

**OPERATION SMILE (SOUTH AFRICA) NPC
(REGISTRATION NUMBER 2006/006513/08)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012**

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
General Information

Country of incorporation and domicile	South Africa
Nature of business and principal activities	To promote, sponsor and provide voluntary repair and specialised medical services and treatment to indigent children
Directors	LD Auret CE de Maid (British) E Frank EF Gouws V Madaree A Madaree WP Magee (American) M Mehta (Chairman) IB Young
Business and postal address	1st Floor, The Toyco Building 349 Albert Road, Woodstock 7925
Auditors	Moore Stephens BKV Inc. Chartered Accountants (S.A.) Registered Auditors
Company registration number	2006/006513/08
Level of assurance	These annual financial statements have been audited in compliance with the appropriate requirements of the Companies Act of South Africa
Preparer	These annual financial statements were compiled by: Larry Auret Chartered Accountant (SA)
Published	06 December 2013

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
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The reports and statements set out below comprise the financial statements presented to the directors

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MOORE STEPHENS BKV
3rd & 4th Floor, The Gateway
Century Way
Century City 7441
Cape Town

P O Box 1955
Cape Town, 8000

T +27 (0)21 525 8600
F +27 (0)21 525 8601
E postmaster@moorestephens.co.za

www.moorestephens.co.za

Independent Auditors' Report

To the shareholders of Operation Smile (South Africa) NPC

We have audited the annual financial statements of Operation Smile (South Africa) NPC, as set out on pages 6 to 14, which comprise the statement of financial position as at 30 June 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these annual financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and requirements of the Companies Act 71 of 2008, and for such internal control as the directors determine is necessary to enable the preparation of annual financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

In common with similar organisations, it is not feasible for the company to institute accounting controls over cash collections from donations, donations received in kind and the relating expenses thereto, and income received from charitable events prior to initial entry in the accounting records. Accordingly, it was impractical for us to extend our examination beyond the receipts actually recorded.

An independent member firm of Moore Stephens International Limited – members in principal cities throughout the world.

Moore Stephens BKV Inc. Reg No. 2002/031472/21 trading as Moore Stephens. Registered Auditors - Practice number: 900908

Moore Stephens Corporate Services Pty (Ltd) Inc. Reg No. 2011/009732/07 trading as Moore Stephens. Registered Auditors - Practice number: 900908

Directors: C Bush, D Kohlberg, A Pitt, A Smit, J Vermeulen | Associate Directors: A Billson, F Hoffman, I McMaster, G Ward | Consultant: I Sindler | Corporate Legal Consultant: A Stewart

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the annual financial statements present fairly, in all material respects, the financial position of Operation Smile (South Africa) NPC as at 30 June 2012, and its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the requirements of the Companies Act 71 of 2008.

Other matter

Without qualifying our opinion, we draw attention to the fact that supplementary information set out on page 15 does not form part of the annual financial statements and is presented as additional information. We have not audited this information and accordingly do not express an opinion thereon.

Other reports required by the Companies Act

As part of our audit of the annual financial statements for the year ended 30 June 2012, we have read the Directors' Report for the purpose of identifying whether there are material inconsistencies between this report and the audited annual financial statements. This report is the responsibility of the preparer. Based on reading this report we have not identified material inconsistencies between this report and the audited annual financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

Moore Stephens BKV.
Moore Stephens BKV Inc.
Chartered Accountants (S.A.)
Registered Auditor

Per: Adele Smit
12 December 2013

Cape Town

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
Directors' Responsibilities and Approval

The directors are required by the Companies Act of South Africa to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the company as at the end of the financial year, and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards for Small and Medium-sized Entities. The external auditors are engaged to express an independent opinion on the annual financial statements.

The annual financial statements are prepared in accordance with International Financial Reporting Standards for Small and Medium-sized Entities, and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.


The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the company, and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, the board sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures, and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the company and all employees are required to maintain the highest ethical standards in ensuring the company's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the company is on identifying, assessing, managing and monitoring all known forms of risk across the company. While operating risk cannot be fully eliminated, the company endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal control can provide only reasonable, and not absolute assurance against material misstatement or loss.

The directors are satisfied that the company has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the company's annual financial statements. The annual financial statements have been examined by the company's external auditors and their report is presented on pages 3 to 4.

The financial statements set out on pages 6 to 14, which have been prepared on the going concern basis, were approved by the directors on 28 October 2013 and were signed on its behalf by:



Director



Director

Cape Town
12 December 2013

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
Directors' Report

The directors submit their report for the year ended 30 June 2012

1. Review of activities

Main business and operations

The company aims to promote, sponsor and provide voluntary repair and specialised medical services and treatment to indigent children.

The operating results and state of affairs of the company are fully set out in the attached financial statements and do not in our opinion require any further comment

2. Non-current assets

There were no major changes in the nature of the non-current assets of the organisation.

3. Events after the reporting period

The directors are not aware of any matter or circumstance arising since the financial year end.

4. Directors

The directors of the company during the year and to the date of this report are as follows:

Name	Nationality
LD Auret	South African
CE de Maid	British
E Frank	South African
EF Gouws	South African
V Madaree	South African
A Madaree	South African
WP Magee	American
M Mehta (Chairman)	South African
IB Young	South African

5. Secretary

The company had no secretary during the year.

6. Auditors

Moore Stephens BKV Inc. will continue in office in accordance with section 90 (6) of the Companies Act of South Africa.

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
Statement of Financial Position

Figures in Rand	Notes	2012	2011
Assets			
Non-current assets			
Property, plant and equipment	2	50,886	42,534
Other financial assets	3	289,638	273,373
		<u>340,524</u>	<u>315,907</u>
Current assets			
Trade and other receivables		811	19,107
Cash and cash equivalents	4	3,609,639	2,008,730
		<u>3,610,450</u>	<u>2,027,837</u>
Total assets		<u>3,950,974</u>	<u>2,343,744</u>
Equity and liabilities			
Equity			
Retained income		3,134,532	1,967,856
Liabilities			
Current liabilities			
Trade and other payables	5	816,442	375,888
Total Equity and Liabilities		<u>3,950,974</u>	<u>2,343,744</u>

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
Statement of Comprehensive Income

Figures in Rand	Notes	2012	2011
Revenue		11,418,601	10,046,948
Other income		6,560	4,217
Operating expenses	6	(10,396,070)	(10,221,041)
Operating (loss) profit		1,029,091	(169,876)
Interest received		138,878	117,421
Finance costs		(1,293)	(1,683)
(Loss) profit for the year		1,166,676	(54,138)
Other comprehensive income		-	-
Total comprehensive (loss) income for the year		1,166,676	(54,138)

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
Statement of Changes in Equity

Figures in Rand	Retained Income	Total Equity
Balance at 01 July 2010	2,021,994	2,021,994
Changes in equity		
Total comprehensive loss for the year	(54,138)	(54,138)
Total changes	(54,138)	(54,138)
Balance at 01 July 2011	1,967,856	1,967,856
Changes in equity		
Total comprehensive income for the year	1,166,676	1,166,676
Total changes	1,166,676	1,166,676
Balance at 30 June 2012	3,134,532	3,134,532

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
Statement of Cash Flows

Figures in Rand	Notes	2012	2011
Cash flows from operating activities			
Cash generated from operations	10	1,518,359	253,994
Interest income		138,878	117,421
Finance costs		(1,293)	(1,683)
Net cash from operating activities		1,655,944	369,732
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(38,770)	(26,271)
Investment in financial assets		(16,265)	(17,508)
Net cash from investing activities		(55,035)	(43,779)
Total cash movement for the year		1,600,909	325,953
Cash at the beginning of the year		2,008,730	1,682,777
Total cash at end of the year	5	3,609,639	2,008,730

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities, and the Companies Act of South Africa 1973. The financial statements have been prepared on the historical cost basis, and incorporate the principal accounting policies set out below. They are presented in South African Rands.

These accounting policies are consistent with the previous period.

1.1 Property, plant and equipment

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses. Depreciation is provided using the straight-line method to write down the cost, less estimated residual value over the useful life of the property, plant and equipment, which is as follows:

Item	Average useful life
Computer equipment	3 years
Medical equipment	3 years

1.2 Financial Instruments

Financial instruments at amortised cost

Financial instruments may be designated to be measured at amortised cost less any impairment using the effective interest method. These include trade and other receivables, loans and trade and other payables. At the end of each reporting date, the carrying amount of assets held in this category are reviewed to determine whether there is any objective evidence of impairment. If so, an impairment loss is recognised.

1.3 Tax

Current tax assets and liabilities

The company has been approved as a public benefit organisation in terms of section 30 of the Income Tax Act, and the receipts and accruals are exempt from income tax in terms of section 10(1) (Cn) of the Act.

1.4 Inventory

Inventory is measured at net realisable value on the first-in-first-out basis.

1.5 Impairment of assets

The company assesses at each reporting period date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

1.6 Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts received from donations and fundraising, grants received from related parties, and in-kind donations that can be adequately quantified.

Interest is recognised, in profit or loss, using the effective rate method.

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
Notes to the Financial Statements

Figures in Rand

2. Property, plant and equipment

	2012			2011		
	Cost	Accum. deprec.	Carrying value	Cost	Accum. deprec.	Carrying value
Computer equipment	152,392	(106,026)	46,366	113,622	(78,998)	34,624
Medical equipment	10,169	(5,649)	4,520	10,169	(2,259)	7,910
	<u>162,561</u>	<u>(111,675)</u>	<u>50,886</u>	<u>123,791</u>	<u>(81,257)</u>	<u>42,534</u>

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions (disposals)	Deprec.	Closing balance
Computer equipment	34,624	38,770	(27,028)	46,366
Medical equipment	7,910	-	(3,390)	4,520
	<u>42,534</u>	<u>38,770</u>	<u>(30,418)</u>	<u>50,886</u>

Reconciliation of property, plant and equipment - 2011

	Opening balance	Additions (disposals)	Deprec.	Closing balance
Computer equipment	57,864	16,102	(39,342)	34,624
Medical equipment	-	10,169	(2,259)	7,910
	<u>57,864</u>	<u>26,271</u>	<u>(41,601)</u>	<u>42,534</u>

3. Other financial assets

Fixed deposit:

Investec Private Bank

This deposit has been ceded to Investec Private Bank as security for banking facilities provided.

	2012	2011
	<u>289,638</u>	<u>273,373</u>

4. Cash and cash equivalents

Cash on hand		
Standard Bank - Current accounts	21,838	20,039
Nedbank Corporate Saver - Call deposits	138,961	59,893
	<u>3,448,840</u>	<u>1,928,798</u>
	<u>3,609,639</u>	<u>2,008,730</u>

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
Notes to the Financial Statements

Figures in Rand	2012	2011
5. Trade and other payables		
Amount owing to Operation Smile Inc.	502,669	258,445
Accrued expenses	313,773	117,443
	816,442	375,888
6. Operating expenses include:		
Auditor's remuneration		
- Current year	-	-
- Prior years	-	87,740
	-	87,740
Depreciation, amortisation and impairments		
Amortisation and Depreciation	30,418	41,601
Impairment-VAT written off		9,307
	30,418	50,908
7. In-kind donations		
Accounting fees and financial advice	280,000	252,000
Accommodation and meals	527,514	1,409,682
Airfares	-	67,127
Audit fees	-	68,980
Cargo costs	1,405,944	315,343
Communication	-	12,548
Consulting and professional fees	-	21,000
Gifts and awards	1,263	-
Ground transport	98,944	16,875
Marketing and branding	-	367,709
Medical supplies	1,787,111	291,480
Non-medical supplies	76,823	10,690
Office supplies	2,742	10,865
Photography	110,000	143,300
Professional medical volunteers	-	1,654,200
Rental - office premises	175,050	159,150
Rental - warehouse	378,000	364,782
Special events	68,685	-
Storage	4,000	4,000
Training	-	56,000
	4,916,076	5,225,731
8. Directors' emoluments		

No emoluments were paid to the directors during the year (2011 - Rnil).

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
Notes to the Financial Statements

Figures in Rand	2012	2011
9. Medical Consumables on hand		
Medical consumables on hand at the year end, and available to be used on future missions, have an estimated value of R1,359,619.		
10. Cash generated from operations		
Profit before taxation	1,166,676	(54,138)
Adjustments for:		
Depreciation	30,418	50,908
Interest received	(138,878)	(117,421)
Finance costs	1,293	1,683
Changes in working capital:		
Medical consumables on hand	-	-
Trade and other receivables	18,296	29,101
Trade and other payables	440,554	343,861
	<u>1,518,359</u>	<u>253,994</u>

11. Related parties

Operation Smile Inc. (Registered in the United States of America) is a related entity

Related party transactions:

Amount due to Operation Smile Inc.	502,669	278,941
Head office grant received from Operation Smile Inc.	<u>1,150,294</u>	<u>1,044,000</u>

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2012
Detailed Income Statement

Figures in Rand	Note	2012	2011
Revenue			
Cash donations		5,336,417	3,721,723
In-kind donations	8	4,916,076	5,225,731
Head office grant		1,150,294	1,044,000
Charitable events income		6,940	38,500
Sale of goods		8,874	16,994
Gross income		11,418,601	10,046,948
Other income			
Insurance claims received		6,560	4,217
Operating expenses			
Accounting and administration fees		(289,300)	(260,991)
Advertising, marketing and branding		(288,097)	(417,548)
Auditor's remuneration	7	-	(87,740)
Bank charges		(27,623)	(22,588)
Board member and conference expenses		(2,100)	(11,780)
Consulting and professional fees		-	(21,000)
Depreciation, amortisation and impairments	7	(30,418)	(50,908)
Employee costs		(1,666,294)	(1,354,282)
Foreign exchange loss		(30,864)	-
Gifts and rewards		(27,538)	(9,610)
Insurance		(23,141)	(13,604)
Office expenses		(74,058)	(47,448)
Storage costs		(4,000)	(4,000)
Rental expense - office		(175,050)	(159,150)
Rental expense - warehouse		(378,000)	(364,782)
Charitable events and merchandise expenses		(18,361)	(1,492)
Telephone, fax and internet costs		(40,602)	(43,879)
Travelling and accommodation		(400,256)	(231,181)
		(3,475,702)	(3,101,983)
Missions and training			
Cargo and shipping		(501,305)	(358,766)
Communications		(12,837)	(18,330)
Fact-finding costs		(317,894)	(76,285)
Lodging, accommodation and meals		(803,535)	(1,792,736)
Medical Supplies		(1,441,725)	(178,091)
Non-medical supplies		(62,115)	(32,291)
Patient medical insurance		(20,979)	-
Photography		-	(143,300)
Training		(277,503)	(295,704)
Travelling costs		(2,122,856)	(2,569,355)
Volunteer medical staff		-	(1,654,200)
Medical Consumables on hand	10	(1,359,619)	-
		(6,920,368)	(7,119,058)
Operating (loss) profit		1,029,091	(169,876)
Finance costs		(1,293)	(1,683)
Interest received		138,878	117,421
Surplus (loss) for the year		1,166,676	(54,138)