



**THE SMILE TRAIN UK**  
**ANNUAL REPORT 2017**

# Message from Smile Train Inc. CEO and The Smile Train UK Trustee



Dear Friends,

At Smile Train, we are committed to helping children in some of the poorest regions on earth. In Fiscal Year 2017 Smile Train continued to achieve the highest productivity of any cleft charity in the world:

- We celebrated all of our Smile Makers, our real-world superheroes giving children with clefts new smiles and the opportunity for new lives 365 days a year.
- We leveraged our data for a study published in the prestigious British Medical Journal Global Health, where the findings concluded that a single cleft repair surgery not only improves a child's health, but also boosts individual earnings and the global economy.
- We launched 65+ new local partnerships, including one new country: Central African Republic.
- We cheered as our global community and medical partners from around the world supported our efforts on Giving Tuesday, raising much needed awareness and funds for children with clefts.
- We expanded our training and education programs throughout the world, including hosting our first South American Cleft Congress.

The growth of our treatment programs proves the effectiveness of our unique strategy. By giving free training, free equipment and financial support, we empower local medical professionals to help parents in need change the fate of their child, and help local communities become self-sufficient and sustainable.

For our donors, Smile Train represents an opportunity to deal in the miraculous. By funding safe surgery that can cost as little as £150, they can restore a child's health – and change their fate. They can do for these children what their impoverished parents cannot.

Of course, no matter how many children Smile Train helps, there are so many more who need us. With your support, we will continue to reach as many of these children as we can.

Nothing could be more human, or more lasting.

A handwritten signature in black ink, appearing to read "Susannah Schaefer".

Susannah Schaefer  
Smile Train Inc. CEO and The Smile Train UK Trustee

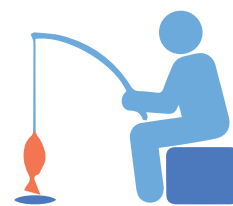
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# The True Power of a Smile

Our Smile Train story is so simple, as it embraces the time-honored proverb: Give a man a fish and you feed him for a day. Teach a man to fish and you feed him for a lifetime.

Smile Train was the first cleft charity to pioneer this “teach a man to fish” approach. We help train local doctors and provide funding for equipment and financial aid so these partners can provide free cleft surgery and comprehensive cleft care every day. This is a safe, more efficient and sustainable way of providing quality cleft treatment for a fraction of what it would cost a mission group. Many Smile Train surgeons perform hundreds of cleft surgeries a year, and are there on the ground to provide continued follow-up care.



Our approach helps desperately poor communities become self-sufficient and sustainable for generations, while transforming those who are suffering needlessly into healthy children.



# NDINDA'S STORY

## A SMILE OF ACCEPTANCE



Ndinda Kyalo was born in 2007 with a cleft lip in the village of Tala, Kenya. Many of the people living in this remote community believed that her cleft lip was caused by HIV or even by a horrible curse. As a result, the entire Kyalo family was shunned and ignored.

When Ndinda was four years old, children in the village taunted her by calling her by the name “Kilema” – a derogatory term for someone with a disability. Despite the name-calling, Ndinda always had an unbreakable, happy disposition and smile – even when she found out that she would be kept back from school due to her family’s poor social standing.

The years of social isolation and bullying finally ended after Ndinda’s parents heard a radio ad about Smile Train sponsored cleft surgery at nearby Makueni District Hospital. At the hospital, they found out that Ndinda was a perfect candidate for free cleft surgery. Two weeks later, she returned home with a new smile.

Today, Ndinda is a happy and well-liked student at St. Mary’s Primary School. Ndinda’s teacher Mary says that Ndinda is now full of confidence and the other students are drawn toward her positive personality. She adds that whenever the children sing songs, Ndinda always has the loudest voice.

Thanks to a year of hard work and dedication from her and her teachers, Ndinda has caught up to the other students in her grade academically.

Ndinda’s indomitable spirit has won over her entire community. Now, any child born with a cleft in Tala will surely be met with acceptance and love thanks to the efforts of one brave girl.









# ONE GOAL. TO GIVE EVERY CHILD BORN WITH A CLEFT A BRIGHTER FUTURE.



**Every 5 Minutes**

a Smile Train surgery helps a child in need



**1,000,000+**  
surgeries since 1999



**2,100+**  
medical professionals



**1,100+**  
partner hospitals



**1,000+**  
free medical articles  
& publications we  
make available



**1,400+**  
supported medical  
conferences & trainings



**85+**  
countries where  
Smile Train has  
helped children



**1 Goal**  
to give every cleft child  
the chance to smile

The statistics and information included in this document regarding Smile Train's work represent aggregate data compiled from Smile Train Inc. and all of its affiliated entities worldwide.

# WE DON'T DO EVERYTHING. WE DO ONE THING.

Unlike other children's charities that do a little of everything, Smile Train is laser-focused on one goal: to ensure that every child born with a cleft—anywhere in the world—has the opportunity to live a full and productive life.

Smile Train sets the standards for cleft surgery and quality worldwide. Our Medical Advisory Boards establish the safety standards and protocols that every Smile Train partner hospital must meet. They review our surgeries, medical training and education programs to ensure we meet the absolute highest standards.

We work smart to make sure your money does the most good. Smile Train has pioneered new technology such as our Virtual Surgery Simulator, a speech therapy app, a digital patient database called Smile Train Express, and the world's largest virtual cleft library.

Thousands of pages of invaluable cleft-related information can be accessed with one click.





# **THE SMILE TRAIN UK TRUSTEES' REPORT AND ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2017**

Charity Registration No. 1114748  
Company Registration No. 05738962 (England and Wales)

# THE SMILE TRAIN UK LEGAL AND ADMINISTRATIVE INFORMATION

## TRUSTEES

S Schaefer  
E F Monopoli  
C Stanger Resigned – 1 July 2016  
R Reichbach  
C Bannister  
S Stinton Appointed – 18 January 2017  
T Poliakova Appointed – 18 January 2017

## KEY MANAGEMENT PERSONNEL

Director of Fundraising, Manager of Direct Marketing,  
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

Crowe Clark Whitehill LLP  
St Bride's House  
10 Salisbury Square  
London, EC4Y 8EH

## BANKERS

HSBC Plc  
60 Queen Victoria Street  
London  
EC4N 4TR

## SOLICITORS

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

# THE SMILE TRAIN UK TRUSTEES' REPORT

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 2017. 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.

## 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 (Director of Fundraising until 30 April 2017), I Vallance (Director of Fundraising from 25 September 2017), S Curtis, S Schaefer and B Gonzalez. S Schaefer and B Gonzalez 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 four 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 Brazil, Germany, India, Indonesia and Philippines. 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 charged. 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.

### 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  
S Stinton Appointed – 18 January 2017  
T Poliakova Appointed – 18 January 2017

## **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 provides free cleft surgery and comprehensive cleft care to children in developing countries. Through training local doctors and empowering partner hospitals around the world, we advance a sustainable solution and scalable model to treat clefts, drastically improving children's lives, including their ability to eat, breathe, and speak over time. 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 £369,113 (2016: £285,744) and this has been included within the Group Statement of Financial Activities.

## **ACHIEVEMENTS AND PERFORMANCE**

During the year the Charity paid £4,285,977 (2016: £5,008,311) in programme activities cost (see Note 6). Of this amount, the Charity spent £137,009 (2016: £248,311) on public education and awareness in the UK and granted £4,145,000 (2016:

£4,760,000) 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. 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](http://www.smiletrain.org).

## **SURGERIES PERFORMED**

The Charity funded approximately 18,500 (2016: 23,800) 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 2017, 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 2017, 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 2017, including:

### *October 2016 – ASPS/PSF/Smile Train International Scholarship Program*

Two leading Smile Train partner surgeons, Dr. Luc Malemo from the Democratic Republic of Congo and Dr. Ahmed Habib from Egypt, were selected as 2016 Smile Train - American Society of Plastic Surgeons - Plastic Surgery Foundation International Scholars. They were honoured at the annual ASPS meeting in Los Angeles, California, USA and dedicated more than two weeks to intensive cleft training with top cleft centers across the United States. The advanced interdisciplinary training that they received will help our Smile Train partner surgeons implement similar comprehensive approaches and greatly enhance the cleft care that they provide in Africa and the Middle East.

### *February 2017 - International Cleft Congress (Cleft 2017)*

Smile Train was a key participant at the important event. The International Cleft Congress, which is held every four years, took place in Chennai, India from February 8-11, 2017. More than 130 Smile Train partners from around the world participated at the Conference, which was hosted by leading Smile Train partners. Smile Train was recognized as a premiere global cleft charity at the opening ceremony and had numerous presentations, speaking engagements, events and significant branding throughout the Congress.

### *March 2017 - Southeast Asia Speech Services Training*

The first Southeast Asia Smile Train Speech Services Training took place in Manila, Philippines from March 6 – 10th, 2017. 15 nurses and social workers from across the country attended. Due to the lack of trained speech therapists able to provide cleft care in the region, Smile Train focused on empowering these paraprofessionals to meet the needs of cleft patients. The training was according to the “train the trainer” model so participants were prepared to train additional paraprofessionals and even parents of cleft children.

### *March 2017 - Anesthesia Training Opportunities Across Africa*

Smile Train has been supporting partner anesthesia providers to attend pediatric anesthesia training programs in East and West Africa. Smile Train’s West Africa team hosted a Safe Anesthesia Delivers Smiles training in Lagos, Nigeria from March 14-18 for 25 non-physician anesthesia providers from West and Central Africa. The following week, in partnership with the World Federation of Societies of Anaesthesiology, 32 Ethiopia Smile Train anesthesia providers attended a 3-day, safe pediatric anesthesia training program in Addis Ababa, Ethiopia from March 20-23, 2017.

### *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. This year the Simulator was expanded to include new modules on Speech Anatomy and Palatal Fistula Repair, Voiceovers for all Modules, and French language content. It has now been accessed in more than 135 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 cleft surgery. Comprehensive Cleft 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 and cleft care 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 £6.1m (2016: £7.1m). The group total resources expended, principally representing programme costs, were £6.6m (2016: £7.6m). As a result, recorded net expenditure (2015 - income) resources was £0.5m (2016: £0.5m). The net expenditure was due to the resolution of funding additional cleft surgeries. Unrestricted funds at the end of fiscal year 2017 stood at £1m (2016: £1.3m).

The summarized results for the year’s trading of The Smile Train UK Trading Company Limited is given on page 17 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 2017, £101,848 (2016: £3,557) of such restricted donations were spent in accordance with the donors' directions and £nil (2016: £20,693) 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 £1m (2016: £1.5m).

## **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. This level of reserves has been maintained throughout the year. As there are unrestricted funds of £853,206 (2016: £1,311,680) held in excess of this level, these can be spent on raising funds and charitable activities. The Trustees are considering whether 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 2017, were able to provide safe, free cleft surgeries (18,500 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 2018, the Charity plans to refine and enhance marketing and fundraising campaigns to engage new and current donors as well as continue to diversify fundraising towards more sustainable income channels. Investments have been made in testing channels that focus on regular giving, such as DRTV and Face to Face, which support reliable and predictable income for future years through dedicated supporters making monthly gifts. Based on projections from agency partners for charity clients, we anticipate these investments will provide a positive return on investment within 24 – 36 months. Performance will be monitored to determine the actual return on investment of each channel based on Smile Train data to assess the most productive fundraising investments and inform ongoing and/or expanded investments moving forward. 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.

In fiscal year 2018, 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, 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 nutrition, 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 Crowe Clark Whitehill LLP be appointed as auditors of the Charity for the fiscal year 2017 was passed by the Trustees on 5 August 2017.

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 The trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the charitable company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 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.

This report is prepared in accordance with the provisions of the Companies Act applicable to small entities.

By order of the board of trustees



S Stinton  
Trustee

Date: 27/2/18

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE SMILE TRAIN UK

## OPINION

We have audited the financial statements of The Smile Train UK for the year ended 30 June 2017 which comprise the group and parent charitable company balance sheets, the group statement of financial activities, group statement of cashflows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. 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 the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the parent charitable company's affairs as at 30 June 2017 and of the group's 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 and the Charities Act 2011.

## BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## CONCLUSIONS RELATING TO GOING CONCERN

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## OTHER INFORMATION

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **OPINIONS ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion based on the work undertaken in the course of our audit

- the information given in the trustees' report, which includes the directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report included within the trustees' report have been prepared in accordance with applicable legal requirements.

## **MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION**

In light of the knowledge and understanding of the group and the charitable company and their environment obtained in the course of the audit, we have not identified material misstatements in the directors' report included within the trustees' report.

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

- the parent company has not kept adequate accounting records have not been kept; or
- the parent company 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies exemption in preparing the Trustees Annual Report.

## **RESPONSIBILITIES OF TRUSTEES**

As explained more fully in the trustees' responsibilities statement, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

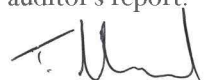
In preparing the financial statements, the trustees are responsible for assessing the group's and the parent charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charity or to cease operations, or have no realistic alternative but to do so.

## **AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

We have been appointed as auditor under section 151 of the Charities Act 2011 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder

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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.



Tim Redwood  
Senior Statutory Auditor  
For and behalf of Crowe Clark Whitehill LLP  
Statutory Auditor  
London

Date: 8 MARCH 2015

# THE SMILE TRAIN UK GROUP STATEMENT OF FINANCIAL ACTIVITIES FOR THE YEAR ENDED 30 JUNE 2017

		Unrestricted funds	Restricted funds	Total 2017	Total 2016
	Note	£	£	£	£
<b>Income from:</b>					
Donations and legacies	2	6,059,587	81,155	6,140,742	7,005,484
Other trading activities	4	-	-	-	99,512
Investments		70	-	70	108
<b>Total</b>		<b>6,059,657</b>	<b>81,155</b>	<b>6,140,812</b>	<b>7,105,104</b>
<b>Expenditure on:</b>					
Raising funds	6	1,970,878	-	1,970,878	2,187,827
Charitable activities	6	4,184,129	101,848	4,285,977	5,008,311
Other	6	363,124	-	363,124	338,963
<b>Total</b>		<b>6,518,131</b>	<b>101,848</b>	<b>6,619,979</b>	<b>7,535,101</b>
<b>Net (expenditure) / income</b>		<b>(458,474)</b>	<b>(20,693)</b>	<b>(479,167)</b>	<b>(429,997)</b>
Fund balances at 1 July 2016		1,461,680	20,693	1,482,373	1,912,370
<b>Fund balances at 30 June 2017</b>		<b>1,003,206</b>	<b>-</b>	<b>1,003,206</b>	<b>1,482,373</b>

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 GROUP & PARENT CHARITABLE COMPANY BALANCE SHEETS AS AT 30 JUNE 2017

	Note	Group 2017 £	Group 2016 £	Charity 2017 £	Charity 2016 £
<b>Fixed assets</b>					
Tangible assets	9	900	28	900	28
Investments		-	-	1	1
<b>Total Fixed Assets</b>		<b>900</b>	<b>28</b>	<b>901</b>	<b>29</b>
<b>Current assets</b>					
Debtors	10	172,291	531,739	185,304	531,739
Cash at bank and in hand		1,159,730	1,336,199	1,149,612	1,235,535
<b>Total Current Assets</b>		<b>1,332,021</b>	<b>1,867,938</b>	<b>1,334,916</b>	<b>1,767,274</b>
<b>Liabilities</b>					
Creditors falling due within one year	11	(329,715)	(385,593)	(327,017)	(357,180)
<b>Total assets less current liabilities</b>		<b>1,002,306</b>	<b>1,482,345</b>	<b>1,007,899</b>	<b>1,410,094</b>
<b>Net Assets</b>		<b>1,003,206</b>	<b>1,482,373</b>	<b>1,008,800</b>	<b>1,410,123</b>
<b>The funds of the charity</b>					
Restricted funds	12	-	20,693	-	20,693
<b>Unrestricted funds</b>					
General funds held as part of reserves policy	13	150,000	150,000	150,000	150,000
General funds for distribution		853,206	1,311,680	858,800	1,239,430
<b>Total charity funds</b>		<b>1,003,206</b>	<b>1,482,373</b>	<b>1,008,800</b>	<b>1,410,123</b>

The net expenditure for the charity only for the year ended 30 June 2017 was £401,323 (2016: £273,686)  
These accounts are prepared in accordance with the special provisions of Part 15 of the Companies Act relating to small companies.

Approved and authorised for issue by the Board of Trustees on 1 February 2018 and signed on their behalf

S Stinton  
Trustee

Date: 27/2/18

Charity Registration No. 114748  
Company Registration No. 05738962

# THE SMILE TRAIN UK CONSOLIDATED STATEMENT OF CASH FLOWS AS AT 30 JUNE 2017

		2017	2016
	Note	£	£
<b>Cash flows from operating activities:</b>			
Net cash used in operating activities	(a)	(175,389)	(488,522)
<b>Cash flows from investing activities:</b>			
Purchase of tangible fixed assets	9	<u>(1,080)</u>	-
<b>Change in cash at bank and in hand in the reporting period</b>		(176,469)	(488,522)
<b>Cash at bank and in hand at the beginning of the reporting period</b>		<u>1,336,199</u>	1,824,721
<b>Cash at bank and in hand at the end of the reporting period</b>		<u><b>1,159,730</b></u>	<u><b>1,336,199</b></u>

## Notes to the statement of cash flows

(a) Reconciliation of net cash used in operating activities

Net expenditure for the reporting period		(479,167)	(429,997)
Adjustments for:			
Depreciation		208	335
Increase (decrease) in contributions receivable		359,448	(25,613)
Decrease in accounts payable and accrued expenses		<u>(55,878)</u>	<u>(33,247)</u>
Net cash used in operating activities		<u><u>(175,389)</u></u>	<u><u>(488,522)</u></u>

# THE SMILE TRAIN UK

## NOTES TO THE ACCOUNTS

### *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.

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 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.

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

#### *1.4 Income*

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 once the charity is aware that probate has been granted and either final estate have been approved, notification has been made by the executor(s) that a distribution will be made, or a distribution has been 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).

#### *1.5 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 cost incurred by Smile Train, Inc being the value to the Group.

#### *1.6 Expenditure*

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

Expenditure 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.

### *1.7 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.

### *1.8 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.

### *1.9 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.

### *1.10 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.

### *1.11 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.

### *1.12 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.

### *1.13 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*

	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Total 2017</b>	Total 2016
	<b>£</b>	<b>£</b>	<b>£</b>	£
Donations and legacies	<b>5,669,860</b>	<b>81,155</b>	<b>5,751,015</b>	6,719,740
Donated services	<b>389,727</b>	-	<b>389,727</b>	285,744
Total	<b>6,059,587</b>	<b>81,155</b>	<b>6,140,742</b>	7,005,484

Donated services are represented by management, operational, administrative, marketing and fundraising services provided by Smile Train, Inc. staff to the Group at no cost, of £369,113 (2016: £285,744). Donated services also includes legal service fees of £16,646 (2016: £nil) and programme costs of £3,968 (2016: £nil)

Income from donations and legacies in 2016 was £7,005,484 of which £6,983,197 was unrestricted and £22,287 was restricted.

### 3 *Legacy Notifications*

At 30 June 2017, 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 £740k (2016: £800k).

### 4 *List Rental and Trading*

In fiscal year 2017, list rental and other trading income was £nil (2016: £99,512) for which corporation tax of £nil (2016: £18,063) has been recognized, and been included in other costs. The 2016 tax charge was reversed in 2017 on payment of gift aid.

### 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 2017 were R Bell, A McCarthy and S Schaefer.

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

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
Turnover	-	99,512
Expenditure	(5,594)	(9,199)
	<hr/>	<hr/>
Operating profit before tax	(5,594)	90,313
	<hr/>	<hr/>
Tax charge	-	(18,063)
Profit for the year	(5,594)	72,250
	<hr/>	<hr/>

#### *Balance Sheet of The Smile Train UK Trading Company Limited*

	<b>2017</b>	<b>2016</b>
	<b>£</b>	<b>£</b>
<b>Current Assets</b>		
Debtors	-	5,050
Cash at bank and in hand	10,118	100,664
	<hr/>	<hr/>
	10,118	105,714
	<hr/>	<hr/>
Creditors: amounts falling due within one year	(15,711)	(33,463)
<b>Net assets</b>	<b>(5,593)</b>	<b>72,251</b>
	<hr/>	<hr/>
Capital and reserves		
Called up share capital	1	1
Profit and loss account	(5,594)	72,250
	<hr/>	<hr/>
Equity shareholders' funds	<b>(5,593)</b>	<b>72,251</b>
	<hr/>	<hr/>

## 6 Expenditure

	Staff costs	Other costs	Total 2017	Total 2016
	£	£	£	£
<b>Raising funds</b>				
Advertising and fundraising costs	<b>138,496</b>	<b>1,567,446</b>	<b>1,705,942</b>	1,985,094
Smile Train Inc. staff	<b>264,936</b>	-	<b>264,936</b>	202,733
	<b>403,432</b>	<b>1,567,446</b>	<b>1,970,878</b>	2,187,827
<b>Charitable Activities</b>				
Programme costs	-	<b>4,148,968</b>	<b>4,148,968</b>	4,760,000
Printed educational materials and services	-	<b>137,009</b>	<b>137,009</b>	248,311
	-	<b>4,285,977</b>	<b>4,285,977</b>	5,008,311
<b>Other costs</b>				
Staff costs	<b>69,248</b>	-	<b>69,248</b>	71,433
Audit fees	-	<b>27,000</b>	<b>27,000</b>	40,000
Other accounting fees	-	<b>25,588</b>	<b>25,588</b>	4,414
Legal fees	-	<b>80,688</b>	<b>80,688</b>	65,272
Smile Train Inc. staff	<b>104,177</b>	-	<b>104,177</b>	83,011
Corporation tax	-	<b>(18,063)</b>	<b>(18,063)</b>	(43,077)
Other administrative expenses	-	<b>74,486</b>	<b>74,486</b>	<b>117,910</b>
	<b>173,425</b>	<b>189,699</b>	<b>363,124</b>	338,963
Total	<b>576,857</b>	<b>6,043,122</b>	<b>6,619,979</b>	7,535,101

Expenditure on charitable activities in 2016 was £5,008,311 of which £5,004,754 was unrestricted and £3,557 was restricted. Expenditure on raising funds and other costs in 2016 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 support staff costs.

Grants made to Smile Train Inc. of £4,145,000 (2016: £4,760,000) are included in programme costs for direct inclusion in their programme expenses.

Donated services are management, operational, administrative, marketing and fundraising services provided by Smile Train staff or other third parties to the Charity at no cost.

## 7 Trustees

During the year ended 30 June 2017, none of the trustees received compensation for his or her services or were reimbursed expenses by the Group.

## 8 *Employees*

Number of employees

There were 5 employees throughout the year (2016: 4).

<b>Employee Costs</b>	<b>2017</b>	2016
	<b>£</b>	£
Wages and salaries	<b>177,385</b>	180,541
Social security costs	<b>21,002</b>	17,665
Other pension costs	<b>3,770</b>	2,480
	<b>202,157</b>	200,686

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

	<b>2017</b>	2016
£70,001 - £80,000	<b>1</b>	1

Of these employees, retirement benefits are accruing under pension schemes funded by the group to 1 employee (2016: 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 £108,251 (2016: £105,135).

## 9 *Tangible fixed assets*

### **Group and Charity**

<b>Cost</b>	<b>Fixtures, fittings and equipment</b>
	<b>£</b>
At 1 July 2016	1,004
Additions	1,080
At 30 June 2017	<b>2,084</b>
<b>Depreciation</b>	
At 1 July 2016	976
Charge for the year	208
At 30 June 2017	<b>1,184</b>
<b>Net book value</b>	
At 1 July 2016	28
At 30 June 2017	<b>900</b>

## 10 *Debtors*

	<b>Group</b>	<b>Charity</b>	Group	Charity
	<b>2017</b>	<b>2017</b>	2016	2016
	<b>£</b>	<b>£</b>	£	£
Prepayments and accrued income	<b>172,291</b>	<b>185,304</b>	531,739	531,739

**11** *Creditors: amounts falling due within one year*

	<b>Group 2017</b>	<b>Charity 2017</b>	Group 2016	Charity 2016
	<b>£</b>	<b>£</b>	£	£
Trade creditors	<b>131,873</b>	<b>129,175</b>	84,690	84,690
Amounts owed to group undertakings	<b>23,892</b>	<b>23,892</b>	58,380	63,430
Accruals	<b>173,950</b>	<b>173,950</b>	214,060	209,060
Taxation and social security	-	-	28,463	-
	<b>329,715</b>	<b>327,017</b>	385,593	357,180

**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

	<b>Balance at 1 July 2016</b>	<b>Income</b>	<b>Expenditure</b>	<b>Balance at 30 June 2017</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Restricted donations	20,693	81,155	(101,848)	-
	20,693	81,155	(101,848)	-
	<b>Balance at 1 July 2015</b>	<b>Income</b>	<b>Expenditure</b>	<b>Balance at 30 June 2016</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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** *Reserves policy*

The income funds of the charity include funds which have been set aside by the Trustees as part of their reserves policy. Funds in excess of this amount will be applied for charitable activities in the course of the next 12 to 24 months. At 31 December 2016 and 31 December 2015 the trustees' reserve policy was to hold £150,000 in free reserves.

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

## 14 *Analysis of net assets between funds*

Group

	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Designated funds</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Fund balances at 30 June 2017 are represented by:				
Fixed assets	900	-	-	900
Current assets	1,182,021	-	150,000	1,332,021
Creditors: amounts falling due within one year	(329,715)	-	-	(329,715)
<b>Total</b>	<b>853,206</b>	<b>-</b>	<b>150,000</b>	<b>1,003,206</b>

	<b>Unrestricted funds</b>	<b>Restricted funds</b>	<b>Designated funds</b>	<b>Total</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
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)
<b>Total</b>	<b>1,311,680</b>	<b>20,693</b>	<b>150,000</b>	<b>1,482,373</b>

## 15 *Operating lease commitments*

At 30 June 2017, the Group was committed to making the following payments under non-cancellable operating lease.

	Land and buildings:	
	2017	2016
	£	£
Operating leases which expire:		
Within one year	41,940	40,086
Within two to five years	10,611	10,107
	<b>52,551</b>	<b>50,193</b>

## 16 *Related parties*

During the year, Smile Train Inc., the sole member of the Group, was repaid the sum of £47,921 (2016: £nil) 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 £26,529 (2016: £66,974) on behalf of the Group during the year and the Group paid £4,200 (2016: £nil) on behalf of Smile Train Inc. during the year. Smile Train Inc. received donations on behalf of the Group of £12,940 (2016: £10,889) and the Group received £4,045 (2016: £nil) on behalf of Smile Train Inc. during the year. £23,892 (2016: £58,380) was owed to Smile Train Inc. as at 30 June 2017.

During the year, The Smile Train UK Trading Company Limited made a payment for all its taxable profits of £72,250 (2016: £285,701) its parent charity, The Smile Train UK, under Gift Aid. Smile Train UK Trading Company Limited paid expenses totaling £nil (2016: £5,050) on behalf of the Smile Train UK during the year.

In addition, the Group granted £4,145,000 (2016: £4,760,000) to Smile Train Inc. for inclusion in their jointly-stated charitable activities. In addition, the time of Smile Train Inc. staff provided at no costs as has been recognised as a Gift in Kind (in income and expenditure) as stated in Note 2.

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.

## 17 *Parent undertaking*

The company's ultimate 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](http://www.smiletrain.org).



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