

Charity Registration No. 1134359

Company Registration No. 07130031 (England and Wales)

HOUNDS FOR HEROES
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

HOUNDS FOR HEROES

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HOUNDS FOR HEROES

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDING 31 MARCH 2017

1. Opening Statements

The Trustees present their report and accounts for the year ended 31 March 2017.

The accounts have been prepared in accordance with the accounting policies set out in note 1 to the accounts and comply with Hounds for Heroes' Memorandum and Articles of Association (its governing document), the Companies Act 2006 and "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)" (as amended for accounting periods commencing from 1 January 2016).

The annual report includes the directors' report as required by company law.

1.1. Reference and administration

Charity number (England & Wales)	1134359
Charity number (Scotland)	SC043751
Company number	07130031
Registered office	Unit 2B, Rookery Farm Buildings, Ramsdean, Petersfield, Hampshire, GU32 1RU

1.2. Our advisers

Bankers	Lloyds Bank plc	5 The Square, Petersfield, GU32 3HL
Auditors	Fiander Tovell Limited	Stag Gates House, 63/64 The Avenue, Southampton, SO17 1XS

1.3. Directors and trustees

The Trustees, who are also the directors for the purpose of company law, and who served during the year were:

Lt. Col (Retd) J Wheeley MBE	Resigned 4 th July 2017
Mr A Parton	
Mr J Macdonald	Resigned 25 th April 2017
Mr L Flint	
Mrs P Barker	Resigned 1 st January 2017
Mr J Forth	

2. Objectives and Activities

The Charity's principle objective remains unchanged and is to improve the quality of life of men and women of the UK armed and emergency services who have been injured or become ill at any time or in any conflict. The Charity's Memorandum of Articles and Association allows a broad range of mechanisms by which the Charity may achieve this objective, but it remains the Charity's mission to deliver this Charitable Benefit primarily through the provision of specially trained Assistance Dogs. This is the *raison d'être* of the Charity.

The key strategy of the Charity is to accelerate and increase the delivery of this Charitable Benefit by gearing the Charity to be able to start the training of at least 8 puppies per rolling 12 month period and to achieve this for the following 5 years.

The Charity's objective for the coming year is to complete the implementation of the organisation of Staff, Trustees and Volunteers that will deliver this strategy. This includes the new position of Charity Manager which will be filled during the second quarter of financial year 2017/2018.

The Charity's activities are dominated by the needs of Dog and Client management, outlined below, which encompasses all those tasks necessary to achieve the successful placement of a specially trained assistance dog with a client and for the through-life support of that dog and client partnership.

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The Charity continues to benefit richly from very generous direct donations made by a broad mix of institutions, corporate sponsors and the general public. As such, the Charity's activities do not include significant events specific to fund raising.

2.1. Dog and Client Management

Dog and Client management is at the heart of the Charity's activities which deliver Charitable Benefit and includes:

- Contact with the dog breeding community to select the best breeds and the best puppies suitable to the Charity's needs;
- Selection of puppy-parents and then continuous instruction to ensure puppies remain on track;
- Puppy and advanced training – from the Training Needs Analysis through to the delivery of a properly trained Assistance Dog;
- Client selection from initial contact, through to partnering followed by whole life support of the dog and client partnership.

In recognition of the fact that this work represents the Charity's core business, in November 2016 a Dog and Client Manager was appointed. This new post has already proved its worth by improving significantly the selection and training of puppies.

2.2. Raising awareness

The Charity aims to continue to raise its profile so that more people become aware of the existence of Hounds for Heroes and our objectives. It is an essential part of enabling the Charity to deliver Charitable Benefit.

The Charity continues to find new routes to make contact with armed and emergency services communities so that new candidate clients can be made properly aware of the Charity and our objectives. Similarly, the Charity is building a closer association with dog breeding communities so that the needs of the Charity are understood and the Charity can get improved access to the dogs that will most likely achieve a successful partnering of dog and client.

3. Achievements and Performance

The Charity was registered in 2010. Since our start, the Charity has achieved the following:

- More than 44 dog-years of dog training;
- 10 successful placements of partnering a specially trained assistance dog with a client;
- Nearly 12 dog-years in-service have been delivered to clients living throughout the UK.

During the reporting period from April 2016 to March 2017 the Charity's achievements include:

- 3 puppies have started the training course;
- 2 dogs have commenced advanced training;
- There have been 2 successful placements of specially trained assistance dogs with clients;
- A further 6 dog years of through-life support have been delivered to dog and client partnerships.

The Charity measures its performance by comparing the number of successful placements achieved with the number of puppies that have started the training course and would have been expected to have entered service in partnership with a client and be providing assistance. This provides a measurable performance indicator for the Charity's principle objective and which encompasses the Charity's key activity. Since commencing operations in 2011 the Charity has achieved 10 successful placements and this represents 56% of the number of puppies that have started the training course. This performance compares reasonably within the assistance dog sector, especially during the start-up years. However, the Charity is intent on improving performance through a programme of better and wider contact with dog breeders, continuously improving the training process and the training curriculum and earlier engagement with candidate clients thus improving the likelihood of achieving a successful dog and client partnership.

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4. Financial Review

4.1. Overview

Income for the year under review has been in line with previous recent years; additionally the Charity's funding sources remain largely unchanged. Expenditure over the year has been in line with previous recent years and remains focused on the activity of achieving successful placements of dogs with clients.

The Charity's income for the reporting period closely matches our expenditure such that the value of the Charity's assets has remained largely unchanged. Consequently there are no perceived significant financial risks to the Charity as donations remain strong and sufficient reserves are held to satisfy the Reserves Policy laid out below.

4.2. Reserves Policy

Restricted Funds hold the Restricted Reserve which is the balance of all unspent donations where the donor has specified the outcome to be achieved by the donation.

Designated Funds hold the Reserves which the Trustees agree are required to ensure the welfare of all the dogs in our care and as required to mitigate against identified risks and the uncertainties of income that all Charities face.

4.2.1. Restricted Reserve

Since the outset, the Charity has been fortunate to receive several significant donations from donors who have specified how the donation should be spent or specified a particular outcome that should be achieved with the donation. This has included the purchase of specific equipment, such as specialist vehicles or wheelchairs and the sponsorship of a dog's name. In this case the outcome expected by the donor is for a dog with a specific name to achieve a successful placement and to enter service providing assistance.

The value of the Restricted Reserve is the balance of all such donations where the donation has not yet been fully spent. As at the end of financial year 2016/2017 the Restricted Reserve had a value of £222,265.

4.2.2. Working Life Reserve

The Working Life Reserve is required to be maintained at a level that always ensures that all the dogs in the Charity's care can be supported and cared for properly throughout the dog's life, irrespective of the dog's current age. The Charity fully acknowledges this important duty of care and is insistent that it is rigorously observed. The Charity continues to adopt the policy to support a dog throughout its life as the costs of dog ownership can be a significant burden on clients who may be solely reliant on a disability pension.

As at the end of financial year 2016/2017 the Charity therefore recognises the commitment to able to fund the following:

- 72 dog years of in-service life
- 3.6 dog years of Advanced Training
- 1.7 dog years of Puppy Training
- 5 placements with clients

With prudent allowances for inflation and administration of the reserve over the commitment period this represents a requirement for a Working Life Reserve of £335,484.

The Working Life Reserve is held within Unrestricted Designated Funds and was set at £335,484 as at the start of financial year 2017/2018 to satisfy the Reserves Policy.

4.2.3. Operating Reserve

The Charity survives through charitable donations and it is recognised that from time to time any of our sponsors may wish to redirect their sponsorship to other worthy causes. Replacement of a

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major sponsor may take more than two years and so this reserve is prudent protection against the uncertainties of income that all charities face. Therefore the Trustees have decided that there should always be a sufficient Operating Reserve to allow the Charity to function at its current rate of expenditure for 18 months.

The projected indirect running costs of the Charity for the 18 months from the start of financial year 2017/2018 are £399,296. The Operating Reserve is therefore set at £399,296 to satisfy the Reserves Policy and is held within Unrestricted Designated Funds. The direct running costs for the 18 months from the start of financial year 2017/2018 are included within the Working Life Reserve.

4.2.4. Named Dog Reserve

The Charity has received many donations for the sponsorship of a specific dog's name. The charity recognises that the reasonable expectation of the donor is for a dog with the given name to achieve a successful placement and to enter service and provide assistance. The training process is of the order of 2 years and over that period the Charity will have had expenditure which in most cases exceeds the donation. Therefore the Trustees have agreed to create the Named Dog Reserve which identifies where a donation that initially is placed within the Restricted Reserve has been spent but the desired outcome has not yet been achieved. This Reserve is prudent protection against the identified risk that a donor may request the return of the donation, in full or in part, should the donor deem the desired outcome has not been achieved in a sufficiently timely manner.

The Named Dog Reserve has been set at £122,529 and is held within Unrestricted Designated Funds.

4.2.5. Building Reinstatement Reserve

The Charity currently occupies rented premises. The Charity has had cause to modify the fabric of the buildings so as to satisfy the operational requirements of the Charity. These modifications have included the installation of wheelchair ramps and installation of improved security measures. It is a requirement of our lease that when the Charity vacates the property these modifications should be removed and the building reinstated to the design as at commencement of the lease.

The Building Reinstatement Reserve has been set at £30,000 and is held within Unrestricted Designated Funds.

4.3. Management of Assets

In the Trustees' Report for financial year 2016/2017 the Trustees stated their enormous and continued gratitude to the Charity's sponsors and donors but also fully recognised that sponsors and donors make donations on the rightful expectation that these monies will be used in a timely manner to achieve benefits in the community. Additionally, the Trustees continue to pay high regard to the guidance issued by the Charities Commission in shaping the Charity's objectives and also in planning activities that Hounds for Heroes should undertake.

The key strategy outlined above which accelerates and increases the delivery of Charitable Benefit is one of the ways the Charity is using to utilise the Charity's assets in a more timely manner. Although the acceleration of delivery of Charitable Benefit has already commenced, because the training process is typically 2 years long, there will inevitably be a lag before the impact is significant. The increased number of puppies starting the training course has caused a commensurate increase in dog associated costs and dog trainer staff. Additionally the new position of Charity Manager will be filled during financial year 2017/2018. The Charity's expenditure is therefore set to rise. Income is not expected to increase over the short term and so a reduction in assets is forecast. This is in line with the Trustees Report for financial year 2016/2017 and in line with the wishes of the Charity Commission.

The Working Life Reserve will increase as the number of dogs in the Charity's care increases. When the Charity has been operating consistently at the target level of 8 puppies starting training in a rolling 12 month period, the number of dogs in the Charity's care will grow to approximately 80. This will place a requirement for a Working Life Reserve in excess of £1 million.

The Charity had total funds of £1,882,306 of which £222,265 were held as Restricted Funds at the end of financial year 2016/2017. Designated Funds, in accordance with the Reserves Policy above, represent a

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total of £943,781 leaving a balance of £716,260 as Unrestricted General Funds. £41,988 of total reserves are held as fixed assets, with the remaining £1,840,318 held as current assets.

The Charity therefore has the strength of assets required to successfully move forward and provide the quality and volume of Charitable Benefit that the Charity and our donors wish for.

4.4. Support from sponsors

During the year the Charity has been extremely fortunate to receive support from a number of corporate sponsors including the following:

- Boehringer Ingelheim Limited
- Allianz Insurance plc operating through Petplan
- Zoetis UK Limited
- Mars Food UK Ltd operating through Mars Petcare
- BAE Systems
- Viking River Cruises UK Limited
- Pets at Home Ltd
- Holiday Inn
- Waitrose
- J Sainsbury PLC
- Marks and Spencer PLC
- Royal Bank of Scotland PLC
- Vets 4 Pets

4.5. Pay policy for staff

The Trustees, acting as the board of directors and the operational management team comprise the key management personnel of the Charity in charge of setting strategy, directing, controlling, running and operating the Charity on a day to day basis. All Trustees give of their time freely and no Trustee received remuneration in the year. There is no intention for this to change. Details of Trustees' expenses and related party transactions are disclosed in Note 11 to the accounts.

The pay of staff is reviewed annually and normally increases at the start of the Financial Year in accordance with the indications of the CPI and RPI as issued during February.

5. Risk Management

The Trustees have a risk management strategy which comprises:

- A review of the principal risks and uncertainties that the Charity faces is held at every Trustees Meeting;
- The establishment of policies, systems and procedures to mitigate those risks identified in the annual review; and
- The implementation of procedures designed to minimise or manage any potential impact on the Charity should those risks materialise.

The Reserves Policy outlined above reflects the perceived financial risks and how the Charity has mitigated against those risks. Attention has also been focussed on non-financial risks such as arising from:

- Fire at the Charity's premises;
- The health, welfare and safety of the dogs wherever they are located;
- The welfare of clients;
- The safety of the public visiting the Charity's premises or at events attended by the Charity.

These risks are managed by ensuring accreditation is up to date, having policies and procedures in place and regular awareness training for staff working in these operational areas.

The Charity reported last year that the most significant risk faced by the Charity is the availability and retention of high quality puppy-parents who home, help socialise and train the Charity's puppies in their first year of training. Although the number of puppies starting the training course has increased the Charity, through raising awareness, has managed to entice puppy-parents in sufficient numbers to satisfy our needs. The availability of

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puppy-parents is currently not the factor that will limit the number of dogs which start the training course each year. However, this risk is one that requires continuous and proactive management.

6. Plans for future periods

The Charity's plans include the following key activities and events for future periods:

- Commence training, as a minimum, 8 dogs per rolling 12 month period and to achieve this for the next 5 years;
- To obtain a better understanding of the needs of potential clients who may be suffering from Post-Traumatic Stress Disorder;
- To investigate alternative ways that the Charity can deliver Charitable Benefit such as provision of assistance in other areas of rehabilitation;
- Creating stronger links to other charities that provide assistance to disabled armed services personnel and those of the emergency services;
- Modernise the Charity web site. A modest re-work of the web site is required in order to implement up-to-date security software and to allow the site to be kept current more easily.

7. Structure, Governance and Management

The Hounds for Heroes Charity is a company limited by guarantee, without share capital. The Charity's governing document is its Memorandum and Articles of Association, dated 1 April 2015. The Trustees meet at intervals of approximately six weeks to discuss the Charity's current projects and how its short and long term aims and objectives are being met. Presently the Trustees collectively act as the senior management team and have responsibility through sub-committees comprising a mix of Trustees and the Office Administrator, Dog and Client Manager and Finance Administrator for discrete areas of the Charity's operations such as dog training and client welfare, finance, fundraising etc. The four Trustees live locally and visit the Charity HQ on a weekly basis whenever possible. At the Trustees' meetings, the Trustees may vote on any decisions that are required to be made. There is a minimum number of two Trustees required to attend at a meeting, however, should any decision making be fundamental, then minutes are circulated and the vote is held open until all Trustees have cast their vote. Day to day operational matters are delegated to the Office Administrator, Dog and Client Manager and the Finance Administrator.

The Trustees recognise that the Charity benefits from having a team of trustees that have a broad variety of skills and experience that are allied to the operations of the Charity. In the reporting period the Trustees have sought and continue to seek to improve the range and scale of the skills and experience held by the Charity's Trustees. A candidate trustee is only appointed to the board of Trustees after approval by all current Trustees and after satisfactory completion of appropriate searches by the Disclosing and Barring Service.

7.1. Trustee induction and training

New Trustees receive an induction in order to brief them on their legal obligations under charity and company law, the Charity Commission guidance on public benefit and inform them of the content of the Memorandum and Articles of Association, the committee and decision-making processes, the business plan and recent financial performance of the charity. During the induction day they meet key employees and other Trustees. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

8. Auditors

Fiander Tovell Limited were appointed as auditor to the Charity and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

9. Statement of Trustees' responsibilities

The Trustees, who are also the directors of Hounds for Heroes for the purpose of company law, are responsible for preparing the Trustees' Report and the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the Trustees to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Hounds for Heroes and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

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In preparing these accounts, the Trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgements and estimates that are reasonable and prudent; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Hounds for Heroes will continue in operation.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Hounds for Heroes and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Hounds for Heroes and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

10. Disclosure of information to auditor

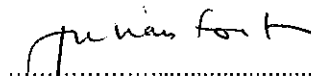
Each of the Trustees has confirmed that there is no information of which they are aware which is relevant to the audit, but of which the auditor is unaware. They have further confirmed that they have taken appropriate steps to identify such relevant information and to establish that the auditor is aware of such information.

In preparing this report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The Trustees' report was approved by the Board of Trustees on.....11/12/17.....



Mr L Flint



Mr J Forth

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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOUNDS FOR HEROES

We have audited the accounts of Hounds for Heroes for the year ended 31 March 2017 which comprise the Statement of Financial Activities, the Balance Sheet, the Statement of Cash Flows and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102.

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 regulations made under that Act. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and its members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

As explained more fully in the statement of Trustees' responsibilities, the Trustees, who are also the directors of Hounds for Heroes for the purposes of company law, are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited accounts and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the accounts 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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED) TO THE MEMBERS OF HOUNDS FOR HEROES

Opinion on accounts

In our opinion the accounts:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2017 and of its outgoing/incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' Report for the financial year for which the accounts are prepared is consistent with the accounts.

Paul Meacher FCA (Senior Statutory Auditor)
for and on behalf of Fiander Tovell Limited

12 December 2017



Chartered Accountants
Statutory Auditor

Stag Gates House
63/64 The Avenue
Southampton
Hampshire
SO17 1XS

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STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2017

	Notes	Unrestricted funds general £	Unrestricted funds designated £	Restricted funds £	Total 2017 £	As restated Total 2016 £
<u>Income and endowments from:</u>						
Donations and legacies	3	242,814	374	48,853	292,041	260,154
Charitable activities	4	1,214	-	-	1,214	2,104
Other trading activities	5	5,059	-	-	5,059	12,265
Investments	6	18,121	-	-	18,121	16,875
Other income	7	-	-	-	-	1,205
Total income		267,208	374	48,853	316,435	292,603
<u>Expenditure on:</u>						
Raising funds	8	111,941	-	-	111,941	102,930
Charitable activities	9	158,871	-	23,285	182,156	194,268
Total resources expended		270,812	-	23,285	294,097	297,198
Net (outgoing)/incoming resources before transfers		(3,604)	374	25,568	22,338	(4,595)
Gross transfers between funds		(654,270)	654,270	-	-	-
Net (expenditure)/income for the year/ Net movement in funds		(657,874)	654,644	25,568	22,338	(4,595)
Fund balances at 1 April 2016		1,374,134	289,137	196,697	1,859,968	1,864,563
Fund balances at 31 March 2017		716,260	943,781	222,265	1,882,306	1,859,968

The statement of financial activities includes all gains and losses recognised in the year.

All income and expenditure derive from continuing activities.

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

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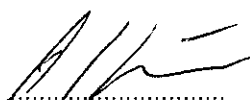
BALANCE SHEET

AS AT 31 MARCH 2017

		2017		2016 as restated	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	14		6,004		-
Tangible assets	15		35,984		42,725
			<u>41,988</u>		<u>42,725</u>
Current assets					
Stocks	16	16,461		18,722	
Debtors	17	54,318		45,433	
Cash at bank and in hand		1,791,168		1,798,032	
		<u>1,861,947</u>		<u>1,862,187</u>	
Creditors: amounts falling due within one year	18	<u>(21,629)</u>		<u>(44,944)</u>	
Net current assets			<u>1,840,318</u>		<u>1,817,243</u>
Total assets less current liabilities			<u><u>1,882,306</u></u>		<u><u>1,859,968</u></u>
Income funds					
Restricted funds	20		222,265		196,697
<u>Unrestricted funds</u>					
Designated funds	21	943,781		289,137	
General unrestricted funds		<u>716,260</u>		<u>1,374,134</u>	
			<u>1,660,041</u>		<u>1,663,271</u>
			<u><u>1,882,306</u></u>		<u><u>1,859,968</u></u>

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The accounts were approved by the Trustees on 11/2/17



Mr A Parton
Trustee

Company Registration No. 07130031

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STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2017

	Notes	2017 £	£	2016 £	£
Cash flows from operating activities					
Cash (absorbed by)/generated from operations	24		(10,591)		33,464
Investing activities					
Purchase of intangible assets		(6,550)		-	
Purchase of tangible fixed assets		(7,844)		(32,848)	
Proceeds on disposal of tangible fixed assets		-		1,230	
Interest received		18,121		16,875	
		<hr/>		<hr/>	
Net cash generated from/(used in) investing activities			3,727		(14,743)
Net cash used in financing activities			-		-
			<hr/>		<hr/>
Net (decrease)/increase in cash and cash equivalents			(6,864)		18,721
Cash and cash equivalents at beginning of year			1,798,032		1,779,311
Cash and cash equivalents at end of year			<u>1,791,168</u>		<u>1,798,032</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

Charity information

Hounds for Heroes is a charitable company limited by guarantee incorporated in England and Wales, and registered with the Charity Commission in England and Wales, and Scotland. The registered office is Unit 2B, Rookery Farm Buildings, Ramsdean, Petersfield, Hampshire, GU32 1RU.

1.1 Accounting convention

The accounts have been prepared in accordance with the charity's governing document, the Companies Act 2006 and "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)" (as amended for accounting periods commencing from 1 January 2016). The charity is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £.

The accounts have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

1.2 Going concern

At the time of approving the accounts, the Trustees have considered that there are no material uncertainties about the charity's ability to continue. Thus the Trustees' continue to adopt the going concern basis of accounting in preparing the accounts.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes. Such funds may be held in order to finance both working capital and capital investment.

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.

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.

1.4 Incoming resources

Cash donations are recognised on receipt. Other donations are recognised once the charity has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the charity has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

Included within other trading activities, is income from the sale of merchandise. Income is recognised on the exchange of goods for cash.

Bank interest is accounted for when receivable.

Included within charitable activities is income received in relation to donations received in return for Trustees or trainers to speak at events. These speakers' fees are considered to be voluntary and are accounted for on receipt, which is usually the date the event takes place.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

1.5 Resources expended

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. Expenditure is classified under the following activity headings:

Costs of raising funds comprise the costs of staging fundraising events, advertising and marketing and the associated support costs.

Expenditure on charitable activities includes the costs of purchasing puppies, their associated costs and staff costs in relation to training the puppies.

Other expenditure relating to the running of the charity is allocated to the charity's sole charitable activity.

Governance costs include expenditure in relation to constitutional and statutory obligations including audit and statutory accounts preparation, and any reimbursable expenses of the Trustees.

Irrecoverable VAT is charged as a cost against the activity for which the expenditure was incurred.

Support costs are those functions that assist the work of the charity but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel and governance costs which support the Charity's activities. These costs have been allocated between cost of raising funds and expenditure on charitable activities. The basis on which support costs have been allocated are set out in note 10.

1.6 Intangible fixed assets other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date if the fair value can be measured reliably.

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	20% straight line
----------	-------------------

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Equipment	20% straight line
Fixtures and fittings	20% straight line
Motor vehicles	20% straight line

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

1.8 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

1.9 Stocks

Stock is valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts.

1.11 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Impairment of financial assets

Financial assets, other than those held at fair value through income and expenditure, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected.

If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in net income/(expenditure) for the year.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in net income/(expenditure) for the year.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

1 Accounting policies

(Continued)

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the charity transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Basic financial liabilities

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised. Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

1.12 Employee benefits

The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received.

1.13 Retirement benefits

Payments to defined contribution retirement benefit schemes are charged as an expense as they fall due.

1.14 Debtors

Trade and other debtors are recognised at the settlement amount due. Prepayments are valued at the amount prepaid.

1.15 Creditors and provisions

Creditors and provisions 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.

2 Critical accounting estimates and judgements

In the application of the charity's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The trustees consider that there are no material areas of judgment or estimation uncertainty.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

3 Donations and legacies

	Unrestricted funds general £	Unrestricted funds designated £	Restricted funds £	Total 2017 £	Total 2016 £
Donations and gifts	188,658	374	48,853	237,885	247,661
Legacies receivable	43,656	-	-	43,656	-
Donated goods and services	10,500	-	-	10,500	12,493
	<u>242,814</u>	<u>374</u>	<u>48,853</u>	<u>292,041</u>	<u>260,154</u>
For the year ended 31 March 2016	<u>226,887</u>	<u>13,288</u>	<u>19,979</u>		<u>260,154</u>

Donated goods and services

Donated services are included at the value to the charity, where this can be quantified. Donated goods and services received for which the Trustees have been able to value include donations of insurance, and hotel rooms provided free of charge.

In addition to this, the Trustees are very grateful for the time volunteered by individuals in running events and fundraising activities. This is invaluable support for the charity, and the Trustees are not able to value this in monetary terms.

4 Charitable activities

	2017 £	2016 £
Speakers' fees	<u>1,214</u>	<u>2,104</u>

In both the current and prior year, this income is classified as unrestricted.

5 Other trading activities

	2017 £	2016 £
Fundraising events	1,464	5,242
Shop income	3,595	7,023
Other trading activities	<u>5,059</u>	<u>12,265</u>

In both the current and prior year, this income is classified as unrestricted.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

6 Investments

	2017	2016
	£	£
Interest receivable	18,121	16,875

In both the current and prior year, this income is classified as unrestricted.

7 Other income

	2017	2016
	£	£
Net gain on disposal of tangible fixed assets	-	1,205

8 Raising funds

	2017	2016
	£	£
<u>Fundraising and publicity</u>		
Staging fundraising events	12,137	7,555
Advertising	1,661	1,746
Other fundraising costs	1,553	2,777
Share of support costs (see note 10)	89,857	83,477
Share of governance costs (see note 10)	6,733	7,375
Fundraising and publicity	111,941	102,930
For the year ended 31 March 2016		
Fundraising and publicity		95,555
Investment management		7,375
		102,930

In both the current and prior year, costs relating to raising funds were expensed from unrestricted funds.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

9 Charitable activities

	2017	2016
	£	£
Staff costs	41,527	40,597
Puppy purchase	1,549	1,501
Puppy care and training costs	1,587	1,411
Puppy food	3,262	2,976
Puppy kennels	904	6,088
Puppy vet fees	6,828	7,173
Puppy travel and mileage	211	7,990
Puppy insurance	6,000	4,543
Puppy parents claims	552	83
Client costs and after care	12,306	8,768
Residential training costs	10,841	22,286
	<u>85,567</u>	<u>103,416</u>
Share of support costs (see note 10)	89,856	83,477
Share of governance costs (see note 10)	6,733	7,375
	<u>182,156</u>	<u>194,268</u>
Analysis by fund		
Unrestricted funds - general	158,871	107,640
Restricted funds	23,285	70,559
	<u>182,156</u>	<u>194,268</u>

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

10 Support costs

	Support costs	Governance costs	2017	2016
	£	£	£	£
Staff costs	83,327	-	83,327	85,172
Depreciation	15,131	-	15,131	9,030
Rent and rates	42,391	-	42,391	42,076
Light and heat	7,278	-	7,278	6,860
Premises costs	4,544	-	4,544	5,172
Telephone	3,400	-	3,400	2,628
Legal and professional	4,854	-	4,854	1,790
Printing, postage, stationery and website costs	6,816	-	6,816	5,272
Insurance	3,384	-	3,384	3,267
Advertising	2,176	-	2,176	581
Bank charges	828	-	828	676
Administration costs	5,584	-	5,584	4,430
Audit fees	-	6,750	6,750	6,250
Accountancy	-	2,250	2,250	3,730
Legal and professional	-	2,987	2,987	3,969
Trustees expenses	-	1,479	1,479	801
	<u>179,713</u>	<u>13,466</u>	<u>193,179</u>	<u>181,704</u>
Analysed between				
Fundraising	89,857	6,733	96,590	94,892
Charitable activities	89,856	6,733	96,589	90,852
	<u>179,713</u>	<u>13,466</u>	<u>193,179</u>	<u>181,704</u>

The Trustees consider that the basis of allocation of support and governance costs between fundraising and charitable activities is equal. This is consistent with prior periods.

11 Trustees and key management personnel

The Trustees are also the key management personnel. None of the Trustees received any remuneration or benefits from the charity during the year.

During the year five Trustees were reimbursed for expenses incurred on behalf of the charity, a total of £11,835 in respect of travel, hospitality and attending fundraising events (2016 - six Trustees were reimbursed £10,440 in respect of travelling expenses). Expenses are reimbursed at cost and there is no benefit to the Trustee.

The charity has employed the wife of a Trustee, Mr A Parton, during the year to carry out services for the charity. A thorough recruitment process was followed and a market rate salary was agreed. The Trustees sought advice from the Charity Commission who have sanctioned the appointment. Remuneration of £12,851 has been paid during this year and there are no amounts outstanding at the balance sheet date.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

12 Employees

Number of employees

The average monthly number employees during the year was:

	2017 Number	2016 Number
Dog trainers	2	2
Administration and fundraising	4	4
	<u>6</u>	<u>6</u>

Employment costs

	2017 £	2016 £
Wages and salaries	117,651	118,402
Social security costs	6,681	7,367
Other pension costs	522	-
	<u>124,854</u>	<u>125,769</u>

There were no employees whose annual remuneration was £60,000 or more.

13 Taxation

As a charitable company, Hounds for Heroes is exempt under current tax legislation from tax on income and gains to the extent that these are applied to its charitable objects. No tax charges have arisen in the charitable company in either the current or the prior year.

14 Intangible fixed assets

	Software £
Cost	
At 1 April 2016	-
Additions - separately acquired	6,550
At 31 March 2017	<u>6,550</u>
Amortisation and impairment	
At 1 April 2016	-
Amortisation charged for the year	546
At 31 March 2017	<u>546</u>
Carrying amount	
At 31 March 2017	<u>6,004</u>
At 31 March 2016	<u>-</u>

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

15 Tangible fixed assets

	Equipment	Fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
At 1 April 2016	13,299	11,195	44,949	69,443
Additions	7,844	-	-	7,844
At 31 March 2017	21,143	11,195	44,949	77,287
Depreciation and impairment				
At 1 April 2016	8,777	6,393	11,548	26,718
Depreciation charged in the year	3,344	2,251	8,990	14,585
At 31 March 2017	12,121	8,644	20,538	41,303
Carrying amount				
At 31 March 2017	9,022	2,551	24,411	35,984
At 31 March 2016	4,522	4,802	33,401	42,725

16 Stocks

	2017	2016
	£	£
Goods for resale	16,461	18,722

17 Debtors

	2017	2016
	£	£
Amounts falling due within one year:		
Prepayments	8,243	11,905
Accrued income	41,625	8,321
VAT recoverable	3,248	2,728
Gift aid recoverable	1,162	20,300
Other debtors	40	2,179
	54,318	45,433

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

18 Creditors: amounts falling due within one year

	2017 £	2016 £
Other taxation and social security	3,157	-
Trade creditors	5,206	6,886
Other creditors	1,656	21,396
Accruals and deferred income	11,610	16,662
	<u>21,629</u>	<u>44,944</u>

19 Financial instruments

	2017 £	2016 £
Carrying amount of financial assets		
Debt instruments measured at amortised cost	1,833,994	1,828,833
	<u>1,833,994</u>	<u>1,828,833</u>
Carrying amount of financial liabilities		
Measured at amortised cost	18,472	44,944
	<u>18,472</u>	<u>44,944</u>

20 Restricted funds

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

	Restated Balance at 1 April 2016 £	Movement in funds Incoming resources £	Resources expended £	Balance at 31 March 2017 £
Sponsored Dogs	192,665	48,853	(22,536)	218,982
Wheelchair	2,032	-	(749)	1,283
Gazebos	2,000	-	-	2,000
	<u>196,697</u>	<u>48,853</u>	<u>(23,285)</u>	<u>222,265</u>

The Sponsored Dogs restricted fund comprises amounts received to be expended on the purchase and training costs of named dogs.

During the year, the Trustees have carried out a detailed review of restricted income and associated expenditure on a dog by dog basis, since the beginning of the Charity's activities. As a result of this review, £50,530 of restricted income recognised in the 2012/2013 accounts had been identified as being included within unrestricted income. £14,501 of associated restricted expenditure was recognised as unrestricted. The Trustees have amended these accounts to correct brought forward restricted funds by making an adjustment of £36,029 to increase the Sponsored Dogs restricted fund.

The Wheelchair restricted fund comprises amounts received to be expended on a wheelchair for use by the charity. One wheelchair was purchased in the year for £749, and this has been included within fixed asset additions.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

20 Restricted funds

(Continued)

The Gazebos restricted fund comprises an amount received to be expended on two gazebos.

21 Designated funds

The income funds of the charity include the following designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes:

	Movement in funds				
	Balance at 1 April 2016	Incoming resources	Resources expended	Transfers	Balance at 31 March 2017
	£	£	£	£	£
Working Life Reserve	233,039	-	-	102,445	335,484
Lance Corporal James Brynin In Memoriam	56,098	374	-	-	56,472
Named Dog Reserve	-	-	-	122,529	122,529
Operating Reserve	-	-	-	399,296	399,296
Building Reinstatement Reserve	-	-	-	30,000	30,000
	<u>289,137</u>	<u>374</u>	<u>-</u>	<u>654,270</u>	<u>943,781</u>

The Working Life Reserve represents monies set aside to fund all future costs of dogs currently in training and in service through to the dogs' retirement as explained in the Trustees' Report. The amount of £335,484 represents the Charity's commitment to fund those dogs currently in various stages of their working lives for the Charity. The transfer of funds to the Working Life Reserve from Unrestricted General funds reflects the Charity's Working Life commitment as at the end of the reporting period.

The Lance Corporal James Brynin In Memoriam fund comprises funds received from both the Brynin family, and funds the family has raised in memory of Lance Corporal James Brynin, who was killed in Afghanistan in October 2013. The Trustees will use these donations to fund two named dogs in memory of Lance Corporal James Brynin, and towards the purchase of an adapted van to transfer dogs and wheelchair users. The two dogs have not yet been purchased, therefore these funds are carried forward. Should there be any funds remaining after the two dogs have been purchased, the Trustees have considered using these to improve the quiet room by purchasing soft furnishings.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

21 Designated funds

(Continued)

As described in the Trustees' Report, the Named Dog Reserve identifies where a donation that is initially placed in the restricted reserve has been spent, but the desired outcome has not yet been achieved in respect of a successful placement of a named dog. The reserve will be released once the desired outcome has been achieved.

The Trustees have transferred £399,296 from unrestricted general reserves to an Operating Reserve. This is the amount of indirect running costs of the Charity, that the Trustees consider is required in order that the Charity may function at its current rate of expenditure for 18 months, should the level of donations received drop significantly.

The Trustees have transferred £30,000 from unrestricted general reserves to a Building Reinstatement Reserve. It is a requirement of the lease for the premises, that when the Charity vacates the property, modifications made in order for the Charity to satisfy its operational requirements, should be removed and the property reinstated to its design at commencement of the lease. £30,000 is the amount estimated by the Trustees to be required to remove the modifications made to the rental premises.

22 Analysis of net assets between funds

	Unrestricted: Unrestricted:		Restricted	Total
	General Funds	Designated Funds	Funds	
	£	£	£	£
Fund balances at 31 March 2017 are represented by:				
Intangible fixed assets	6,004	-	-	6,004
Tangible assets	12,410	-	23,574	35,984
Current assets	697,846	943,781	198,691	1,840,318
	<u>716,260</u>	<u>943,781</u>	<u>222,265</u>	<u>1,882,306</u>

23 Operating lease commitments

At the reporting end date the charity had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	£	£
Within one year	41,798	39,736
Between two and five years	82,315	3,643
	<u>124,113</u>	<u>43,379</u>

During the year, the charitable company recognised £39,704 (2016 - £39,654) of lease costs in the Statement of Financial Activities in respect of leases detailed in this note.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

24 Cash generated from operations	2017 £	2016 £
Surplus/(deficit) for the year	22,338	(4,595)
Adjustments for:		
Investment income recognised in statement of financial activities	(18,121)	(16,875)
Gain on disposal of tangible fixed assets	-	(1,180)
Amortisation and impairment of intangible assets	546	-
Depreciation and impairment of tangible fixed assets	14,585	9,005
Movements in working capital:		
Decrease in stocks	2,261	1,386
(Increase)/decrease in debtors	(8,885)	24,374
(Decrease)/increase in creditors	(23,315)	21,349
Cash (absorbed by)/generated from operations	(10,591)	33,464
