

THE SMILE TRAIN UK
TRUSTEES' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2013
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 Appointed – 8 May 2013 P Ma Removed – 8 May 2013 R Toth H Brown Resigned – 4 Oct 2013 E F Monopoli E Long
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

THE SMILE TRAIN UK

CONTENTS

	Page
Trustees' report	1 – 7
Statement of trustees' responsibilities	8
Independent auditors' report	9 – 10
Statement of financial activities	11
Balance sheet	12
Notes to the accounts	13 – 18

THE SMILE TRAIN UK

TRUSTEES' REPORT

FOR THE YEAR ENDED 30 JUNE 2013

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 2013.

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 is undertaken by S Schaefer, R Toth and B Gonzalez Day who are all employees of Smile Train, Inc. However, none of these three receive any remuneration from the Charity for this work. S Schaefer and R Toth are also Trustees of the Charity. In addition, during the year there were three Trustees who are not on the Board of Smile Train, Inc. nor are they paid employees or consultants of Smile Train, Inc. One of these trustees has subsequently resigned and at present we are looking to replace her. 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, Inc. 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, Inc. 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, Inc. has charitable affiliates operating in Canada, Germany and India. Smile Train, Inc. and the Charity share common goals, objectives and a management team. The Charity benefits from a number of donated services from Smile Train, Inc. including the time of Smile Train, Inc. employees, for which the Charity is not invoiced. Further details of these donated services are provided in Note 5 of the financial statements.

Smile Train, Inc. is the sole company law member of the Charity. The Charity is therefore a subsidiary of Smile Train, Inc. 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, Inc. is controlled by a Board of Directors who have nominated Roy Reichbach, a Director of Smile Train, Inc., as their authorised representative for all dealings with the Charity as sole member. There is no ultimate controlling party of Smile Train, Inc.

The Board of Trustees of the Charity together with their professional advisors have reviewed the payment and level of fees paid to B Mullaney and D Greenwood, former Trustees, in the years ended 30 June 2011, 30 June 2010, 30 June 2008 and 30 June 2007 (see Note 6 of the financial statements for further details of these payments). As a result of their review, the Trustees have been advised that the fees paid were not appropriate, and were paid in breach of the Charity's Memorandum and Articles of Association. The Charity Commission

THE SMILE TRAIN UK

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

has granted consent to proceedings against B Mullaney for the sum of £633,509. The Trustees, with the help of their legal advisers, have commenced proceedings against B Mullaney for this sum. As with all litigation proceedings the outcome is uncertain although there is a good prospect of success. Accordingly, no debtor has been included within the financial statements. Instead, it has been treated as a contingent asset and a disclosure in this regard has been made in Note 7 of the financial statements.

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	Appointed – 8 May 2013
P Ma	Resigned – 8 May 2013
R Toth	
E F Monopoli	
E Long	

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 2013 were:

H Brown	Resigned – 4 Oct 2013
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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.

THE SMILE TRAIN UK

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

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, Inc. who has the infrastructure in place to directly carry out the Charity's objectives. Smile Train, Inc.'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, Inc. 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 £174,714 (2012: £168,284) and this has been included within the Statement of Financial Activities.

Achievements and performance

During the year the Charity paid £5,910,039 (2012: £7,248,706) in program activities cost (see Note 5). Of this amount, the Charity spent £1,039,280 (2012: £3,447,895) on public education and awareness in the UK and granted the remaining £4,870,759 (2012: £3,800,811) to Smile Train, Inc. to fund cleft lip and palate treatment in countries in need around the world.

THE SMILE TRAIN UK

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Through its public education and awareness initiatives the Charity believes it has reached approximately 1.8m (2012: 4.6m) households in the UK in 2013 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, Inc. by leveraging management, operational support and administration as well as its contractual relationships with Smile Train, Inc. partner hospitals. The Charity grants funds to Smile Train, Inc. for surgeries primarily in India and South Asia.

We have referred to Smile Train, Inc.'s surgeries in India and South Asia but Smile Train, Inc. undertakes a number of other activities. Below are examples of some of the work undertaken by Smile Train, Inc. 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, Inc.'s website www.smiletrain.org.

Surgeries Performed

The Charity funded approximately 27,000 (2012: 24,000) free cleft surgeries through Smile Train, Inc. partner hospitals for children primarily in India. Smile Train, Inc., its affiliates and the Charity provided 126,503 (2012: 122,487) free cleft surgeries for poor children around the world. These children otherwise might never have received treatment for their cleft lip and palate. The increase in funded surgeries year over year is attributed to the Charity's investment in marketing and fundraising in fiscal year 2012 which helped increase the funds available for charitable activities in fiscal year 2013.

Free cleft surgeries were delivered in 2013 by Smile Train, Inc. partner hospitals in the following parts of the world:

55,054	India & South Asia
29,653	China
7,778	Latin America
8,616	Africa
8,107	Indonesia
4,708	Philippines
4,040	Vietnam, Cambodia, Thailand, Laos and Myanmar
7,229	Middle East and North Africa
<u>1,318</u>	the "Rest of the World"
<u>126,503</u>	Total

Smile Train, Inc. 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.

Partners

The key to helping more children is adding partners who can provide the free cleft surgeries that these children need. Smile Train, Inc. is always searching for new partners who have the experience, talent and infrastructure to provide safe and high quality cleft lip and palate surgery.

At the end of 2013 fiscal year, there were more than 1,100 Smile Train, Inc. partner hospitals around the world.

THE SMILE TRAIN UK

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Grants awarded

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

Education and Training Grants

Smile Train, Inc. supported the following educational and training conferences in 2013 fiscal year:

September 2012 – 8th Smile Train International Cleft Lip and Palate Symposium

Held in Xi'an City, China, 1,500 Chinese cleft medical professionals gathered for this biannual cleft lip and palate conference. In attendance were all types of cleft surgeons, anesthesiologists, speech pathologists, orthodontists, and dentists.

September 2012 – Encuentro Latinoamericano Interdisciplinario de Fisuras Labiopalatinas

Held in Santiago, Chile, this conference was an excellent learning experience for all partners in the region and gave an internationally acclaimed Smile Train partner, Fundacion Gantz, the opportunity to share 30 years of study, experience and expertise. Multi-disciplinary cleft care professionals were in attendance with the following breakdown: 63 surgeons, 74 dentists, 47 speech therapists, and 71 nurses and undergraduate students.

October 2012 – ASPS/PSF/Smile Train International Scholarship Program

Two Smile Train partner surgeons, Dr. Lisa Hasibuan from Indonesia and Dr. Ataklitie Berhea from Ethiopia, were selected as 2012 Smile Train-American Society of Plastic Surgeons International Scholars. They were honored at the annual ASPS meeting and dedicated one month 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 approaches and greatly enhance the cleft care that they provide in Indonesia and Ethiopia.

October 2012 – The IV Brazilian Congress on Cleft Lip and Palate

The conference was a landmark event, reinitiating the Brazilian Meeting of Cleft Lip and Palate and making it an annual event. Meeting in Salvador, 177 Brazilian cleft professionals from across the country met to increase the quality of their health care. Each plastic surgery resident of Salvador was present. Several phonoaudiologists, orthodontists and psychologists attended the courses and participated in the event. This conference included international faculty representing the following disciplines: surgery, speech therapy, and orthodonture.

November 2012 – Post-operative Nurses Training

Thirty-nine nurses from 16 Smile Train hospitals from Ethiopia met for a three-day training course combining lectures, demonstrations, group discussions, and scenario-based activities in order to improve the level of care Smile Train patients receive in the recovery ward. 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.

January 2013 – Safe Anesthesia Training in Rwanda

Smile Train supported a Safe Anesthesia workshop for cleft care providers from three key hospitals across Rwanda. The hands-on, interactive anesthesia training enabled anesthesia providers the opportunity to

THE SMILE TRAIN UK

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

upgrade their skills and help ensure that all cleft surgeries are carried out with a high safety standard across the country. This effort is one component of a larger Smile Train project to significantly enhance cleft care and treat thousands of patients in Rwanda.

Mission Group Grants

Mission Group Grants allow Smile Train, Inc. to go to places in the world where there are no doctors and few, if any, hospitals. In places like these, the only way to help poor children is through sending a traditional team of doctors and nurses with equipment for a relatively short mission. Smile Train, Inc. works with and supports major medical mission organisations from around the world.

Ancillary Care Grants

Every child with a cleft needs not only cleft surgery, but also a whole range of other types of care, such as speech therapy, orthodontics, dentistry, ear, nose and throat (ENT) services, etc. Ancillary Care grants augment and enhance the free cleft surgery programs and help these children learn how to eat and speak properly, etc.

Equipment Grants

These grants assist hospitals in purchasing much needed equipment such as surgical instruments and anesthesia machines for the operating room.

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 £8.7m (2012: £10.7m). Total resources expended, principally representing program costs, were £8.1m (2012: £11.1m). As a result, we recorded net incoming resources of £0.5m (2012: net outgoing resources of £0.4m). Unrestricted funds (excluding designated funds) balance at the end of the 2013 fiscal year stood at £1m (2012: £0.5m).

Funds

The Charity holds two types of fund - 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 2013, £39,325 (2012: £57,433) of such restricted donations were spent in accordance with the donors' directions and £35,194 (2012: nil) 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 £1.1m (2012: £0.6m).

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

THE SMILE TRAIN UK

TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

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 £991,395 (2012: £479,317) held in excess of this level, these can be available for use in both unrestricted and designated funds to be spent on generating voluntary income and charitable activities. The reserves policy is reviewed annually by the Trustees (see Note 12).

Plans for the future

Thanks to the generosity of our donors, Smile Train, Inc., its affiliates and the Charity, during fiscal year 2013, were able to provide more than 126,000 (27,000 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 2014, 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 programs by making grants to Smile Train, Inc., and to generate awareness and public education about the problems of clefts.

In fiscal year 2014, grants from the Charity to Smile Train, Inc. will continue to be made under a grant agreement which outlines Smile Train, Inc.'s reporting obligations to the Charity.

While Smile Train, Inc. 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, Inc., 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, Inc. 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 2013 on 30 July 2013.

THE SMILE TRAIN UK

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.

On behalf of the board of Trustees



S Schaefer
Trustee

12 December 2013

THE SMILE TRAIN UK

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 2013 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 APB's website at www.frc.org.uk/apb/scope/private.cfm.

THE SMILE TRAIN UK

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 2013 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

12 December 2013

THE SMILE TRAIN UK

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Unrestricted funds £	Restricted funds £	Total 2013 £	Total 2012 £
<u>Incoming Resources:</u>					
Voluntary Income	2	8,129,580	74,519	8,204,099	10,481,848
Gift In Kind	2	174,714	-	174,714	168,284
List rental and other income	4	312,404	-	312,404	82,476
Total Incoming Resources		8,616,698	74,519	8,691,217	10,732,608
<u>Resources Expended:</u>					
Costs of generating funds					
Costs of generating voluntary income					
	5	1,861,491	-	1,861,491	3,611,927
Charitable activities					
Total programme costs	5	5,870,714	39,325	5,910,039	7,248,706
Governance costs	5	372,415	-	372,415	234,431
Total Resources Expended		8,104,620	39,325	8,143,945	11,095,064
Net incoming/(expended) resources		512,078	35,194	547,272	(362,456)
Net movement in funds		512,078	35,194	547,272	(362,456)
Fund balances at 1 July 2012		629,317	-	629,317	991,773
Fund balances at 30 June 2013		1,141,395	35,194	1,176,589	629,317

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

THE SMILE TRAIN UK

BALANCE SHEET

AS AT 30 JUNE 2013

		2013		2012	
	Notes	£	£	£	£
Current Assets					
Debtors	9	278,463		238,365	
Cash at bank and in hand		1,181,717		611,406	
Security Deposits		6,900		3,300	
		<u>1,467,080</u>		<u>851,071</u>	
Creditors: amounts falling due within one year	10	(290,491)		(221,754)	
Total assets less current liabilities			<u>1,176,589</u>		<u>629,317</u>
Income funds					
Restricted funds	11		35,194		-
Unrestricted funds:					
Designated funds	12		150,000		150,000
Other charitable funds			991,395		479,317
			<u>1,176,589</u>		<u>629,317</u>

The accounts were approved by the Board on 19 November 2013.



S Schaefer
Trustee

12 DECEMBER 2013
Company Registration No. 05738962



R Toth
Trustee

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2013

1 Accounting policies

1.1 Basis of preparation

The accounts have been prepared under the historical cost convention.

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, Inc. These donated services are recognised within the Statement of Financial Activities and are valued at the estimated cost incurred by Smile Train, Inc.

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, Inc. 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.

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

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.

2 Voluntary income

	Unrestricted funds £	Restricted funds £	Total 2013 £	Total 2012 £
Donations and gifts	8,129,580	74,519	8,204,099	10,481,848
Gifts In Kind – services provided by Smile Train, Inc.	174,714	-	174,714	168,284
Total	8,304,294	74,519	8,378,813	10,650,132

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

3 Legacy Notifications

At 30 June 2013, in addition to legacy income that has been included in the accounts, 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 £1.2m.

4 List Rental

In fiscal year 2013, list rental income was £312,393 (2012: £82,467) for which corporation tax of 20% (£62,479; 2012: £16,495) is payable.

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

5 Total resources expended

	Staff costs £	Other costs £	Total 2013 £	Total 2012 £
Costs of generating funds				
Advertising and fundraising costs	72,944	1,655,436	1,728,380	3,478,916
Gift In Kind – Services provided by Smile Train, Inc.	133,111	-	133,111	133,011
	206,055	1,655,436	1,861,491	3,611,927
Charitable Activities				
Program Costs	-	4,870,759	4,870,759	3,800,811
Printed educational materials and services	-	1,039,280	1,039,280	3,447,895
Total program costs	-	5,910,039	5,910,039	7,248,706
Governance costs				
Staff costs	36,472	-	36,472	29,535
Audit fees	-	57,954	57,954	48,589
Legal fees	-	80,780	80,780	33,527
Gift In Kind – Services provided by Smile Train, Inc.	41,604	-	41,604	35,273
Other administrative expenses	-	155,605	155,605	87,507
Total governance	78,076	294,339	372,415	234,431
Total	284,131	7,859,814	8,143,945	11,095,064

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.

Grants made to Smile Train, Inc. of £4,870,759 (2012: £3,800,811) are included in program costs for direct inclusion in their program expenses.

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

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

6 Trustees

In the years ended 30 June 2007, 30 June 2008, 30 June 2010 and 30 June 2011, B Mullaney, who was appointed as a trustee in 2006, received payments totaling £633,509 as a non-employee consultant. D Greenwood was also paid as a non-employee consultant and received payments totaling £60,155 in the years ended 30 June 2010 and 30 June 2011. D Greenwood was appointed as a trustee in 2010 and received the fee of £45,138 in 2010 prior to her appointment. These individuals were responsible for developing the overall marketing and fundraising strategy and the cultivation of major donors within the UK. B Mullaney and D Greenwood ceased to be Trustees on 28 March 2011 and 14 February 2011 respectively.

The current Trustees have been advised that the fees paid were not appropriate, and were paid in contravention of the Charity's Memorandum and Articles of Association. On this basis, the current Trustees have taken legal advice and have received Charity Commission consent to recover the fees paid to B Mullaney in the years ended 30 June 2011 (£282,805), 30 June 2010 (£156,624), 30 June 2008 (£97,043) and 30 June 2007 (£97,037). The current Trustees will not seek to recover the sum of £15,017 from D Greenwood in relation to the year ended 30 June 2011 as they have been advised that the costs of recovery would be disproportionate and Charity Commission consent for recovery has therefore not been granted. The Trustees, with the help of their legal advisers, have commenced proceedings against B Mullaney for this sum. As with all litigation proceedings the outcome is uncertain although there is a good prospect of success. Accordingly, no debtor has been included within the financial statements. Instead, it has been treated as a contingent asset.

During the year ended 30 June 2013, 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, Inc.

7 Contingent Asset

As per Note 6, the Charity is seeking to reclaim payments made to a Trustee in the past. As the outcome of these legal proceedings is uncertain, the balance has not been included as a debtor but disclosed as a contingent asset.

8 Employees

Number of employees

There were two employees throughout the year (2012: 3).

Employee Costs	2013	2012
	£	£
Wages and salaries	98,606	82,235
Employee Benefits NI	10,811	6,458
	<u>109,417</u>	<u>88,693</u>

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

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

9 Debtors

	2013	2012
	£	£
Trade debtors	68,881	-
Prepayments and accrued income	209,582	236,365
	<u>278,463</u>	<u>236,365</u>

10 Creditors: amounts falling due within one year

	2013	2012
	£	£
Trade creditors	83,036	26,927
Amounts owed to group undertakings	2,095	1,997
Accruals	65,861	176,335
Other creditors	3,000	-
Corporation tax liability	68,924	16,495
Other taxation and social security	67,575	-
	<u>290,491</u>	<u>221,754</u>

11 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 2012	Incoming Resources	Resources expended	Balance at 30 June 2013
	£	£	£	£
Restricted donations	-	74,519	39,325	35,194
	<u>-</u>	<u>74,519</u>	<u>39,325</u>	<u>35,194</u>

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.

12 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:

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2013

Movement in Funds

	Balance at 1 July 2012 £	Incoming Resources £	Resources expended £	Balance at 30 June 2013 £
Designated reserve	150,000	-	-	150,000
	150,000	-	-	150,000

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

13 Analysis of net assets between funds

	Unrestricted funds £	Restricted funds £	Designated funds £	Total £
Fund balances at 30 June 2013 are represented by:				
Current assets	1,281,886	35,194	150,000	1,467,080
Creditors: amounts falling due within one year	(290,491)	-	-	(290,491)
Total	991,395	35,194	150,000	1,176,589

14 Related parties

During the year, Smile Train, Inc., the sole member of the Charity, was repaid the sum of £1,997 (2012: £40,207) owed by the Charity to Smile Train, Inc. as at 30 June 2012 in relation to expenses paid by Smile Train, Inc. on behalf of the Charity. Smile Train, Inc. also paid expenses totaling £25,674 (2012: £17,197) on behalf of the Charity during the year and £16,742 (2012: £1,997) was still owed to Smile Train, Inc. as at 30 June 2013.

In addition, the Charity granted £4,870,759 (2012: £3,800,811) to Smile Train, Inc. for inclusion in their jointly-stated charitable activities.

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