

THE SMILE TRAIN UK
TRUSTEES' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2016

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
C Stanger Resigned – 1 July 2016
R Reichbach
C Bannister Appointed – 22 October 2015
S Stinton Appointed – 18 January 2017
T Poliakova Appointed – 18 January 2017

Key Management personnel

Director of Fundraising, Manager of Direct Marketing and Smile Train's CEO and VP of Finance

Secretary

BWB Secretarial Limited
10 Queen Street Place
London
EC4R 1BE

Charity number

1114748

Company number

05738962

Principal address

201 Borough High Street
London
SE1 1JA

Registered office

C/O Bates Wells & Braithwaite London LLP
10 Queen Street Place
London
EC4R 1BE

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
10 Queen Street Place
London
EC4R 1BE

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**THE SMILE TRAIN UK
TRUSTEES' REPORT
FOR THE YEAR ENDED 30 JUNE 2016**

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 for the year ended 30 June 2016. Its subsidiary undertaking, The Smile Train UK Trading Company Limited, was incorporated on 20 June 2014. The company is wholly owned and the Trustee’s report and accounts have been prepared for the Group.

The Trustees confirm that the annual report and financial statements 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 Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

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

This report is prepared in line with the small company exemptions in order not to disclose the 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 A Chohan, S Curtis, S Schaefer and B Gonzalez Day. S Schaefer and B Gonzalez Day are employees of Smile Train, Inc. (“Smile Train”) and neither of these two receive any remuneration from the Charity for this work. S Schaefer and R Reichbach, directors of Smile Train, were also Trustees of the Charity and receive no remuneration from the Charity. In addition, during the year there were three 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 Germany, India and Indonesia. 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 has nominated R 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.

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.

Smile Train 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
C Stanger Resigned – 1 July 2016
R Reichbach
C Bannister Appointed – 22 October 2015

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.

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.

The principal risk facing the Group is the downward trend in income. The risk is considered regularly at meetings by Management and the Trustees, which allows them to respond quickly to changing events so as to reduce adverse effects on the Group's risk profile.

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 around the world who suffer from cleft lip and palate, by providing training, funding and resources to empower local doctors in 85+ developing countries to provide 100%-free cleft repair surgery and comprehensive cleft care in their own communities. 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 £285,744 (2015: £218,062) and this has been included within the Group Statement of Financial Activities.

Achievements and performance

During the year the Charity paid £5,008,311 (2015: £4,526,879) in programme activities cost (see Note 6). Of this amount, the Charity spent £248,311 (2015: £426,879) on public education and awareness in the UK and granted the remaining £4,760,000 (2015: £4,100,000) to Smile Train to fund cleft lip and palate treatment in countries in need around the world.

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 cleft treatment primarily in India, China and Indonesia.

We have referred to Smile Train's treatment programmes in India, China and Indonesia 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 in 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 23,800 (2015: 18,600) free cleft surgeries through Smile Train partner hospitals for children primarily in India, China and Indonesia. Smile Train, its affiliates and the Charity continue to lead the way in free, high-quality cleft surgery for poor children around the world. In 2016, on average, every 5 minutes a Smile Train surgery helped a child in need. Smile Train's cleft care spanned 5 continents through partnerships with more than 2,100 health professionals and 1,100 hospitals. Since its founding in 1999, Smile Train has now provided more than 1,000,000 free cleft surgeries and comprehensive cleft care for patients in 85+ countries.

Smile Train, Inc. and its affiliates also performed the following charitable activities, among other initiatives, 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 that 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, human resources and infrastructure to provide safe and high-quality cleft lip and palate treatment.

At the end of fiscal year 2016, 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 and local medical teams were able to provide safe, free, high-quality cleft treatment to children with clefts in their communities.

Grants awarded

In addition to the partner programmes that deliver the free cleft surgeries that Smile Train provides, the following grants are also awarded to help strengthen the cleft 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 opportunities in fiscal year 2016, including:

September 2015 - Smile Train Anesthesiologists and Reconstructive Surgeons (STARS) Conference

More than 180 Smile Train partners, including doctors and anesthesiologists, gathered in Chennai, India for STARS 2015. The focus of the conference was to explore the latest trends and developments in cleft surgery and safe anesthesia care. The conference faculty included members of Smile Train's global and South Asia Medical Advisory Boards and this year's theme was "Getting Better—leveraging past success and sharing experiences with the goal of improving in every way".



October 2015 – ASPS/PSF/Smile Train International Scholarship Program

Two Smile Train partner surgeons, Dr. Edward Wayi from Tanzania and Dr. Mohammed Ayub Ali from Bangladesh, were selected as 2015 Smile Train - American Society of Plastic Surgeons - Plastic Surgery Foundation International Scholars. They were honoured at the annual ASPS meeting in Boston, Massachusetts, 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 East Africa and South Asia.

Multiple Dates – Speech Therapist Training Workshop

Many children with cleft lip and/or palate have difficulty speaking clearly and communicating. In some cases, surgery is not sufficient to resolve speech difficulties and speech therapy is required to ensure these children have the best chance of obtaining proper speech skills and leading a productive life. In many parts of the developing world, speech services are unavailable for children with cleft due to a lack of trained professionals. To address this challenge, in 2016 Smile Train supported training programs for speech therapists in Africa, the Americas, and the Middle East/North Africa regions. The curriculums focused on cleft anatomy and physiology, embryology, and strategies to improve cleft palate speech. More than 150 speech providers from 7 countries received Smile Train-supported training in 2016.

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 2016, more than 250 nurses from across Bangladesh, Burkina Faso, Ethiopia, India, Kenya, Mexico, Nigeria and Somalia were trained in critical nursing 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.

Virtual Surgery Simulator

Smile Train’s innovative and award winning Virtual Surgery Simulator is an interactive, web-based, 3D tool that provides users with essential information on cleft anatomy and cleft surgical repair techniques. Since its launch in 2013, the Simulator has become a key to empowering and training local doctors to perform cleft surgery in their own communities. It has been accessed in more than 100 countries.

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 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.

Comprehensive 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 pre-operative and follow-up care such as nutritional support, speech therapy and orthodontics that many patients require along with the surgery. Comprehensive 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 consolidated income and expenditure in the group statement of financial activities (SOFA) on page 11. The income for the year, principally representing income from donors was £7.1m (2015: £7.4m). The group total resources expended, principally representing programme costs, were £7.6m (2015: £7.2m). As a result, recorded net expenditure (2015 - income) resources was £0.5m (2015: £0.3m). The net expenditure was due to the resolution of funding additional cleft surgeries. Unrestricted funds at the end of fiscal year 2016 stood at £1.3m (2015: £1.8m).

The summarized results for the year's trading of The Smile Train UK Trading Company Limited is given on page 7 of the notes to the financial statements. The Smile Train UK Trading Company Limited directors consider the company's state of affairs to be satisfactory. The directors are not anticipating any major changes to the activities of the company.

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 2016, £3,557 (2015: £350) of such restricted donations were spent in accordance with the donors' directions and £20,693 (2015: £1,963) 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 (2015: £1.9m).

Reserves policy

The reserves policy is reviewed annually by the Trustees. 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. This level of reserves has been maintained throughout the year. As there are unrestricted funds of £1,311,680 (2015: £1,760,407) held in excess of this level, these can be spent on raising funds and charitable activities. The Trustees are considering to increase the reserve level to ensure that in the event of a significant drop in funding, they will be able to continue the Charity's current functions while consideration is given to ways in which additional funds may be raised.

Key management personnel compensation

As part of the annual budgeting process the Trustees review and approve, as appropriate, recommended compensation and changes to positions based on market analysis process. Trustees determine that compensation is reasonable based upon information sufficient to determine whether the value of services is the amount that would ordinarily be paid for like services by similar organizations; the availability of similar services in the geographic area of the Charity and current compensation surveys compiled by independent firms.

Plans for the future

Thanks to the generosity of our donors, Smile Train, its affiliates and the Charity, during fiscal year 2016, were able to provide safe, free cleft surgeries (23,800 for the Charity) for poor children, launch programmes in new sites, train a record number of cleft care providers and grow our programmes all over the world.

For fiscal year 2017, 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 2017, 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 care they so desperately need. Their families, often living on less than £1 a day are too poor to ever afford surgery. Without Smile Train support,

**THE SMILE TRAIN UK
TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 30 JUNE 2016**

their local doctors and hospitals are too overburdened to provide free cleft care 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, raise awareness, find more partners and, ultimately, help more children in need.

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

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 2016 on 22 July 2016.

STATEMENT OF TRUSTEES' RESPONSIBILITIES IN RELATION TO THE FINANCIAL STATEMENTS

The trustees (who are also directors of The Smile Train UK 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland. 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 charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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 (FRS 102);
- make judgments and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company group will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company 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 charitable company'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 charitable company'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 charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the board of trustees



E Monopoli
Trustee

1 February 2017

Independent auditor's report to the members of The Smile Train UK

We have audited the financial statements of The Smile Train UK for the year ended 30 June 2016 which comprise the group and parent charitable company balance sheets, the group statement of financial activities, 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), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

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. Our audit work has been undertaken so that we might state to the charitable company's members 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 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 auditor

As explained more fully in the statement of Trustees' Responsibilities set out on page 8, the trustees (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. Our responsibility is to audit and express an opinion on the financial statements 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 an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and parent charitable company's affairs as at 30 June 2016 and of the group's 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.

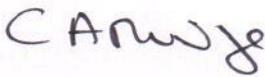
Matters on which we are required to report by exception

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 by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or

Independent auditor's report to the members of The Smile Train UK

- the parent charitable company's financial statements are not in agreement with the accounting records and returns; or
- the trustees were not entitled to take advantage of the small companies exemption from the requirement to prepare a Strategic Report or in preparing the Trustees' Report.



Carol Rudge
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

1 February 2017

THE SMILE TRAIN UK

GROUP STATEMENT OF FINANCIAL ACTIVITIES

FOR THE YEAR ENDED 30 JUNE 2016

	Note	Unrestricted funds £	Restricted funds £	Total 2016 £	Restated Total 2015 £
<u>Income from:</u>					
Donations and legacies	2	6,983,197	22,287	7,005,484	7,105,722
Other trading activities	4	99,512	-	99,512	308,261
Investments		108	-	108	134
Total		7,082,817	22,287	7,105,104	7,414,117
<u>Expenditure on:</u>					
Raising funds	6	2,187,827	-	2,187,827	2,219,236
Charitable activities	6	5,004,754	3,557	5,008,311	4,526,879
Other	6	338,963	-	338,963	417,088
Total		7,531,544	3,557	7,535,101	7,163,203
Net (expenditure) / income		(448,727)	18,730	(429,997)	250,914
Fund balances at 1 July 2015		1,910,407	1,963	1,912,370	1,661,456
Fund balances at 30 June 2016		1,461,680	20,693	1,482,373	1,912,370

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

The group statement of financial activities includes all gains and losses recognised in the year. The group stopped selling their donor lists as of 31 October 2015. The income from selling donor lists for the year was £47,510 (2015: £308,261). All other income and expenditure derive from continuing activities.

The notes on pages 13 - 22 form part of these accounts.

THE SMILE TRAIN UK

GROUP AND PARENT CHARITABLE COMPANY BALANCE SHEETS

AS AT 30 JUNE 2016

	Note	Group 2016 £	Group 2015 £	Charity 2016 £	Charity 2015 £
Fixed assets					
Tangible assets	9	28	363	28	363
Investments		-	-	1	1
Total Fixed Assets		28	363	29	364
Current assets					
Debtors	10	531,739	506,126	531,739	379,897
Cash at bank and in hand		1,336,199	1,824,721	1,235,535	1,602,165
Total Current Assets		1,867,938	2,330,847	1,767,274	1,982,062
Liabilities					
Creditors falling due within one year	11	(385,593)	(418,840)	(357,180)	(298,617)
Total assets less current liabilities		1,482,345	1,912,007	1,410,094	1,683,445
Net Assets		1,482,373	1,912,370	1,410,123	1,683,809
The funds of the charity					
Restricted funds	12	20,693	1,963	20,693	1,963
Unrestricted funds					
Designated funds	13	150,000	150,000	150,000	150,000
Other charitable funds		1,311,680	1,760,407	1,239,430	1,531,846
Total charity funds		1,482,373	1,912,370	1,410,123	1,683,809

The trustees have prepared group accounts in accordance with section 398 of the Companies Act 2006 and section 138 of the Charities Act 2011. These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies and constitute the annual accounts required by the Companies Act 2006 and are for circulation to members of the company.

Approved by the Board of Trustees on 1 February 2017 and signed on their behalf



E Monopoli, Trustee

1 February 2017

Charity Registration No. 114748

Company Registration No. 05738962

The notes on pages 13 to 22 form part of these accounts.

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2016

1 Accounting policies

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the financial statements are as follows:

1.1 Basis of preparation

The Smile Train UK was incorporated in England and Wales as a charitable company limited by guarantee and governed by its Memorandum of Association.

The financial statements have been prepared 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.

This is the first year in which the financial statements have been prepared under FRS 102, with the date of transition being 1 July 2014. The transition to FRS 102 has resulted in a change to the accounting policy for the recognition of legacy income, with this now being recognised when probable, as opposed to certain under the previous accounting standards. An adjustment to the financial statements has therefore been required on transition to FRS 102 and this is shown in note 1.2 below.

The Smile Train UK meets the definition of a public benefit entity under FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note(s).

The financial statements are presented in sterling (£).

1.2 Reconciliation with previous Generally Accepted Accounting Practice

In preparing the accounts, the trustees have considered whether in applying the accounting policies required by FRS 102 and the Charities SORP FRS 102 the restatement of comparative items was required.

	Unrestricted funds £	Restricted funds £	Total 2016 £	Restated Total 2015 £
Capital and reserves:				
As previously stated	1,795,547	1,963	1,797,510	1,548,797
Prior year adjustment (note 1.6)	-	-	(57,140)	-
FRS 102 adjustment – Legacies (note 1.1)	172,000	-	172,000	112,659
Restated opening capital and reserves (under FRS 102)	1,967,547	1,963	1,912,370	1,661,456
Profit for the year	(505,866)	18,730	(487,136)	250,914
Tax relief obtained on gift aid payment	57,140	-	57,140	-
Closing capital and reserves	1,518,821	20,693	1,482,374	1,912,370
Net income:				
As previously stated				248,713
Recognition of legacy income (note 1.1)				59,341
Prior year adjustment (note 1.6)				(57,140)
Restated net income (under FRS 102)				250,914

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1.3 Preparation of the accounts on a going concern basis

After reviewing the group's forecasts and projections, the trustees have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The group therefore continues to adopt the going concern basis in preparing its financial statements.

1.4 Group financial statements

The financial statements consolidate the results of the charity The Smile Train UK and its wholly owned subsidiary, The Smile Train UK Trading Company Limited (the 'Group) on a line-by-line basis.

The Group has taken advantage of the exemption in FRS 102 Section 7 from the requirement to produce a cash flow statement on the grounds that it is a small Group.

The Charity has taken the exemption under section 408 of Companies Act 2006 from presenting an individual company Statement of Financial Activities.

1.5 Incoming resources

Donations and other forms of voluntary income are recognised when the charity has entitlement to the funds, any performance conditions attached to the item(s) of income have been met, it is probable that the income will be received and the amount can be measured reliably.

For legacies, entitlement is taken as the earlier of the date on which either: the charity is aware that probate has been granted, the estate has been finalised and notification has been made by the executor(s) to the Trust that a distribution will be made, or when a distribution is received from the estate. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the charity has been notified of the executor's intention to make a distribution. Where legacies have been notified to the charity, or the charity is aware of the granting of probate, and the criteria for income recognition have not been met, then the legacy is treated as a contingent asset and disclosed if material (see note 3).

1.6 Payment to parent charity under Gift Aid

The subsidiary has adopted a policy of paying all its taxable profits to The Charity, under Gift Aid. These gift aid payments are recognised by the subsidiary as distributions through equity rather than as an expense through the profit and loss, and therefore an operating profit exists at the balance sheet date, on which a tax liability arises. This represents a change in accounting policy and has been accounted for as a prior period adjustment. The subsidiary does not have a deed of covenant in place, but its board has indicated their intention to pay the profits to the charity in relation to the period. The amount will be finalised once the audit has been completed and the cash payment will be made within the 9 months.

The subsidiary had previously been recognising the gift aid payment as a liability in the year that the profits were generated. The new treatment includes a prior year adjustment to conform to the recent change in accounting policy.

1.7 Donated services

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

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1.8 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.

Expenditures on raising funds is that incurred in attracting voluntary income.

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

Charitable activity 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 Group'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.

1.9 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.

1.10 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.

1.11 Tangible fixed assets and depreciation

The Group 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.

1.12 Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

1.13 Creditors and provisions

Creditors are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably.

Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

1.14 Significant judgments and estimates

There are no items in the financial statements where management were required to make significant judgements and estimates that would have a significant risk of causing a material adjustment to the financial statements.

1.15 Retirement benefits

The Group offers its employees the opportunity to participate in a defined contribution scheme. The amounts charged to the Statement of Financial Activities represent the contributions payable to the scheme during the period.

2 Donations and legacies

	Unrestricted funds £	Restricted funds £	Total 2016 £	Total 2015 £
Donations and legacies	6,697,453	22,287	6,719,740	6,887,660
Gift in Kind	285,744	-	285,744	218,062
Total	6,983,197	22,287	7,005,484	7,105,722

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

Income from donations and legacies in 2015 was £7,105,722 of which £7,105,372 was unrestricted and £350 was restricted.

3 Legacy Notifications

At 30 June 2016, in addition to legacy income that has been included in voluntary income, the Group is expected to benefit from a number of legacies from estates for which the administration had yet to be finalized. The Group's future income from these legacies is estimated at approximately £800k (2015: £600k).

4 List Rental and trading

In fiscal year 2016, list rental and other trading income was £99,512 (2015: £308,261) for which corporation tax of £18,063 (2015: £61,140) has been recognized, and been included in other costs. This tax charge will be reversed in 2017 on payment of gift aid.

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

5 Investment in Subsidiary

The Smile Train UK Trading Company Limited - Registration No. 09094982

The company acts as a trading subsidiary for its parent company, The Smile Train UK, which is a charity registered with the Charity Commission in England and Wales. The principal activity of the company in the year under review was to conduct the trading activities of its parent company. The profits of The Smile Train UK Trading Company Limited are paid to the charity. The Smile Train UK Trading Company Limited's directors during 2016 were R Bell, A McCarthy and S Schaefer.

Profit and Loss Account of the Smile Train UK Trading Company Limited

	2016 £	Restated Period ended June 30, 2015 £
Turnover	99,512	289,845
Expenditure	<u>(9,199)</u>	<u>(4,144)</u>
Operating profit before tax	<u>90,313</u>	<u>285,701</u>
Tax charge	<u>(18,063)</u>	<u>(57,140)</u>
Profit for the year	<u>72,250</u>	<u>228,561</u>

Balance Sheet of The Smile Train UK Trading Company Limited

	2016 £	Restated 2015 £
Current Assets		
Debtors	5,050	126,229
Cash at bank and in hand	<u>100,664</u>	<u>222,556</u>
	105,714	348,785
Creditors: amounts falling due within one year	<u>(33,463)</u>	<u>(120,223)</u>
Net assets	<u>72,251</u>	<u>228,562</u>
Capital and reserves		
Called up share capital	1	1
Profit and loss account	<u>72,250</u>	<u>228,561</u>
Equity shareholders' funds	<u>72,251</u>	<u>228,562</u>

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

6 Total resources expended

	Staff costs £	Other costs £	Total 2016 £	Total 2015 £
Raising funds				
Advertising and fundraising costs	142,865	1,842,229	1,985,094	2,082,546
Gift in Kind	202,733	-	202,733	136,690
	345,598	1,842,229	2,187,827	2,219,236
Charitable Activities				
Programme costs	-	4,760,000	4,760,000	4,100,000
Printed educational materials and services	-	248,311	248,311	426,879
	-	5,008,311	5,008,311	4,526,879
Other costs				
Staff costs	71,433	-	71,433	64,464
Audit fees	-	40,000	40,000	33,844
Other accounting fees	-	4,414	4,414	10,830
Legal fees	-	65,272	65,272	56,685
Gift in Kind	83,011	-	83,011	81,372
Corporation tax	-	(43,077)	(43,077)	61,140
Other administrative expenses	-	117,910	117,910	108,753
	154,444	184,519	338,963	417,088
Total	500,042	7,035,059	7,535,101	7,163,203

Expenditure on charitable activities in 2015 was £4,526,879 of which £4,526,529 was unrestricted and £350 was restricted. Expenditure on raising funds and other costs in 2015 was wholly unrestricted.

The Group 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 have been allocated to advertising and fundraising costs while one third is allocated to other staff costs.

Grants made to Smile Train Inc. of £4,760,000 (2015: £4,100,000) 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 2016, none of the trustees received compensation for his or her services or were reimbursed expenses by the Group.

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

8 Employees

Number of employees

There were 4 employees throughout the year (2015: 4).

Employee Costs	2016	2015
	£	£
Wages and salaries	180,541	166,106
Termination costs	-	7,667
Social security costs	17,665	16,895
Other pension costs	2,480	2,723
	200,686	193,391

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

	2016	2015
£70,001 - £80,000	1	-
£60,001 - £70,000	-	1

Of these employees, retirement benefits are accruing under pension schemes funded by the group to 1 employee (2015: 1).

The key management personnel of the group are comprised of the Charity's trustees, Director of Fundraising, Manager of Direct Marketing and Smile Train's CEO and VP of Finance. Only the Director of Fundraising and the Manager of Direct Marketing are paid through the Charity. The employee benefits of these two Charity's key management personnel amounted to £105,135 (2015: £70,002).

9 Tangible fixed assets

Group and Charity

Cost	Fixtures, fittings and equipment £
At 1 July 2015	1,004
Additions	-
At 30 June 2016	1,004
Depreciation	
At 1 July 2015	641
Charge for the year	335
At 30 June 2016	976
Net book value	
At 1 July 2015	363
At 30 June 2016	28

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

10 Debtors

	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
Prepayments and accrued income	531,739	531,739	506,126	379,897

11 Creditors: amounts falling due within one year

	Group 2016 £	Charity 2016 £	Group 2015 £	Charity 2015 £
Trade creditors	84,690	84,690	29,236	29,236
Amounts owed to group undertakings	58,380	63,430	2,295	2,295
Accruals	214,060	209,060	267,230	263,086
Taxation and social security	28,463	-	120,079	4,000
	385,593	357,180	418,840	298,617

12 Restricted Funds

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

Group and Charity

	Balance at 1 July 2015 £	Incoming Resources £	Resources expended £	Balance at 30 June 2016 £
Restricted donations	1,963	22,287	(3,557)	20,693
	1,963	22,287	(3,557)	20,693

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:

Group and Charity

	Balance at 1 July 2015 £	Incoming Resources £	Resources expended £	Balance at 30 June 2016 £
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.

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

14 Analysis of net assets between funds

Group	Unrestricted funds	Restricted funds	Designated funds	Total
	£	£	£	£
Fund balances at 30 June 2016				
are represented by:				
Fixed assets	28	-	-	28
Current assets	1,697,245	20,693	150,000	1,867,938
Creditors: amounts falling due within one year	(385,593)	-	-	(385,593)
Total	1,311,680	20,693	150,000	1,482,373

15 Operating lease commitments

At 30 June 2016, the Group was committed to making the following payments under non-cancellable operating lease.

	Land and buildings:	
	2016	2015
	£	£
Operating leases which expire:		
Within one year	40,086	-
Within two to five years	10,107	-
	<u>50,193</u>	<u>-</u>

16 Related parties

During the year, Smile Train Inc., the sole member of the Group, was repaid the sum of £nil (2015: £54,438) owed by the Group to Smile Train Inc. in relation to expenses paid by Smile Train Inc. on behalf of the Group. Smile Train Inc. paid expenses totaling £66,974 (2015: £47,530) on behalf of the Group during the year and the Group paid £nil (2015: £7,155) on behalf of Smile Train Inc. during the year. Smile Train Inc. received donations on behalf of the Group of £10,889 (2015: £nil). £58,380 (2015: £2,295) was owed to Smile Train Inc. as at 30 June 2016.

In addition, the Group granted £4,760,000 (2015: £4,100,000) to Smile Train Inc. for inclusion in their jointly-stated charitable activities.

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

The charity has taken advantage of the exemption provided under FRS 102 Section 33 and has not disclosed transactions with wholly owned subsidiaries.

17 Parent undertaking

The company's parent undertaking is Smile Train Inc., 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 Affiliates accounts are available on www.smiletrain.org.

THE SMILE TRAIN UK

NOTES TO THE ACCOUNTS (CONTINUED)

FOR THE YEAR ENDED 30 JUNE 2016

18 Payment to parent charity under Gift Aid

The company has adopted a policy of paying all its taxable profits to its parent charity, The Smile Train UK, under Gift Aid. These gift aid payments are recognised as distributions through equity rather than as an expense through the profit and loss, and therefore an operating profit exists at the balance sheet date, on which a tax liability arises. This represents a change in accounting policy and has been accounted for as a prior period adjustment as shown in the Statement of Changes in Equity.