

Charity registration number 1134359 (England and Wales)

Charity registration number SC043751 (Scotland)

Company registration number 07130031 (England and Wales)

HOUNDS FOR HEROES
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2024



**TOGETHER
WE CAN**

HOUNDS FOR HEROES

LEGAL AND ADMINISTRATIVE INFORMATION

| | | |
|---|---|--|
| Trustees | A Parton A Ferguson P J Grinsted D J Connor J Norman J H Forth P A Ketley M J Perkins H Slater A F Smith | (Appointed 1 October 2023) (Appointed 30 January 2024) (Appointed 30 January 2024) (Appointed 30 January 2024) (Appointed 30 January 2024) |
| Chair | A Ferguson | |
| Vice-Chair | A Parton | |
| Charity Manager | G Grant | |
| Charity number (England and Wales) | 1134359 | |
| Charity number (Scotland) | SC043751 | |
| Company number | 07130031 | |
| Registered office | Unit 2B Rookery Farm Buildings Ramsdean Petersfield Hampshire GU32 1RU | |
| Auditor | Moore (South) LLP City Gates 2 - 4 Southgate Chichester West Sussex PO19 8DJ | |
| Bankers | Lloyds Bank plc 5 The Square Petersfield Hampshire GU32 3HL | |

HOUNDS FOR HEROES

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HOUNDS FOR HEROES

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDED 31 MARCH 2024

The trustees present their annual report and financial statements for the year ended 31 March 2024.

The financial statements have been prepared in accordance with the accounting policies set out in note 1 to the financial statements and comply with the charity's Articles of Association, the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended) 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)" (effective 1 January 2019).

1 Objectives and activities

1.1 Our Objectives

Our principal objective is to enhance the quality of life of HM Armed Forces and Emergency Services personnel who have become physically disabled through injury or illness at any time – service or non-service attributable. The Charity's Memorandum of Articles of Association allows a broad range of mechanisms by which the Charity may achieve this objective, however, the Charity only came into existence because of a remarkable life changing partnership that formed between a dog and an injured serviceman. Therefore, it remains the Charity's purpose to deliver our charitable benefit primarily through the provision of specially trained Assistance Dogs. This is the *raison d'être* of the Charity. The Trustees confirm they have had regard to the Charity Commission's guidance on public benefit.

The Charity can fund the whole working life of our dogs up to the dog's retirement, although contributions to costs from Partners who are in a financial position to do so, are always welcome. In this way the Charity can best safeguard the welfare of all our dogs throughout their working lives as well as relieve our Partners from the financial commitment of being partnered with an assistance dog.

1.2 Our 5 Year Strategy (FY22/23 – FY26/27)

The Charity updated its 5 Year Strategic Plan for the start of fiscal year FY22/23, so this report covers Yr 2 of that strategy. The strategy aims to accelerate the delivery of charitable benefit, increasing the number of Partners it is able to support, balanced with our ability to generate income to fund this rate of delivery. The Strategy continues development of the Charity, building on our solid foundations, to ensure it can meet the vision whilst maintaining the quality of output and the character of the Charity that have become its hallmarks.

Key elements of the 5 Year Strategy are as follows:

- The strategic target of acceleration of delivery of charitable benefit is quantified by steadily increasing the number of puppies acquired each year to commence training from 5 puppies in Yr 1 to 24 puppies in the final year of the strategic plan and for the number of established new partnerships therefore to grow by an average of 8 new partnerships per year over the 5 year strategy period.
- The acceleration of delivery of charitable benefit requires increased expenditure which will be met by a growth in income generated by a more significant fundraising activity plan, supported by expert resource as required and increased communication to key audiences. The strategic plan assumes that, as it will take time for the fundraising momentum to build, any cash deficit resulting from the imbalance between income and expenditure in the first two years of the plan will be met by the use of unrestricted general funds, with the target that the Charity will reach a breakeven position during FY24/25.
- It is important that awareness of the support the Charity provides reaches those service/ex service personnel who could potentially benefit from a partnership with an assistance dog. It is therefore a key component of the Strategy that the Charity continues to build its relationships with other military and emergency service support organisations to facilitate communication and also offer mutual support to beneficiaries.
- The standards to which Hounds for Heroes operates are comparable to, and guided by, those determined by Assistance Dogs International (ADI) and are embedded as part of our heritage as what the Charity strives to maintain for our Partners.



HOUNDS FOR HEROES

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

- The governance of the Charity shall be delivered by a team of Trustees who are unpaid volunteers. The ownership of the Charity's Strategic Plan will remain with the Trustees, and during the strategy period strategic decisions will be made by the Trustees, with the involvement of the Charity Manager. The day-to-day operational management will be conducted by the Charity's Senior Management Team.

1.3 Our Achievements and Performance

Due to the ongoing difficult UK economic situation, it has remained a challenging environment for charities to operate within. Despite that, Hounds for Heroes has made encouraging steps towards achieving its strategic targets for this fiscal and whilst not all have been achieved, we have seen progress in virtually all areas.

- We aimed to deliver 7 advanced dogs into partnerships in FY23/24 and by the end of the fiscal had 4 dogs signed over into partnerships, but with another 3 potential partnerships making good progress and likely to be signed off in the early part of the current fiscal. It is always difficult to predict how long it will take for a potential partnership to progress from the initial matching process through to the signing of the full partnership agreement as the development of the relationship between each dog and their Partner is individual to that partnership. Two of the partnerships in FY23/24 were for successor dogs for existing Partners whose original dogs had reached the end of their working lives. It was pleasing to be able to continue to support these Partners and know the value they derive from having an assistance dog aid them in their everyday lives.
- We acquired 8 puppies in FY23/24, 2 less than our target but still 60% more than in the prior year. We had to halt puppy acquisition towards the end of the fiscal due to a reduction in the availability of volunteer puppy parents. The Charity is reliant on having a pool of puppy parents who do an amazing job of supporting the Charity by providing the puppies with a loving, safe home and giving basic training for the first one to two years of their lives. The Charity conducts regular recruitment drives to attract new puppy parents and foster parents as it is a critical factor in our ability to expand our intake of puppies and therefore increase delivery of charitable benefit as planned. Recruitment, and then retention, of volunteer puppy parents has become increasingly difficult over the past few years and is believed to be due to a combination of people needing to work more/longer due to economic circumstances and also retired people wanting to have the flexibility to travel/support family members and are therefore wary to take on the commitment of a young puppy. The Charity, therefore, needs to expand its recruitment areas and as a first step in September 2023 opened a puppy training hub in Portsmouth to extend its puppy parent catchment area.
- We continue to use our training centre throughout the year for both advanced dog training and the running of puppy classes, as well as providing ongoing support to the puppy parents, with our dog trainers conducting a level of general training in external environments and providing one-to-one support as required. Similarly, our regular schedule of aftercare visits with Partners and their dogs has been delivered with the dogs and their Partners always pleased to see our staff in person in their home environment. Our application process remains open throughout the year.
- We were thrilled in May'23 to be able to hold our first Partnership Celebration event since 2019, where we hosted six Partners, their dogs and the wonderful puppy parents and trainers and celebrated the successful establishment of their partnerships.
- The Charity does not receive any government funding and therefore is totally dependent upon the income it can raise to fund the development and delivery of its charitable benefit. As stated earlier, we intend, as set out in the 5 Year Strategic Plan, to increase the number of dogs in training and in partnerships. This will require an annual increase in expenditure and therefore it is critical that the Charity grows its income significantly over the coming years. Having invested in increased Fundraising resource at the beginning of the Strategic Plan period, it is really pleasing to see the positive impact the small team continue to make through their initiatives and despite the challenging economic environment, our total income increased in FY23/24 by 59%! We are very grateful for the generous grants and donations made by a broad mix of institutions, corporate sponsors and individuals who have undertaken a number of challenges and activities to generate our much needed funds.

HOUNDS FOR HEROES

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

- Expenditure increased by 12% compared to FY22/23, as anticipated, due to the resources required to deliver and support an increase in the number of dogs in training and the number of active partnerships. However, costs are very tightly managed and the operational team continue to develop our ways of working to be able to operate as efficiently as possible.
- Increasing awareness of the Charity, who and how it helps, and how it can be supported, is one of our key priorities in order to facilitate the desired growth in the number of partnerships and in income generation. The Charity has an ongoing, and constantly evolving, communications programme targeted at reaching.

1.4 Our Focus for the Coming Year

The Charity's overarching objective for the coming year is to continue to develop the Charity to deliver the key elements of our 5 Year Strategic Plan

The areas of focus for FY24/25 identified by the Trustees are:

- To continue to deliver high quality support and after-care to our existing Partners and to develop new partnerships. The number of dogs in active partnerships at the end of FY23/24 was 18 and the target is to establish a further 7 new partnerships by the close of the fiscal and it is pleasing to report that to date 4 new partnerships have been achieved
- Taking into account the desire to have an ongoing, steadily increasing, pipeline of dogs to take through the various stages of training and placement and ensure we can deliver the planned new partnerships in each year, we aimed to acquire 14 puppies in FY24/25. As we currently stand, due to the shortage of available puppy parents, we have had to slow down our acquisition of puppies and so far, we have welcomed 3 new puppies to the Hounds for Heroes team. We are actively working on recruitment campaigns for both our core and Portsmouth catchment areas as well as the development of another puppy training hub in a different area which will hopefully launch in the autumn. We would therefore hope that our acquisition of puppies will pick up in the second half of this fiscal.
- In order to fund an increase in the delivery of charitable benefit whilst also reducing our operating deficit, continued growth in income generation is vital. We will continue to develop both our breadth and depth of income streams which we have determined requires a further investment in additional fundraising resource this fiscal. This will also be supported by our marketing and communications activity to raise awareness of the work of the Charity, increase supporter engagement and grow our supporter base. The Board, whilst it set an aspiration in the Strategic Plan for the Charity to break even in FY24/25, has decided to delay achievement of that target in order to focus on development and delivery of increased charitable benefit. Our financial position is sufficiently sound to support this decision but it is possible therefore that the Charity may not achieve a breakeven position in this coming year.
- To increase awareness of who the Charity helps and the support it can provide, the Charity will build its communication and relationships with relevant organisations in order to reach more potential applicants
- The Charity will continue to manage expenditure carefully, keeping a tight control on costs and seeking efficiencies to offset cost inflation where possible.
- The Board of Trustees will regularly review and monitor progress of the initiatives to be prosecuted to deliver the objectives of the 5 Year Strategy.

2 Financial review

2.1 Overview

The financial performance of Hounds for Heroes for the year ended 31 March 2024 reflects a period of significant activity and development, despite economic challenges. The Charity continues to be committed to training and providing assistance dogs for injured and disabled men and women of both the UK Armed Forces and Emergency Services.

For FY23/24, the trustees set ambitious budget goals to increase our income through the Charity's growth. This targeted expansion was expected to result in higher expenditures for fundraising and charitable activities, but we aimed to reduce our annual deficit compared to the previous year. We successfully met this goal.



HOUNDS FOR HEROES

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

Expenditure in FY23/24 rose by 12% compared to FY22/23. Meanwhile, income from donations and legacies surged by 59%. Although we ended FY23/24 with a cash deficit, it was 65% lower than in FY22/23, aligning with the Trustees' projections as we work towards a positive net position. The Charity has ample reserves to sustain our objectives during this period of growth.

At the end of FY23/24 the Charity had total funds of £1,522,328. As outlined in the Charity's Reserves Policy below, the Charity has set aside £120,518 as Restricted Reserves and £1,231,488 as Designated Reserves leaving a balance of £170,322 as Unrestricted General Funds.

As of FY23/24, the Charity possesses the necessary asset strength to move forward effectively and deliver the quality and volume of charitable benefits that both the Charity and our donors aspire to achieve. At the time of this report, we remain confident in the Charity's ability to continue as a viable and ongoing concern.

Hounds for Heroes has demonstrated resilience and financial prudence in 2024, successfully increasing its income and managing its expenditures to continue supporting its vital mission. The trustees remain dedicated to ensuring the Charity's financial health and sustainability, allowing it to provide life-changing assistance dogs to those in need.

2.2 Reserves Policy

The Charity maintains a policy of holding both Restricted and Designated Reserves. The remaining funds, not allocated to these reserves, are categorized as Unrestricted General Funds, which support the day-to-day operations of the Charity.

The Restricted Reserve holds restricted funds that are the balance of all the as yet unspent donations where the donor has specified the task to be achieved by their donation. The Designated Reserves hold unrestricted funds which the Trustees agree are required to ensure, for instance, the welfare of all the dogs in our care and as required to mitigate against identified financial risks such as the uncertainty of income that all charities face.

2.2.1 Restricted Reserve

The Restricted Reserve has decreased from £128,792 as at the end of FY22/23 to £120,518 at the end of FY23/24 (note 19). When a donor specifies the task to be achieved by a donation and this is declared at the time the donation is made, then the donation is placed in the Restricted Reserve. In most cases the task identified takes several months to complete.

When a donor sponsors a dog's name, it may take more than 2 years for the sponsored dog to be placed and for the Charity to deem that the specified task has been achieved. Therefore, the Restricted Reserve is reduced by the spend made by the Charity as it progresses the delivery of the specified tasks. In this way the value of the Restricted Reserve always reflects the spend yet to be made to achieve the outcomes specified by the donors.

2.2.2 Designated Working Life Reserve

The Charity chooses to deliver charitable benefit by funding the entire working life of the dog. The Working Life Reserve is therefore required to ensure that this commitment may be delivered irrespective of the longevity of the Charity.

The Working Life Reserve reflects funds to support 2 years of costs for all dogs in service. The Trustees have agreed that the cost per year per dog will be £5,000 (FY22/23 £5,000). The Working Life Reserve at FY23/24 is £360,000 (FY 22/23 £300,000).

2.2.3 Designated 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 major sponsor may take more than two years and so this reserve is prudent protection against the uncertainties of income that all charities face. The Trustees have decided to maintain the Operating Reserve to allow the Charity to function at its current rate of expenditure for 18 months.

HOUNDS FOR HEROES

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

The projected indirect running costs of the Charity for the 18 months from the start of FY24/25 are £598,227. Direct costs are already covered within the Designated Working Life Reserve.

The Trustees remain mindful of the need to release part or all of this designated reserve into unrestricted general funds should the need arise.

2.2.4 Designated Named Dog Reserve

The Charity has received many donations for the sponsorship of a dog with a specific name. This donation is initially placed within the Restricted Reserve. The Restricted Reserve decreases as the Charity spends funds delivering the tasks specified by the donors. The Trustees have agreed to create the Designated Named Dog Reserve which identifies where a donation that was initially 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 Designated Named Dog Reserve closing balance for FY23/24 is £238,261 (FY22/23: £258,022).

2.2.5 Designated Property Maintenance Reserve

The Charity currently occupies rented premises. The use of the premises causes wear and tear and the Charity is responsible for costs of the repair and maintenance of the premises. Property maintenance is conducted throughout the year. The Property Maintenance Reserve represents monies set aside to cover these costs. The Property Maintenance Reserve has been set at £35,000 and is reviewed annually.

2.3 Management of Funds

The Trustees continue to pay high regard to the guidance of the Charity Commission in shaping how the Charity delivers charitable benefit.

The management of the Charity's funds through the allocation of Restricted and Designated Reserves is a key aspect of the Charity's strategy and will continue to be a priority for the Trustees.

2.4 Support from Sponsors

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

- Allianz Insurance, operating as PetPlan
- Bet Fred
- Greenwich Hospital
- Pets Foundation
- Veterans' Foundation
- The Seafarers' Charity
- Army Benevolent Fund
- The National Lottery Community Fund
- Ladies Section Army Golf Club
- Dogrobes Ltd
- Thomas's School
- Bernard Sunley Foundation
- The Red Arrows Trust
- BFBS - Big Salute
- Aquila - Air Traffic Management Services
- Hogsback Chapter UK
- Hunt Forest Group
- Johnson's Veterinary Products Ltd
- HMS Victory

HOUNDS FOR HEROES

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

- Fareport Social Club
- The Barratt Foundation
- Paw Paddock
- Grey Fern Park Equestrian Centre
- St John the Evangelist Church
- Gosport Submariners Association
- UK Submariners
- Godolphin School

2.5 Pay Policy for Trustees and Staff

All Trustees give their time freely and no Trustee received remuneration from the Charity in the year. There is no intention for this to change.

Details of Trustees' expenses and related party transactions are disclosed in Note 10 to the accounts.

The pay of staff is reviewed annually by the Trustees supported by the Charity Manager. Staff pay normally is increased by a cost of living increment at the start of each financial year guided by CPI and RPI in February for the prior year.

Changes in salary to reflect changes in the level of responsibility of staff members are also usually but not exclusively timed to come into effect at the start of the financial year.

3 Risk management

The Trustees have a risk management strategy which comprises:

- A review of the principal financial risks is held at the Finance Committee meeting, and are reviewed on a regular basis. The Reserves Policy outlined earlier reflects the perceived financial risks and how the Charity has mitigated against those risks.
- The establishment and maintenance of a Risk Register which identifies all material risks to the operation of the Charity and the implementation. Plans are identified to reduce the likelihood/impact of the identified risks and the Trustees review the Risk Register quarterly.

4 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 Articles of Association, dated 1st April 2015. The Trustees meet regularly, currently monthly, to review performance, discuss current projects and how the Charity's long term aims and objectives are being met. Presently the Trustees collectively act as the board of directors responsible for strategy and the delivery of governance. In addition, the Trustees work through sub-committees, comprising of a mix of Trustees, the Charity Manager and the relevant functional managers for discrete areas of the Charity's operations, namely Finance; Income Generation and Service Delivery (dog support/training & partnerships). At the Trustees Board meetings, the Trustees may vote on any decisions that are required to be made for which a majority of Trustees must be in agreement. Should any decision making be fundamental when not all Trustees are present, then relevant documents are circulated and all Trustees are required to vote. Day to day operational matters are the responsibility of the Charity's Senior Management Team comprising the Charity Manager and the Senior Managers.

HOUNDS FOR HEROES

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

The trustees, who are also the directors for the purpose of company law, and who served during the year and up to the date of signature of the financial statements were:

| | |
|--------------|-----------------------------|
| A Parton | |
| A Ferguson | |
| P J Grinsted | |
| D J Connor | |
| J Norman | |
| E Ridgway | (Resigned 21 July 2024) |
| C J Beynon | (Resigned 17 May 2023) |
| O Brown | (Resigned 2 February 2024) |
| J H Forth | (Appointed 1 October 2023) |
| P A Ketley | (Appointed 30 January 2024) |
| M J Perkins | (Appointed 30 January 2024) |
| H Slater | (Appointed 30 January 2024) |
| A F Smith | (Appointed 30 January 2024) |

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. A candidate Trustee is only appointed to the Board of Trustees after a screening and interview process by the Chair, Vice-Chair and selected other Trustees and after satisfactory completion of appropriate searches by the Disclosing and Barring Service.

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 strategic plan and recent financial performance of the Charity. They also meet key employees and other Trustees. Trustees are encouraged to attend appropriate external training events where these will facilitate the undertaking of their role.

In FY23/24 we actively recruited additional trustees and during the financial year we have had the addition of 5 new trustees to our board bringing a range of skills and experience.

HOUNDS FOR HEROES

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT) (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

5 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 financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

6 Auditor

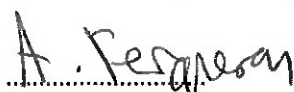
The auditor, Moore (South) LLP, were appointed as the new auditors to the Charity for the 2023/2024 FY and will be is deemed to be reappointed in accordance with the Companies Act 2006.

7 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.



A Ferguson
Trustee

Date:  2/9/24



HOUNDS FOR HEROES

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS AND TRUSTEES OF HOUNDS FOR HEROES

Opinion

We have audited the financial statements of Hounds for Heroes (the 'charity') for the year ended 31 March 2024 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2024 and of its 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; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006 (as amended).

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the charity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

HOUNDS FOR HEROES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS AND TRUSTEES OF HOUNDS FOR HEROES

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 (as amended) require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the trustees' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees, who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, the trustees are responsible for assessing the charity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with the Acts and relevant regulations made or having effect thereunder.

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

HOUNDS FOR HEROES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS AND TRUSTEES OF HOUNDS FOR HEROES

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

The objectives of our audit in respect of fraud, are; to identify and assess the risks of material misstatement of the financial statements due to fraud; to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses to those assessed risks; and to respond appropriately to instances of fraud or suspected fraud identified during the audit. However, the primary responsibility for the prevention and detection of fraud rests with both management and those charged with governance of the charitable company.

Our approach was as follows:

- The engagement partner selected staff for the audit who had prior knowledge of the client and who had the required competence and skills in the not for profit sector to be able to identify or recognise non-compliance with laws and regulations.
- We assessed the risk of irregularities as part of our audit planning, including due to fraud, management override was identified as a significant fraud risk from our assessment. This is due to the ability to bypass controls through inappropriate expenditure and accounting policies adopted.
- Completeness of income was also identified as a significant risk to the audit, most significantly legacy income as there is a degree of judgement as to whether this income should be included.
- Additionally, some income received is restricted in its use. A significant risk was identified regarding the correct classification of income between restricted and unrestricted funds and that the expenditure against this income was in line with any specified restrictions.
- We obtained an understanding of the legal and regulatory requirements applicable to the charitable company and we considered the most significant to be the Companies Act 2006, the Charities Act 2011, the Charities Accounts (Scotland) Regulations 2006 (as amended), the Charities SORP, and the UK financial reporting standards as issued by the Financial Reporting Council. We considered how the charitable company complies with these requirements by discussions with management and those charged with governance.
- We enquired of management and those charged with governance as to any known instances of non-compliance or suspected non-compliance with laws and regulations. Consideration was also made of the internal controls in place to mitigate the identified risks.
- We assessed the control environment, documenting the systems, controls and processes adopted. The audit approach incorporated a combination of controls where appropriate, analytical review and substantive procedures involving tests of transactions and balances. Any irregularities noted were discussed with management and additional corroborative evidence was obtained as required.
- We obtained an understanding and assessed the impact and effect of Covid-19 on the operations of the charitable company and adapted our audit approach accordingly. We enquired and obtained evidence to support the going concern assumption and reviewed grant received, dovetailed with the work undertaken on management override.

To address the risk of fraud through management override we:

- Performed analytical procedures to identify any unusual or unexpected relationships;
- Tested journal entries to identify any unusual transactions;
- Reviewed sensitive nominal ledger codes;
- Reviewed transactions with related parties; and
- Assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias.

In response to the risk of irregularities with regards to the completeness of income we:

- Agreed a sample of income received from source documentation into the accounting records;
- Obtained details of legacies due to be received at the year end from source documentation and ensuring that none were omitted from the accounts and those included were at the correct value;
- Discussed with management that there was no further income they were aware of that needed to be accounted for; and
- Reviewed board minutes for evidence of any further unrecorded income.

HOUNDS FOR HEROES

INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS AND TRUSTEES OF HOUNDS FOR HEROES

In response to the classification of income between restricted and unrestricted we:

- Agreed a sample of income received from source documentation into the accounting records to ensure any restrictions to the income were correctly identified;
- Reviewed the clients analysis of restricted funds for any obvious misallocations of income or expenditure;
- Confirmed that expenses and payroll costs allocated against restricted funds met the purpose for which the income was given; and
- Tested a sample of expenditure to ensure it was allocated against the correct funding received.

There are inherent limitations in our audit procedures described above. The more removed that laws and regulations are from financial transactions, the less likely it is that we would become aware of non-compliance. Auditing standards also limit the audit procedures required to identify non-compliance with laws and regulations to enquiry of the directors and other management and the inspection of regulatory and legal correspondence, if any.

Material misstatements that arise due to fraud can be harder to detect than those that arise from error as they may involve deliberate concealment or collusion.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body, and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.



Louise Hastings (Senior Statutory Auditor)
for and on behalf of Moore (South) LLP

04/09/24

Chartered Accountants
Statutory Auditor

City Gates
2 - 4 Southgate
Chichester
West Sussex
PO19 8DJ

HOUNDS FOR HEROES

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2024

| | Unrestricted funds general 2024 | Unrestricted funds designated 2024 | Restricted funds 2024 | Total 2024 | Unrestricted funds general 2023 | Unrestricted funds designated 2023 | Restricted funds 2023 | Total 2023 |
|---------------------------------------|---------------------------------|------------------------------------|-----------------------|------------------|---------------------------------|------------------------------------|-----------------------|------------------|
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Income from: | | | | | | | | |
| Donations and legacies | 257,878 | 5,653 | 185,722 | 449,253 | 196,388 | 6,150 | 89,428 | 291,966 |
| Other trading activities | 4,191 | - | - | 4,191 | 3,557 | - | - | 3,557 |
| Investments | 63,067 | - | - | 63,067 | 30,025 | - | - | 30,025 |
| Total income | 325,136 | 5,653 | 185,722 | 516,511 | 229,970 | 6,150 | 89,428 | 325,548 |
| Expenditure on: | | | | | | | | |
| Raising funds | 195,617 | - | - | 195,617 | 165,123 | - | - | 165,123 |
| Charitable activities | 400,335 | - | - | 400,335 | 365,115 | - | - | 365,115 |
| Total expenditure | 595,952 | - | - | 595,952 | 530,238 | - | - | 530,238 |
| Net income/(expenditure) | (270,816) | 5,653 | 185,722 | (79,441) | (300,268) | 6,150 | 89,428 | (204,690) |
| Transfers between funds | 132,936 | 61,060 | (193,996) | - | 447,734 | (378,002) | (69,732) | - |
| Net movement in funds | (137,880) | 66,713 | (8,274) | (79,441) | 147,466 | (371,852) | 19,696 | (204,690) |
| Reconciliation of funds: | | | | | | | | |
| Fund balances at 1 April 2023 | 308,202 | 1,164,775 | 128,792 | 1,601,769 | 160,736 | 1,536,627 | 109,096 | 1,806,459 |
| Fund balances at 31 March 2024 | 170,322 | 1,231,488 | 120,518 | 1,522,328 | 308,202 | 1,164,775 | 128,792 | 1,601,769 |

The statement of financial activities includes all gains and losses recognised in the year. All income and expenditure derive from continuing activities.

HOUNDS FOR HEROES

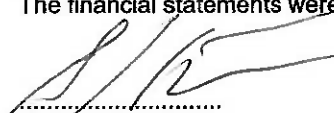
BALANCE SHEET

AS AT 31 MARCH 2024

| | Notes | 2024 | | 2023 | |
|---|-------|------------------|------------------|------------------|------------------|
| | | £ | £ | £ | £ |
| Fixed assets | | | | | |
| Intangible assets | 13 | | 12,920 | | 16,150 |
| Tangible assets | 14 | | 2,881 | | 7,543 |
| | | | <u>15,801</u> | | <u>23,693</u> |
| Current assets | | | | | |
| Stocks | 15 | 2,680 | | 5,282 | |
| Debtors | 16 | 106,082 | | 101,861 | |
| Cash at bank and in hand | | 1,427,259 | | 1,507,686 | |
| | | <u>1,536,021</u> | | <u>1,614,829</u> | |
| Creditors: amounts falling due within one year | 17 | (29,494) | | (36,753) | |
| Net current assets | | | <u>1,506,527</u> | | <u>1,578,076</u> |
| Total assets less current liabilities | | | <u>1,522,328</u> | | <u>1,601,769</u> |
| Net assets excluding pension liability | | | <u>1,522,328</u> | | <u>1,601,769</u> |
| The funds of the charity | | | | | |
| Restricted income funds | 19 | | 120,518 | | 128,792 |
| Unrestricted funds - general | 21 | | 170,322 | | 308,202 |
| Unrestricted funds - designated | 20 | | 1,231,488 | | 1,164,775 |
| | | | <u>1,522,328</u> | | <u>1,601,769</u> |

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

The financial statements were approved by the trustees on 2/9/24


A Parton
Trustee

Company registration number 07130031 (England and Wales)

HOUNDS FOR HEROES

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2024

| | Notes | 2024 £ | £ | 2023 £ | £ |
|---|-------|-----------|------------------|-----------|------------------|
| Cash flows from operating activities | | | | | |
| Cash absorbed by operations | 26 | | (143,494) | | (244,428) |
| Investing activities | | | | | |
| Purchase of intangible assets | | - | | (16,150) | |
| Purchase of tangible fixed assets | | - | | (2,419) | |
| Investment income received | | 63,067 | | 30,025 | |
| Net cash generated from investing activities | | | 63,067 | | 11,456 |
| Net cash used in financing activities | | | - | | - |
| Net decrease in cash and cash equivalents | | | (80,427) | | (232,972) |
| Cash and cash equivalents at beginning of year | | | 1,507,686 | | 1,740,658 |
| Cash and cash equivalents at end of year | | | <u>1,427,259</u> | | <u>1,507,686</u> |

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2024

1 Accounting policies

Charity information

Hounds for Heroes is a private 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 financial statements have been prepared in accordance with the charity's [governing document], the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005, the Charities Accounts (Scotland) Regulations 2006 (as amended), FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Charities SORP "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019). The charity is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charity. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements 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 financial statements, the trustees have a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future. Thus the trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

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 financial statements.

Restricted funds are subject to specific conditions by donors or grantors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the financial statements.

1.4 Income

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 income is 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 2024

1 Accounting policies

(Continued)

1.5 Expenditure

Expenditure is recognised once there is a legal or constructive obligation to transfer economic benefit to a third party, it is probable that a transfer of economic benefits will be required in settlement, 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 costs of raising funds and expenditure on charitable activities. The basis on which support costs have been allocated are set out in note 9.

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.

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:

| | |
|-----------------------|-------------------|
| Plant and 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 the statement of financial activities.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

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. Bank overdrafts are shown within borrowings in current liabilities.

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 2024

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 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 payments 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

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 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 judgement or estimation uncertainty.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

3 Income from donations and legacies (Continued)

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, vehicle repairs and receipt of a puppy.

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 Income from other trading activities

| | Unrestricted funds 2024 £ | Unrestricted funds 2023 £ |
|--------------------------|------------------------------------|------------------------------------|
| Sale of charity products | 3,881 | 3,557 |
| Speaker fees | 310 | - |
| | <u>4,191</u> | <u>3,557</u> |
| Other trading activities | <u>4,191</u> | <u>3,557</u> |

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

5 Income from investments

| | Unrestricted funds 2024 £ | Unrestricted funds 2023 £ |
|---------------------|------------------------------------|------------------------------------|
| Interest receivable | <u>63,067</u> | <u>30,025</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 2024

6 Expenditure on raising funds

| | Unrestricted funds 2024 £ | Unrestricted funds 2023 £ |
|----------------------------------|------------------------------------|------------------------------------|
| Fundraising and publicity | | |
| Governance costs | 5,626 | 5,501 |
| Staging fundraising events | 8,456 | 4,489 |
| Advertising | 8,287 | 6,741 |
| Other fundraising costs | 1,894 | 12,734 |
| Staff costs | 32,882 | 12,983 |
| Support costs | 138,472 | 122,675 |
| | <u>195,617</u> | <u>165,123</u> |

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 2024

| 7 Expenditure on charitable activities | Puppy costs | | Advanced training | | Working dog costs | | Total | |
|---|-------------|---------|-------------------|--------|-------------------|--------|---------|---------|
| | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 | 2024 | 2023 |
| | £ | £ | £ | £ | £ | £ | £ | £ |
| Direct costs | | | | | | | | |
| Staff costs | 123,041 | 137,000 | - | - | - | - | 137,000 | 137,000 |
| Puppy purchase | 14,744 | 13,000 | - | - | - | - | 13,000 | 13,000 |
| Care and training costs | 1,918 | 1,090 | 2,934 | 1,990 | 1,672 | 778 | 3,858 | 3,858 |
| Food and treats | 5,419 | 2,919 | 3,393 | 3,376 | 5,291 | 4,083 | 10,378 | 10,378 |
| Kennels | 910 | 140 | 2,044 | 1,076 | 783 | 1,107 | 2,323 | 2,323 |
| Vet fees and medication | 13,915 | 5,871 | 4,875 | 3,462 | 34,230 | 14,558 | 23,891 | 23,891 |
| Travel and mileage | 1,645 | 430 | 746 | 458 | 18 | - | 888 | 888 |
| Insurance | 3,437 | 2,335 | 4,308 | 3,887 | 17,302 | 14,512 | 20,734 | 20,734 |
| Puppy parents' claims | 1,311 | 875 | 84 | 80 | - | - | 955 | 955 |
| Client costs and after care | - | - | - | - | 9,473 | 17,188 | 17,188 | 17,188 |
| Residential Training Costs | - | - | 2,743 | 6,724 | - | - | 6,724 | 6,724 |
| | 166,340 | 163,660 | 21,127 | 21,053 | 68,769 | 52,226 | 236,939 | 236,939 |
| Share of support and governance costs (see note 8) | | | | | | | | |
| Support | 138,472 | 122,675 | - | - | - | - | 122,675 | 122,675 |
| Governance | 5,627 | 5,501 | - | - | - | - | 5,501 | 5,501 |
| | 310,439 | 291,836 | 21,127 | 21,053 | 68,769 | 52,226 | 365,115 | 365,115 |
| Analysis by fund | | | | | | | | |
| Unrestricted funds - general | 310,439 | 291,836 | 21,127 | 21,053 | 68,769 | 52,226 | 365,115 | 365,115 |

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

8 Support costs allocated to activities

| | 2024 | 2023 |
|---|----------------|----------------|
| | £ | £ |
| Staff costs | 157,652 | 125,158 |
| Depreciation | 7,892 | 12,886 |
| Rent and rates | 56,383 | 51,140 |
| Premises costs | 14,663 | 15,569 |
| Travel and subsistence | 9,863 | 8,070 |
| Telephone | 7,307 | 7,370 |
| Legal and professional | 2,279 | 4,122 |
| Printing, postage, stationery and website costs | 11,129 | 12,105 |
| Insurance | 3,887 | 3,437 |
| Advertising | 399 | 479 |
| Bank charges | 3,163 | 3,359 |
| Administration costs | 2,327 | 1,655 |
| Governance costs | 11,253 | 11,002 |
| | <u>288,197</u> | <u>256,352</u> |
| Analysed between: | | |
| Fundraising | 144,098 | 128,176 |
| Charitable activities | 144,099 | 128,176 |
| | <u>288,197</u> | <u>256,352</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.

9 Net movement in funds

| | 2024 | 2023 |
|---|---------------|---------------|
| | £ | £ |
| The net movement in funds is stated after charging/(crediting): | | |
| Fees payable to the charity's auditor: | | |
| - for the audit of the charity's financial statements | 6,925 | 9,000 |
| - for other financial services | 1,500 | 750 |
| Depreciation of owned tangible fixed assets | 4,662 | 6,494 |
| Amortisation of intangible assets | 3,230 | 3,832 |
| | <u>16,327</u> | <u>20,086</u> |

10 Trustees

None of the Trustees received any remuneration or benefits from the charity during the year.

A total of £4,016 has been reimbursed to one of the Trustees, this includes expenses in respect of travel, subsistence, hospitality and attending fundraising events (2023: one Trustee was reimbursed a total of £3,063). All expenses are reimbursed at cost and there is no benefit to the Trustee.

A total of £225 (2023: £237) is still owed to one of the trustees in respect of these expenses at the reporting date.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

10 Trustees

(Continued)

The charity has employed Mrs S Parton who is the wife of Mr A Parton, a Trustee. A thorough recruitment process was followed and a market rate salary was agreed. The Trustees sought advice from the Charity Commission at the time of the appointment and all proper procedures have been followed. Remuneration has been paid of £33,484 (2023: £31,947). There are no amounts outstanding at the balance sheet date.

11 Employees

The average monthly number of employees during the year was:

| | 2024 Head Count | 2024 FTE | 2023 Head Count | 2023 FTE |
|--------------------------------|--------------------|-------------|--------------------|-------------|
| Dog trainers | 5 | 4 | 6 | 5 |
| Administration and fundraising | 6 | 5 | 6 | 4 |
| Total | <u>11</u> | <u>9</u> | <u>12</u> | <u>9</u> |

Employment costs

| | 2024 £ | 2023 £ |
|-----------------------|----------------|----------------|
| Wages and salaries | 286,625 | 251,078 |
| Social security costs | 20,513 | 18,281 |
| Other pension costs | 6,437 | 5,782 |
| | <u>313,575</u> | <u>275,141</u> |

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

Remuneration of key management personnel

The remuneration of key management personnel was as follows:

| | 2024 £ | 2023 £ |
|------------------------|---------------|---------------|
| Aggregate compensation | <u>54,313</u> | <u>53,140</u> |

12 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.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

13 Intangible fixed assets

| | Software £ |
|------------------------------------|---------------|
| Cost | |
| At 1 April 2023 and 31 March 2024 | 22,700 |
| Amortisation and impairment | |
| At 1 April 2023 | 6,550 |
| Amortisation charged for the year | 3,230 |
| At 31 March 2024 | 9,780 |
| Carrying amount | |
| At 31 March 2024 | 12,920 |
| At 31 March 2023 | 16,150 |

14 Tangible fixed assets

| | Plant and equipment £ | Fixtures and fittings £ | Motor vehicles £ | Total £ |
|------------------------------------|-----------------------------|-------------------------------|------------------------|------------|
| Cost | | | | |
| At 1 April 2023 | 28,030 | 23,121 | 64,848 | 115,999 |
| At 31 March 2024 | 28,030 | 23,121 | 64,848 | 115,999 |
| Depreciation and impairment | | | | |
| At 1 April 2023 | 28,030 | 20,796 | 59,630 | 108,456 |
| Depreciation charged in the year | - | 682 | 3,980 | 4,662 |
| At 31 March 2024 | 28,030 | 21,478 | 63,610 | 113,118 |
| Carrying amount | | | | |
| At 31 March 2024 | - | 1,643 | 1,238 | 2,881 |
| At 31 March 2023 | - | 2,325 | 5,218 | 7,543 |

15 Stocks

| | 2024 £ | 2023 £ |
|-------------------------------------|-----------|-----------|
| Finished goods and goods for resale | 2,680 | 5,282 |

An impairment charge of £nil (2023: £10,568) was recognised in expenditure on raising funds during the year.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

| | | |
|---|----------------|----------------|
| 16 Debtors | 2024 | 2023 |
| | £ | £ |
| Amounts falling due within one year: | | |
| Other debtors | 91,499 | 88,559 |
| Prepayments and accrued income | 14,583 | 13,302 |
| | <u>106,082</u> | <u>101,861</u> |
| | | |
| 17 Creditors: amounts falling due within one year | 2024 | 2023 |
| | £ | £ |
| Other taxation and social security | 6,431 | 5,356 |
| Trade creditors | 5,035 | 13,151 |
| Other creditors | 4,242 | 2,749 |
| Accruals and deferred income | 13,786 | 15,497 |
| | <u>29,494</u> | <u>36,753</u> |
| | | |
| 18 Retirement benefit schemes | 2024 | 2023 |
| | £ | £ |
| Defined contribution schemes | | |
| Charge to profit or loss in respect of defined contribution schemes | <u>6,437</u> | <u>5,782</u> |

The charity operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the charity in an independently administered fund.

19 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:

| | At 1 April 2023 £ | Incoming resources £ | Resources expended £ | Transfers £ | At 31 March 2024 £ |
|----------------------|-------------------------|----------------------------|----------------------------|------------------|--------------------------|
| Sponsored Dogs | 95,292 | 185,722 | - | (193,996) | 87,018 |
| St James Trust Homes | 3,500 | - | - | - | 3,500 |
| Vehicle fund | 30,000 | - | - | - | 30,000 |
| | <u>128,792</u> | <u>185,722</u> | <u>-</u> | <u>(193,996)</u> | <u>120,518</u> |

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

19 Restricted funds (Continued)

| Previous year: | At 1 April 2022 £ | Incoming resources £ | Resources expended £ | Transfers £ | At 31 March 2023 £ |
|---------------------------|-------------------------|----------------------------|----------------------------|-----------------|--------------------------|
| Sponsored Dogs | 105,596 | 88,303 | 1,125 | (69,732) | 125,292 |
| St James Trust Homes | 3,500 | - | - | - | 3,500 |
| Estate Agents Tesco Trust | - | 1,125 | (1,125) | - | - |
| | <u>109,096</u> | <u>89,428</u> | <u>-</u> | <u>(69,732)</u> | <u>128,792</u> |

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

In this year and the prior year, when a donor has approached the charity to sponsor the training and placement of a dog, a discussion was had with the donor to agree what the funds will be used for, once agreed the money is accounted for as a restricted donation. Once a dog has been placed and the training is complete, the donation is then transferred into the designated dog reserve as discussed below, to fund the dog for the rest of it's working life. The management and trustees currently have this process under review.

The St James Trust restricted fund relates to amounts received for educational purposes.

The Tesco Trust fund relates to amounts received and used for the development of a new website.

The vehicle fund relates to amounts received towards the purchase of a new vehicle.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

20 Unrestricted funds - designated

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:

| | At 1 April 2023 £ | Incoming resources £ | Transfers £ | At 31 March 2024 £ |
|------------------------------|-------------------------|----------------------------|----------------|--------------------------|
| Working Life Reserve | 300,000 | - | 60,000 | 360,000 |
| Named Dog Reserve | 258,022 | 5,653 | (25,414) | 238,261 |
| Operating Reserve | 571,753 | - | 26,474 | 598,227 |
| Property Maintenance Reserve | 35,000 | - | - | 35,000 |
| | <u>1,164,775</u> | <u>5,653</u> | <u>61,060</u> | <u>1,231,488</u> |

The Working Life Reserve represents monies set aside to fund 2 years worth of costs for all dogs currently in service. The Trustees have agreed that the cost per year per dog will be £5,000. The amount of £360,000 (2023: £300,000) 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 comprised funds received from both the Brynin family, and funds the family have raised in memory of Lance Corporal James Brynin, who was killed in Afghanistan in October 2013. The Trustees planned to 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 (purchased in 2015/16). The first dog, Ally, joined the programme in 2017/18. In 2022/23, a second named dog called Reece joined the programme. The balance of the fund was moved to the named dog reserve in 2022/23, where it will be held until Reece has been placed.

In this year and the prior year, when a donor has approached the charity to sponsor the training and placement of a dog, a discussion was had with the donor to agree what the funds will be used for, once agreed the money is accounted for as a restricted donation. Once a dog has been placed and the training is complete, the donation is then transferred into the designated dog reserve as discussed below, to fund the dog for the rest of its working life. The management and trustees currently have this process under review.

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. Amounts of £61,667 (2023: £106,765) have been released from this reserve back to unrestricted general funds during the year to reflect donations received previously where the named dog is now in service.

The Trustees have transferred £26,474 (2023: £162,651) during the year from unrestricted general reserves to the Operating Reserve. This is to ensure that the closing fund balance represents 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 Charity is responsible for the costs of maintaining its premises under the lease. £35,000 is the amount estimated by the Trustees to be required to fund the costs of maintenance of the rental premises and this is carried forward in the Property Maintenance Reserve. These costs will become payable if/when the charity leaves its current premises.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

20 Unrestricted funds - designated

(Continued)

The comparative fund movements are as follows:

| Previous year: | At 1 April 2022 | Incoming resources | Transfers | At 31 March 2023 |
|---|--------------------|-----------------------|------------------|---------------------|
| | £ | £ | £ | £ |
| Working Life Reserve | 783,839 | - | (483,839) | 300,000 |
| Lance Corporal James Brynin in Memoriam | 28,235 | - | (28,235) | - |
| Named Dog Reserve | 280,451 | 6,150 | (28,579) | 258,022 |
| Operating Reserve | 409,102 | - | 162,651 | 571,753 |
| Property Maintenance Reserve | 35,000 | - | - | 35,000 |
| | <u>1,536,627</u> | <u>6,150</u> | <u>(378,002)</u> | <u>1,164,775</u> |

21 Unrestricted funds

The unrestricted funds of the charity comprise the unexpended balances of donations and grants which are not subject to specific conditions by donors and grantors as to how they may be used. These include designated funds which have been set aside out of unrestricted funds by the trustees for specific purposes.

| | At 1 April 2023 | Incoming resources | Resources expended | Transfers | At 31 March 2024 |
|----------------|--------------------|-----------------------|-----------------------|----------------|---------------------|
| | £ | £ | £ | £ | £ |
| General funds | <u>308,202</u> | <u>325,136</u> | <u>(595,952)</u> | <u>132,936</u> | <u>170,322</u> |
| Previous year: | At 1 April 2022 | Incoming resources | Resources expended | Transfers | At 31 March 2023 |
| | £ | £ | £ | £ | £ |
| General funds | <u>160,736</u> | <u>229,970</u> | <u>(530,238)</u> | <u>447,734</u> | <u>308,202</u> |

22 Analysis of net assets between funds

| | Unrestricted funds general | Unrestricted funds designated | Restricted funds | Total |
|------------------------------|----------------------------------|-------------------------------------|---------------------|------------------|
| | 2024 | 2024 | 2024 | 2024 |
| | £ | £ | £ | £ |
| At 31 March 2024: | | | | |
| Intangible fixed assets | 12,920 | - | - | 12,920 |
| Tangible assets | 2,881 | - | - | 2,881 |
| Current assets/(liabilities) | 154,521 | 1,231,488 | 120,518 | 1,506,527 |
| | <u>170,322</u> | <u>1,231,488</u> | <u>120,518</u> | <u>1,522,328</u> |

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2024

22 Analysis of net assets between funds

(Continued)

| | Unrestricted funds general 2023 £ | Unrestricted funds designated 2023 £ | Restricted funds 2023 £ | Total 2023 £ |
|------------------------------|---|--|----------------------------------|--------------------|
| At 31 March 2023: | | | | |
| Intangible fixed assets | 16,150 | - | - | 16,150 |
| Tangible assets | 7,543 | - | - | 7,543 |
| Current assets/(liabilities) | 284,509 | 1,164,775 | 128,792 | 1,578,076 |
| | <u>308,202</u> | <u>1,164,775</u> | <u>128,792</u> | <u>1,601,769</u> |

23 Operating lease commitments

Lessee

Operating lease payments represent rentals payable by the company for the properties from which it operates, as well as rentals for items of office equipment. Property leases and equipment rentals are negotiated for an average term of 6 years. The property leases have break clauses after 3 years.

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:

| | 2024 £ | 2023 £ |
|----------------------------|----------------|--------------|
| Within one year | 50,163 | 540 |
| Between two and five years | 51,243 | 2,160 |
| | <u>101,406</u> | <u>2,700</u> |

During the year, the charitable company recognised £52,279 (2023: £48,178) of lease costs in the Statement of Financial Activities in respect of non-cancellable operating leases.

24 Capital commitments

Amounts contracted for but not provided in the financial statements:

| | 2024 £ | 2023 £ |
|--|---------------|-----------|
| Acquisition of property, plant and equipment | <u>27,000</u> | <u>-</u> |

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2024

25 Related party transactions

Details of transactions and balances with Trustees and parties related to them are disclosed in note 10.

Remuneration of key management personnel is disclosed in note 11.

There were no other disclosable related party transactions during the year (2023 - none).

| 26 Cash generated from operations | 2024 | 2023 |
|---|------------------|------------------|
| | £ | £ |
| Deficit for the year | (79,441) | (204,690) |
| Adjustments for: | | |
| Investment income recognised in statement of financial activities | (63,067) | (30,025) |
| (Gain)/loss on disposal of tangible fixed assets | - | 2,560 |
| Amortisation and impairment of intangible assets | 3,230 | - |
| Depreciation and impairment of tangible fixed assets | 4,662 | 10,326 |
| Movements in working capital: | | |
| Decrease in stocks | 2,602 | 11,453 |
| (Increase) in debtors | (4,221) | (41,655) |
| (Decrease)/increase in creditors | (7,259) | 7,603 |
| Cash absorbed by operations | (143,494) | (244,428) |

27 Analysis of changes in net funds

The charity had no material debt during the year.

