

Operation  Smile
United Kingdom

(A company limited by guarantee and not having a share capital)

Registered Company No: 04317039

Registered Charity No: 1091316

**REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30th NOVEMBER 2004**

Operation Smile United Kingdom Trustees' Report For the year ended 30th November 2004

The Trustees present their report for the year ended 30th November 2004.

Operation Smile United Kingdom is a charitable company limited by guarantee. The Board of Directors of Operation Smile United Kingdom is responsible for all decisions relating to the conduct of business for Operation Smile United Kingdom as described in the Memorandum of Association and Articles of Association. Operation Smile United Kingdom was incorporated in 2001 as company number 4317039 and was registered as a charity number 1091316 with the Charity Commission on 22nd March 2002.

Trustees (who are the directors of the company for the purposes of the Companies Act):

J.E. Greenhalgh	(Chairman)
R.P. Gibson	
P. McDonald	(Medical Director)
C.S. Mindenhall	
J. Randall	(Treasurer)
D. Wolfe	
M. Badale	(Vice Chairman)
S.Conway	(appointed 1st January 2005)
A. Fairbocern	(appointed 1st January 2005)

Company Secretary:	E. Agler	(resigned 1st September 2003)
	A.N. D'Avella	(appointed 1st September 2003)

Principal Office: 3rd Floor Hythe House
200 Shepherd's Bush Road
London W6 7NL

Bankers:	CAF Bank Limited	Barclays Bank PLC
	PO Box 289	PO Box 1385
	West Malling	2 Arena Court, Sheffield
	Kent ME19 4TA	South Yorkshire S92 WU

Accountants: Kingston Smith
Chartered Accountants
Devonshire House
60 Goswell Road
London EC1M 7AD

Solicitors: Sinclair Taylor and Martin
9 Thorpe Close
London W10 5XL

Objectives and Policies

The objectives of the company are to protect the physical, mental and emotional health of children with facial and functional deformities around the world.

Background

Throughout the world, Operation Smile U.K. volunteers repair childhood facial deformities while building public and private partnerships that advocate for sustainable healthcare systems for children and families. Operation Smile U.K. is part of a global alliance of Operation Smile organisations working to serve children in 21 developing countries in Asia, Central and South America, Africa and the Middle East.

Operation Smile United Kingdom

Trustees' Report

For the year ended 30th November 2004 (continued)

Background (continued)

As a Resource Chapter, Operation Smile U.K.:

- raises funds and awareness for children suffering from facial deformities
- recruits medical volunteers to support the breadth of Operation Smile's global medical programmes
- creates medical training opportunities for physicians from its partner international foundations

Operation Smile U.K. is a Resource Chapter to its regional foundation partners in Belarus, Jordan, Kenya, Morocco, Gaza Strip/West Bank, Romania, and Russia. Additional Resource Chapters in the region include Ireland, Italy, and Switzerland.

Our History

Since 1993, U.K. medical professionals have participated in Operation Smile international medical missions to provide free surgery to thousands of children in places such as India, the Philippines, Kenya, Colombia, Morocco and Vietnam. The growing interest by donors and doctors in the U.K. for the work of Operation Smile prompted the creation of a formal resource chapter in late 2001. In March 2002, Operation Smile U.K. gained registered charitable status and has since been working hard to raise funds, spread awareness and recruit volunteers to support Operation Smile programmes around the world. Since 2000, Operation Smile U.K. has raised more than £250,000 in tangible funds. Since infrastructure and salary costs are sponsored, all funds raised have been given directly to support medical missions, in addition to supporting Operation Smile global education programmes and international foundation infrastructure in mission countries.

The Operation Smile Global Alliance

Operation Smile Inc was founded by Dr. William P. Magee, a U.S. plastic surgeon, and his wife, Kathleen, a nurse and clinical social worker. In 1982, the Magees travelled to the Philippines with a group of medical volunteers to repair children's cleft lips and cleft palates. While there, they found hundreds of children with severe deformities. Although they helped many children, the volunteers were forced to turn away the majority of those who sought help. Bill and Kathy Magee promised those children that they would return the following year to offer more free surgeries. They kept that promise and, in 1982, Operation Smile was born.

Operation Smile U.K. is proudly part of a global alliance of Operation Smile organisations working to serve children with facial deformities. Our global volunteer network is working to make a difference in the lives of children every day: 29 resource chapters and international foundations ensure that our impact and volunteer bases stretch around the world.

Resource Chapters

Operation Smile Resource Chapters provide resources throughout the Operation Smile Global Alliance by securing equipment donations, training medical professionals and supporting the breadth of global medical programmes with both volunteers and funding. The Resource Chapters are as follows:

Operation Smile Australia Limited (Queensland), Operation Smile Bermuda (Hamilton), Operation Smile China Medical Mission, Ltd. (Hong Kong), Operation Smile Inc. (International Headquarters - Norfolk, VA USA), Operation Smile Ireland Ltd (Dublin), Operation Smile Italia Onlus (Rome), Operation Smile Switzerland (Geneva), Operation Smile United Kingdom (London).

International Foundations

Each of our 21 international foundations has a board of directors that sets its vision, policies and programmes, all with the same goal: taking care of more children on their own. In addition to working with Operation Smile International Headquarters to plan the annual international medical missions in their countries, the foundations also organise and conduct local medical missions on a year round basis.

Operation Smile Bolivia (Cochabamba), Operation Smile Brazil (São Paulo), Operation Smile Cambodia (Phnom Penh), Operation Smile China (Hangzhou), Operation Smile Colombia (Bogota), Operation Smile Ecuador (Quito), Operation Smile Honduras (Tegucigalpa), Operation Smile India (Mumbai), Operation Smile Jordan (Amman), Operation Smile Mission in Kenya (Nairobi), Operation Smile Morocco (Casablanca), Operation Smile Nicaragua (Managua), Operation Smile Gaza Strip/West Bank (Gaza City), Operation Smile Panama (Panama City), Operation Smile Peru (Lima), Operation Smile Philippines (Manila), Operation Smile Romania (Bucharest), Operation Smile Russia (Moscow), Operation Smile Thailand (Bangkok), Operation Smile Venezuela (Caracas), Operation Smile Vietnam (Hanoi).

Operation Smile United Kingdom

Trustees' Report

For the year ended 30th November 2004

(continued)

Review of Activities

Operation Smile United Kingdom raised funds amounting to £337,923 to support Operation Smile medical programs in Kenya, Morocco and India.

In 2004, Operation Smile U.K. pledged its volunteer and financial support to fully fund the medical missions to India in October 2004 (Himachal Pradesh) and February 2005 (Deesa). International teams of volunteer medical professionals from over 12 countries provided treatment and aftercare to over 350 Indian children.

In addition, Operation Smile once again pledged its volunteer and financial support of the medical missions to Kenya in November 2004. Operation Smile U.K. volunteers joined international teams of volunteer medical professionals from over 12 countries that provided treatment and aftercare to over 1000 children in four different cities in Kenya.

Operation Smile U.K. has also funded the salary of the Country Manager position for Operation Smile Mission in Kenya. Nils Mork, a graduate of the London School of Economics, has provided much needed organisational structure to the Kenyan foundation thereby enhancing the capacity of the foundation to reach more children in need.

Reserves Policy

At 30th November 2004, Operation Smile United Kingdom had reserves of £136,647, £102,894 of which are for restricted purposes, leaving £33,753 of free reserves. Operation Smile U.K. receives an independent grant to cover the salary of the Executive Director and has all office, phone, and infrastructure costs donated. Operation Smile United Kingdom's overhead costs remain virtually non-existent and the trustees aim to keep minimal reserves to ensure that nearly every pound raised is spent directly on programmes that benefit children in need.

Future Activities

Operation Smile United Kingdom will continue to seek support for the work of Operation Smile foundations around the world to provide free reconstructive surgery to children with cleft lips and cleft palates and other correctable facial disfigurements. Operation Smile United Kingdom will specifically work to support projects aimed at enhancing local capacity to help medical communities in developing countries care for more children on their own.

Risk Management

The trustees have considered the risks of the charity and maintain a register of risks which is reviewed and updated at board meetings.

Legal Status

Operation Smile United Kingdom is a company limited by guarantee and is governed by its Memorandum and Articles of Association. The Memorandum and Articles of Association restrict the liability of members on winding up to £1. In case of winding up none of the accumulated funds are distributable to the members, but shall be given or transferred to Operation Smile Inc for its charitable purposes.

Compliance with Regulations

The attached accounts comply with the requirements of the Statement of Recommended Practice (SORP 2000) "Accounting and Reporting by Charities" and with current statutory requirements and the Memorandum and Articles of Association. In preparing the accounts the Trustees have taken advantage of the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

**Operation Smile United Kingdom
Trustees' Report
For the year ended 30th November 2004
(continued)**

Statement of Trustees' Responsibilities

The trustees are required to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charity and the group and the incoming resources and application of resources, including the net income or expenditure, of the group for the year. In preparing those financial statements, the trustees are required to:

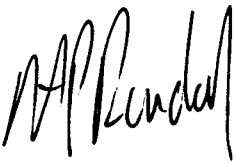
- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and the group and which enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the charity and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Kingston Smith have expressed their willingness to continue in office as auditors and a resolution proposing their re-appointment will be submitted at the Annual General Meeting.

**This report was approved by the Board of Trustees
and signed on its behalf by:**



J. Randall
Trustee

Date: 26/9/05

Accountants Report to the Members on the Unaudited Financial Statements of Operation Smile United Kingdom

We have audited the financial statements of Operation Smile United Kingdom for the year ended 30th November 2004 which comprise the Consolidated Statement of Financial Activities, the Consolidated Balance Sheets, the Balance Sheet and the related notes. These financial statements have been prepared under the historical cost convention, modified for the revaluation of investment assets, and the accounting policies set out therein.

This report is made solely to the charity's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken for no purpose other than to draw to the attention of the charity's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the charity and charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Trustees and Auditors

The trustees' (who are also the directors of The Foundation for the Study of Infant Deaths for the purposes of company law) responsibilities for preparing Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the charity is not disclosed.

We read other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any

Basis of Audit Opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the charity as at 30th November 2004 and of the incoming resources and application of resources for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Kingston Smith
Chartered Accountants
and Registered Auditors

Devonshire House
60 Goswell Road
London EC1M 7AD

Date: 30/09/2005

Operation Smile United Kingdom
Statement of Financial Activities
For the year ended 30th November 2004

INCOME AND EXPENDITURE	Note	Unrestricted Funds £	Restricted Funds £	Year Total 2004 £	Year Total 2003 £
Incoming Resources					
Fundraising events and related donations received	2	72,725	272,266	344,991	118,615
Intangible income (gifts in kind)	3	62,213	-	62,213	59,172
Bank interest received		2,473	-	2,473	572
Total Incoming Resources		<u>137,411</u>	<u>272,266</u>	<u>409,677</u>	<u>178,359</u>
Resources Expended					
<i>Costs of generating funds:</i>					
Fundraising and PR consultancy		38,842	-	38,842	9,976
<i>Charitable Expenditure:</i>					
Donations payable in furtherance of objects	4	-	216,691	216,691	85,325
Costs of management and administration	5	68,610	-	68,610	63,597
Total Resources Expended		<u>107,452</u>	<u>216,691</u>	<u>324,143</u>	<u>158,898</u>
Net Incoming Resources before Transfers		29,959	55,575	85,534	19,461
Transfer between funds	8	(22,054)	22,054	-	-
Net Movement in Funds for the Period		7,905	77,629	85,534	19,461
Funds brought forward 1st December 2003		25,848	25,265	51,113	31,652
Funds Carried Forward 30th November 2004		<u>33,753</u>	<u>102,894</u>	<u>136,647</u>	<u>51,113</u>

All gains and losses arising in the year are included in the Statement of Financial Activities and arise from continuing operations.

The notes on pages 8 to 10 form part of these financial statements.

Operation Smile United Kingdom Balance Sheet at 30th November 2004

	Note	2004 £	2004 £	2003 £	2003 £
Current Assets					
Other debtors		63,900		-	
Cash at bank		<u>263,943</u>		<u>56,696</u>	
		327,843		56,696	
Creditors: Amounts falling due within one year	7	<u>(191,196)</u>		<u>(5,583)</u>	
Net Current Assets			<u>136,647</u>		<u>51,113</u>
Total Assets less current liabilities			<u><u>136,647</u></u>		<u><u>51,113</u></u>
 Funds					
Unrestricted Funds			33,753		25,848
Restricted Funds	8		<u>102,894</u>		<u>25,265</u>
	9		<u><u>136,647</u></u>		<u><u>51,113</u></u>

The notes on pages 8 to 10 form part of these financial statements.

These accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

Approved by the Board of Trustees on 25/09/2005
and signed on its behalf by



J. Randall
Trustee

Operation Smile United Kingdom

Notes to the Accounts

For the year ended 30th November 2004

1 Accounting policies

Basis of accounting

The accounts have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice for Charities (SORP 2000) and applicable accounting standards.

The following accounting policies, which are unchanged from the previous year, have been consistently applied in preparing these financial statements.

Income

All incoming resources are included in the Statement of Financial Activities when the charity is legally entitled to them.

Expenditure

Expenditure is charged on an accruals basis.

Fund accounting

Funds held by the charity are either:

Unrestricted funds

The unrestricted fund consist of those funds which the charity may use in furtherance of its charitable objectives at the discretion of the trustees.

Restricted funds

These are funds that can only be used for particular restricted purposes within the objectives of the charity. Restrictions arise when specified by the donor or when funds are raised for particular restricted purposes.

Intangible Income (gifts in kind)

Intangible income represents gifts and services in kind, donated to the company for which payment would otherwise have had to be made. These are included as intangible income at an amount agreed with the the donor as equal to the cost to the donor.

2 Fundraising Events and Related Donations Received

	Unrestricted	Restricted	2004	2003
	£	£	£	£
John Ellerman Foundation	-	25,000	25,000	-
Trusthouse Charitable Foundation	-	5,000	5,000	5,000
Allan & Nester F Charitable Trust	-	10,000	10,000	-
The Haremead Trust	-	5,000	5,000	-
Enfield Investment Trust	-	5,000	5,000	-
Steel Charitable Trust	-	5,000	5,000	-
Lotus Foundation	-	5,000	5,000	-
S & Mrs E Conway	-	5,000	5,000	-
William Maltby	-	5,000	5,000	-
Netdecisions	-	5,000	5,000	-
Jeremy Greenhalgh	-	13,845	13,845	-
Mr C Abreham	-	5,000	5,000	-
J.E. Greenhalgh	-	18,845	18,845	-
P. J. Kellher	-	11,500	11,500	-
IOD Northwest	6,150	-	6,150	-
Fundraising event income and other donations	66,575	148,076	214,651	113,615
	<u>72,725</u>	<u>272,266</u>	<u>344,991</u>	<u>118,615</u>

Operation Smile United Kingdom
Notes to the Accounts
For the year ended 30th November 2004 (continued)

3 Intangible Income	2004	2003
	£	£
Netdecisions - rent, telephone, computer support, office supplies	15,500	15,000
Netdecisions - web design	-	7,000
Operation Smile Inc - executive directors salary and expenses	46,713	36,667
Agilisys - web hosting	-	505
	<u>62,213</u>	<u>59,172</u>
4 Donations payable in furtherance of objects	2004	2003
	£	£
Operation Smile Inc - Kenya Medical Missions	25,700	60,000
Operation Smile Mission in Kenya - Country manager salary	12,814	12,814
Operation Smile Inc - Morocco Local Initiatives and equipment purchase	8,450	12,511
Operation Smile Inc - India Medical Mission	159,727	-
Operation Smile Inc - Belarus	10,000	-
	<u>216,691</u>	<u>85,325</u>
5 Costs of Management and Administration	2004	2003
	£	£
<i>Costs payable:</i>		
Printing, postage and stationary	218	-
Training costs	-	165
Legal fee	60	95
Audit fees	2,820	-
Accountancy and professional fee	3,240	3,731
Bank charges and commission	59	434
<i>Intangible income (gifts in kind):</i>		
Office rent	9,580	9,990
Telephone, computer support and office supplies	5,920	5,515
Executive Directors Salary and Expenses	46,713	36,667
Web design	-	7,000
	<u>68,610</u>	<u>63,597</u>
6 Transactions with Trustees		
No trustee received any remuneration for services as a trustee nor any reimbursement of expenditure (2003: £nil).		
7 Creditors: Amounts falling due within one year	2004	2003
	£	£
Other creditors	-	4,349
Accruals	191,196	1,234
	<u>191,196</u>	<u>5,583</u>

Operation Smile United Kingdom
Notes to the Accounts
For the year ended 30th November 2004 (continued)

8 Restricted Funds	Balance at	Incoming	Resources	Transfer from	Balance at
	30.11.2003	Resources	Expended	Unrestricted Funds	30.11.2004
	£	£	£	£	£
Morocco Medical Missions	180	-	-	-	180
Kenya Medical Missions	-	32,700	(38,514)	5,814	-
World Care Patient Programme	8,765	-	-	-	8,765
Belarus	-	-	(10,000)	10,000	-
India Medical Mission	16,320	237,356	(159,727)	-	93,949
Morocco Local Initiatives	-	2,210	(8,450)	6,240	-
	<u>25,265</u>	<u>272,266</u>	<u>(216,691)</u>	<u>22,054</u>	<u>102,894</u>

9 Analysis of Net Assets between Funds	Unrestricted	Restricted	Total	Total
	Funds	Funds	2004	2003
	£	£	£	£
Current assets	39,838	288,005	327,843	56,696
Current liabilities	(6,085)	(185,111)	(191,196)	(5,583)
Total net assets	<u>33,753</u>	<u>102,894</u>	<u>136,647</u>	<u>51,113</u>

10 Related Parties

During the year Operation Smile Inc donated £46,713 (2003: £36,667) as gifts in kind for the cost of the executive director's salary and related expenses.

During the year C.S. Mindenhall and M. Badale, directors of Operation Smile United Kingdom were also directors of Netdecisions. In 2004 Netdecisions donated £15,500 (2003: £22,000) as gifts in kind and made a further donation of £5,000 at a fundraising event.

During the year director J.E. Greenhalgh made donations of £18,045 to the charity and director J. Randall donated £1,000.