

OPERATION SMILE (SOUTH AFRICA) NPC
(Registration number 2006/006513/08)
ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Annual Financial Statements for the year ended 30 June 2013

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) A Madaree WP Magee (American) M Mehta (Chairman) J Sive
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	10 December 2014

Index

The reports and statements set out below comprise the financial statements presented to the directors

Index	Page
Independent Auditor's report	3-4
Directors' Responsibilities and Approval	5
Directors' Report	6
Statement of Financial Position	7
Statement of Comprehensive Income	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Accounting Policies	11
Notes to the Financial Statements	12 - 14
The following supplementary information does not form part of the financial statements and is unaudited:	
Detailed Income Statement	15

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 10 December 2014 and were signed on its behalf by:

Director

Director

**Cape Town
10 December 2014**

The directors submit their report for the year ended 30 June 2013

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 following directors have resigned: V Madaree (31 July 2014), EF Gouws (31 July 2014), RD Crawford (17 October 2014) J Sive was appointed director on 9 September 2014. The directors as at the date of signing these financial statements are:

Name	Nationality
LD Auret	South African
CE de Maid	British
A Madaree	South African
WP Magee	American
M Mehta (Chairman)	South African
J Sive	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.

Assets**Non-current assets**

Property, plant and equipment	2	99 731	50 886
Other financial assets	3	305 715	289 638
		405 446	340 524

Current assets

Trade and other receivables		32 495	811
Restricted funds - DRC		1 312 082	-
Cash and cash equivalents	4	2 680 678	3 609 639
		4 025 255	3 610 450

Total assets**4 430 701** **3 950 974****Equity and liabilities****Equity**

Retained income		3 514 591	3 134 532
-----------------	--	-----------	-----------

Liabilities**Current liabilities**

Trade and other payables	5	916 110	816 442
--------------------------	---	---------	---------

Total Equity and Liabilities**4 430 701** **3 950 974**

Revenue		15 916 676	11 418 601
Other income		93 252	6 560
Operating expenses	6	<u>(15 816 352)</u>	<u>(10 396 070)</u>
Operating (loss) profit		193 576	1 029 091
Interest received		188 989	138 878
Finance costs		<u>(2 506)</u>	<u>(1 293)</u>
Profit for the year		380 059	1 166 676
Other comprehensive income		-	-
Total comprehensive income for the year		<u>380 059</u>	<u>1 166 676</u>

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2013
Statement of Changes in Equity

Figures in Rand	Retained Income	Total Equity
------------------------	----------------------------	-------------------------

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	<u>1 166 676</u>	<u>1 166 676</u>
Balance at 01 July 2012	3 134 532	3 134 532
Changes in equity		
Total comprehensive income for the year	380 059	380 059
Total changes	<u>380 059</u>	<u>380 059</u>
Balance at 30 June 2013	<u>3 514 591</u>	<u>3 514 591</u>

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2013
Statement of Cash Flows

Figures in Rand	Notes	2013	2012
Cash flows from operating activities			

Cash (applied to) generated from operations	10	(1 005 039)	1 518 359
Interest income		188 989	138 878
Finance costs		(2 506)	(1 293)
Net cash from operating activities		-818 556	1 655 944
Cash flows from investing activities			
Purchase of property, plant and equipment	2	(94 328)	(38 770)
Investment in financial assets		(16 077)	(16 265)
Net cash from investing activities		(110 405)	(55 035)
Total cash movement for the year		(928 961)	1 600 909
Cash at the beginning of the year		3 609 639	2 008 730
Total cash at end of the year	4	2 680 678	3 609 639

OPERATION SMILE (SOUTH AFRICA) NPC
Annual Financial Statements for the year ended 30 June 2013
Accounting Policies

1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the International Financial Reporting Standards 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
Office 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 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.

1.5 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.

Figures in Rand

2. Property, plant and equipment

2013			2012		
Cost	Accum.	Carrying	Cost	Accum.	Carrying

	deprec.		value		deprec.		value	
Office equipment	240 730	(147 490)	93 240	152 392	(106 026)		46 366	
Medical equipment	16 159	(9 668)	6 491	10 169	(5 649)		4 520	
	<u>256 889</u>	<u>(157 158)</u>	<u>99 731</u>	<u>162 561</u>	<u>(111 675)</u>		<u>50 886</u>	

Reconciliation of property, plant and equipment - 2013

	Opening balance	Additions (disposals)	Deprec.	Closing balance
Office equipment	46 366	88 338	(41 464)	93 240
Medical equipment	4 520	5 990	(4 019)	6 491
	<u>50 886</u>	<u>94 328</u>	<u>(45 483)</u>	<u>99 731</u>

Reconciliation of property, plant and equipment - 2012

	Opening balance	Additions (disposals)	Deprec.	Closing balance
Office 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>

2013 2012

3. Other financial assets

Fixed deposit:

Investec Private Bank

305 715 289 638

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

4. Cash and cash equivalents

Cash on hand	13 826	21 838
Standard Bank - Current accounts	542 133	138 961
Nedbank Corporate Saver - Call deposits	2 124 719	3 448 840
	<u>2 680 678</u>	<u>3 609 639</u>

12

OPERATION SMILE (SOUTH AFRICA) NPC

Annual Financial Statements for the year ended 30 June 2013

Notes to the Financial Statements

Figures in Rand 2013 2012

5. Trade and other payables

Amount owing to Operation Smile Inc.	688 828	502 669
Accrued expenses	227 282	313 773

916 110	816 442
----------------	----------------

6. Operating expenses include:

Depreciation, amortisation and impairments

Amortisation and depreciation	45 483	30 418
-------------------------------	--------	--------

7. In-kind donations

Accounting fees and financial advice	-	280 000
Accommodation and meals	2 616 144	527 514
Airfares	54 142	-
Cargo costs	107 126	1 405 944
Communication	1 200	-
Gifts and awards	-	1 263
Ground transport	172 400	98 944
Legal services	29 920	-
Marketing and branding	1 135 221	-
Medical supplies	1 535 652	1 787 111
Non-medical supplies	285 915	76 823
Office supplies	9 795	2 742
Photography	-	110 000
Rental - office premises	-	175 050
Rental - warehouse	435 600	378 000
Special events	-	68 685
Storage	6 000	4 000
	6 389 115	4 916 076

8. Directors' emoluments

No emoluments were paid to the directors during the year (2012 - Rnil).

9. Medical consumables on hand

Medical consumables on hand at year end, and available to be used on missions, have an estimated value of R1,355,744 (2012: R1,359,619)

10. Cash (applied to) generated from operations

Profit before taxation	380 059	1 166 676
Adjustments for:		
Depreciation	45 483	30 418
Interest received	(188 989)	(138 878)
Finance costs	2 506	1 293
Changes in working capital:		
Trade and other receivables	(1 343 766)	18 296
Trade and other payables	99 668	440 554
	(1 005 039)	1 518 359

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.	688 828	502 669
Head office grant received from Operation Smile Inc.	1 494 175	1 150 294

OPERATION SMILE (SOUTH AFRICA) NPC Annual Financial Statements for the year ended 30 June 2013 Detailed Income Statement

Figures in Rand	Note	2013	2012
Revenue			
Cash donations		6 286 383	5 336 417
In-kind donations	7	6 389 115	4 916 076
Head office grants		1 494 175	1 150 294
Charitable events income		1 496 211	6 940
Foundation revenue		238 509	-

Sale of goods		12 283	8 874
Gross income		15 916 676	11 418 601
Other income			
Insurance claims received		93 252	6 560
Operating expenses			
Accounting and administration fees		(9 975)	(289 300)
Advertising, marketing and branding		(140 183)	(288 097)
Bank charges		(39 586)	(27 623)
Board member and conference expenses		(275 364)	(2 100)
Depreciation, amortisation and impairments	6	(45 483)	(30 418)
Employee costs		(1 757 389)	(1 666 294)
Foreign exchange loss		(82 594)	(30 864)
Gifts and rewards		(7 762)	(27 538)
Insurance		(114 728)	(23 141)
Office expenses		(141 365)	(74 058)
Storage costs		-	(4 000)
Rental expense - office		(204 681)	(175 050)
Rental expense - warehouse		-	(378 000)
Charitable events and merchandise expenses		(26 071)	(18 361)
Telephone, fax and internet costs		(135 763)	(40 602)
Travelling and accommodation		(384 429)	(400 256)
		(3 365 373)	(3 475 702)
Missions and training			
Mission administration expenses		(74 592)	-
Cargo and shipping		(805 998)	(501 305)
Communications		(5 072)	(12 837)
Fact-finding costs		(456 026)	(317 894)
Lodging, accommodation and meals		(458 779)	(803 535)
Medical Supplies		(4 856 715)	(1 441 725)
Non-medical supplies		(68 987)	(62 115)
Patient medical insurance		-	(20 979)
Training		(414 053)	(277 503)
Travelling costs		(3 949 950)	(2 122 856)
World Care expenses		(5 063)	-
Medical consumables on hand	9	(1 355 744)	(1 359 619)
		(12 450 979)	(6 920 368)
Operating profit		193 576	1 029 091
Finance costs		(2 506)	(1 293)
Interest received		188 989	138 878
Surplus for the year		380 059	1 166 676