</u>

15 Related parties

During the year, Smile Train, the sole member of the Charity, was repaid the sum of £16,185 (2013: £1,997) owed by the Charity to Smile Train as at 30 June 2013 in relation to expenses paid by Smile Train on behalf of the Charity. Smile Train also paid expenses totaling £12,801 (2013: £25,674) on behalf of the Charity during the year and £16,358 (2013: £16,742) was still owed to Smile Train as at 30 June 2014.

In addition, the Charity granted £4,367,787 (2013: £4,870,759) to Smile Train for inclusion in their jointly-stated charitable activities.

Smile Train is the sole company law member of the Charity. The Charity is therefore a subsidiary of Smile Train although the Board of Trustees of the Charity are responsible for its day to day management. Smile Train is controlled by a Board of Trustees who have nominated Roy Reichbach, a Director of Smile Train, as their authorised representative for all dealings with the Charity as sole member. There is no ultimate controlling party of Smile Train.

16 Incorporation of subsidiary undertaking

A new subsidiary undertaking, The Smile Train UK Trading Company Limited, was incorporated on 20 June 2014 with share capital of £1. The company is wholly owned and had no trading activity in the period to 30 June 2014.