

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 2018



HOUNDS FOR HEROES

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDING 31 MARCH 2018

1. Opening Statements

The Trustees present their report and accounts for the financial year ended 31 March 2018.

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 1st January 2016), and relevant accounting standards".

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) John Wheeley MBE Allen Parton Len Flint Julian Forth Amanda Brown	Resigned 4 th July 2017
Sarah Armstrong BVSc., MRCVS Andrea Cross Katie Percival	Joined 22 nd January 2018 Joined 1 st February 2018 Joined 1 st February 2018 Joined 14 th February 2018, resigned 4 th July 2018

The Charitable Company (The Charity) wishes to thank John Wheeley for his outstanding services to the Charity, acting for many years as a Trustee and as the Chairman of the Trustees. The strength of the Charity is the direct result of John's wise stewardship which his fellow Trustees wish to formally record and to take this opportunity to express their enormous gratitude.

2. Objectives and Activities

2.1. Our Objectives

The principal 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. The Charity's Memorandum of Articles and 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 mission to deliver our Charitable Benefit primarily through the provision of specially trained Assistance Dogs. This remains the *raison d'être* of the Charity.

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Since the start of operation the Charity has chosen to fund the whole working life of our dogs and additionally will not commence training a puppy unless sufficient reserves are in place to fund the life of the dog up to the dog's retirement. In this way the Charity can best safeguard the welfare of all our dogs throughout their lives as well as take away the financial burden of being partnered with an assistance dog.

2.2. Our 5 Year Strategy

The Charity adopted a 5 Year Strategic Plan at the start of FY 17/18. The cornerstone of the strategy is to accelerate the delivery of charitable benefit to a rate which is limited only by the facilities for advanced training currently rented by the Charity. The key target for the strategic plan is to have increased the number of dogs in partnership by a factor of 5 over the period of the 5 Year Strategy. Over the reporting period the 5 Year Strategy has been further elaborated and is defined by the following additional points:

- The Charity believes that the current advanced training facilities can handle up to 6 dogs in advanced training at any one time. Therefore to continuously deliver this number of dogs through advanced training the strategy has been translated into a target for 8 puppies to commence training in any rolling 12 months.
- The Charity aspires to be recognised as an accredited assistance dog charity by Assistance Dogs International (ADI). The strategy is for the Charity to be ready to commence the process of accreditation by the end of the strategy period (i.e. by the end of FY21/22) and that during the strategy period the Charity will operate in a manner that would achieve successful accreditation and in this way the quality of the charitable benefit that the Charity delivers is defined.
- The strategy is for the governance of the Charity to be the responsibility of a Team of Trustees who are unpaid volunteers. The team size is expected to lie between 5 and 10 and to be made up of those whose skills and experience will provide best guidance at a strategic level. The ownership of the Charity's strategic plan will remain with the Trustees and during the strategy period strategic decisions will not be delegated to the Charity's staff by, for instance, the creation of a Chief Executive Officer (CEO). However, day-to-day/operational management will be conducted by the Charity's staff.
- The acceleration of delivery of charitable benefit will increase outgoings. The strategy is for the increase in outgoings initially to be met by spend from reserves. This is in line with the Trustees' report of FY 16/17.
- The 5 Year Strategic Plan requires that the prudent business safeguards of our Reserves Policy are maintained in full and that, at the end of the strategy period, income will have increased to a level which matches outgoings and in this way ensure that that the reduction in reserves is always prudently managed.

2.3. Our Focuses for the coming year

The Charity's objective for the coming year is to maintain the accelerated rate of delivery of Charitable Benefit as defined by our 5 Year Strategy.

Additionally, the Trustees have identified four focuses for the coming year:

- As the number of dogs in partnership grows over the strategy period then one of the Charity's focuses for the coming year and throughout the strategy period will be the delivery of the required level and quality of support, or after-care, to all our partnerships, wherever they might be within the UK.
- The Charity continues to benefit richly from, and is very grateful for, very generous donations made by a broad mix of institutions, corporate sponsors and the general public. The Charity's operations up to now have not included significant activities devoted solely to fund raising, however, the Charity recognises that this generosity cannot be relied upon to continue to match the Charity's increasing expenditure as we accelerate delivery of our Charitable Benefit. Therefore one of the Charity's focuses for the coming year and throughout the strategy period will be the adoption of a more proactive approach to fund raising that better ensures the longevity of the Charity.
- The Charity also recognises that we need to raise awareness of the existence of the Charity and the assistance we can provide in all the communities in to which we wish to deliver Charitable Benefit. The Charity has therefore commenced an Awareness Raising Programme to visit and meet those we wish to help. This programme, which has already held events at MoD Copenacre; RAF Odiham; Aldershot; UK Forces HQ Andover; Defence Welfare Medical Services; Royal Navy, Army and RAF Welfare Services and the Greater Manchester Police, has briefed more than twenty thousand service men and women and will continue to be one of the Charity's focuses for the coming year.
- Data Protection regulations have tightened as a result of the need to comply with the Data Protection Act 2018 (which came into force on 23rd May 2018). This UK legislation formally enshrined the General Data Protection Regulation (GDPR) into UK law and supplemented it with those aspects

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which were left to European member states to interpret and implement (GDPR applied worldwide from 25 May 2018). The Charity has engaged experts to advise and assist in implementing changes needed for DPA/GDPR compliance and recognises the need to continue to ensure that the Charity's policies, daily handling and storage of data and staff training are in line with our legal responsibilities.

2.4. Initiatives for the future

The Charity's 5 Year Strategy is supported by our future initiatives that include the following:

- To obtain a better understanding of the needs of potential clients who may be suffering from Post-Traumatic Stress Disorder;
- To investigate creating stronger links to other charities that provide assistance to disabled armed services personnel and those of the emergency services;
- To investigate the creation of a satellite puppy training centre in order to access a new pool of potential puppy parents.

3. Our Achievements and Performance

The Charity was registered in 2010. Since starting operations we have monitored our performance by measuring how long each dog receives puppy training, how long each dog receives advanced training and how long each dog has been in partnership. In this way we know what we have achieved from our registration and what we have achieved, or delivered, each year. These achievements, or deliveries, are measured in units of production of dog-years.

By the end of FY 17/18 the Charity had achieved the following:

- More than 52 dog-years of dog training have been delivered;
- 11 successful placements of partnering a specially trained assistance dog with a client;
- Nearly 19 dog-years of partnership with proper partnership support have been delivered to partners living throughout the UK.

During the reporting period from April 2017 to March 2018 the Charity's achievements include:

- The position of Charity Manager has been filled;
- 6 puppies have started the training course; to date none have had to be removed from the training programme;
- 2 dogs successfully completed advanced training. Of these, 1 has been successfully placed with a partner and 1 has been re-trained to act as a demonstration dog as part of the Awareness Raising Programme;
- A further 7 dog-years of partnership with partnership support have been delivered to partnerships throughout the UK.

The Charity continues to use the comparison of the number of successful placements with the number of puppies that have started the training course as a key performance indicator. Since commencing operations in 2011 the Charity has achieved 11 successful placements and this represents 56% of the number of puppies that have started the training course and would have been expected to have been successfully placed with a partner. The Charity is intent on improving performance in this area by improving our knowledge of breeds and breeders, by increasing the awareness amongst breeders of the Charity's needs and by continuously improving our dog training process. The 5 year strategy does not expect to yield an improvement until during FY 18/19 when the puppies that started training in FY17/18 have completed training and been placed. The indicators from puppy training in FY17/18 allow confidence as to date none of the puppies that have started training have had to be removed from the training programme.

4. Financial Review

4.1. Overview

The 5 Year Strategy put in place at the start of FY17/18 expected to yield a decrease in overall reserves as the acceleration of the delivery of charitable benefit would see outgoings increase. In the reporting period outgoings increased by approximately 20% as anticipated in last year's Trustees' Report.

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The Charity received a very welcome and very generous legacy donation toward the end of FY17/18. The donation was considerable with the effect that income exceeded outgoings by approximately 48% for the reporting period.

The Charity's funding sources beyond legacy donations remain largely unchanged however income from these sources has decreased. For this reason the Charity intends to adopt a more proactive approach to fundraising to ensure future income will remain sufficient and the reduction in reserves is conducted in a managed and prudent way.

There are no perceived significant financial risks to the Charity as overall donations remain strong and sufficient reserves are held to satisfy the unchanged Reserves Policy.

The Charity had a total of £2,035,810 Unrestricted Funds at the end of FY 17/18. Designated Funds, in accordance with the Reserves Policy above, represent a total of £1,353,025 leaving a balance of £682,785 as Unrestricted General Funds.

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.

4.2. Reserves Policy

The Charity's Reserves Policy is unchanged from that reported in FY16/17.

It is the policy of the Charity to hold reserves in its Unrestricted General Fund which have not yet been committed or designated for any particular purpose to meet the day to day needs of operating the Charity.

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

Designated Funds hold the Unrestricted 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

The Restricted Reserve has reduced from £222,265 as at the end of FY16/17 to £173,090 at the end of FY17/18. This reduction reflects spend on dog training on those dogs whose names have been sponsored by donors.

4.2.2. Designated Working Life Reserve

The Charity chooses to deliver Charitable Benefit by funding the entire working life of the dog. A Working Life Reserve is therefore required and the value of the reserve must 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.

As at the end of FY17/18 the Charity recognises the commitment to be able to fund the delivery of the following:

- 104 dog years of partnership with support (increased by 44% from FY 16/17)
- 7.75 dog years of Advanced Training (increased by 121% from FY16/17)
- 1.7 dog years of Puppy Training (unchanged)
- 9 Placements with clients (increased by 80% from FY 16/17)

With prudent allowances for inflation and administration of the reserve over the commitment period this represents a requirement for a Working Life Reserve of £653,689. This is an increase of £318,205 compared with the reserve required at the end of FY16/17 and is the result of having a larger commitment caused by having more dogs in the Charity's care.

4.2.3. 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

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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 FY 2018/2019 are £415,944.

4.2.4. Designated Named Dog Reserve

The Charity has received many donations for the sponsorship of a specific dog's name. 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 has been set at £225,157.

4.2.5. Designated 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 wheel chair ramps and installation of improved security measures. It is a requirement of our rental agreement that when the Charity vacates the property these modifications should be removed and the building reinstated to the same build state as at the start of renting the premises.

The Building Reinstatement Reserve has been set at £30,000. This reserve is reviewed annually.

4.3. Management of Reserves

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

The 5 Year Strategy, which commenced at the start of FY17/18, accelerates the delivery of Charitable Benefit. In this way the Charity seeks to utilise the Charity's reserves in as timely a manner as our current premises permit. As anticipated in the Trustees' Report for FY16/17 the Charity's expenditure has risen. At the start of FY17/18 our Income was not expected to increase over the short term and so a reduction in reserves was forecast. This was the expectation of the 5 Year Strategy and would have been in line with the wishes of the Charity Commission. The Charity benefitted from a significant legacy donation towards the end of FY 17/18. The Charity is enormously grateful for this donation which lifted our income for FY 17/18 above expectations.

The Designated 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 to grow to a value in excess of £1 million. The Charity regards the Designated Working Life Reserve as essential. It enables the Charity to ensure the welfare of all the dogs in its care as well as guarantee that all active partnerships can be funded through to the dog's retirement. These are two fundamental principles of how the Charity wishes to operate.

The management of the Charity's Reserves is a key aspect of the 5 Year Strategy and will continue to be a priority for the Trustees.

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
- British Gas
- Co-op Funeral Care

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- Fuller, Smith & Turner PLC
 - Mars Food UK Limited 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 Trustees and Staff

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 10 to the accounts.

The pay of staff is reviewed annually by the Trustees supported by the senior management team. Staff pay normally increases at the start of each 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 and partners;
- 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. This has not changed. 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. Nonetheless, the non-availability of sufficient puppy-parents is a risk that requires continuous and proactive management. The Charity has identified that setting up a remote hub for puppy training - so as to access a new pool of potential puppy parents - would provide protection against this identified risk.

6. 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 13 weeks to discuss the Charity's current projects and how its long term aims and objectives are being met. Presently the Trustees collectively act as the board of directors responsible for strategy. In addition the Trustees work through sub-committees comprising a mix of Trustees, the Charity Manager and the Office Manager, Dog and Client Manager and Finance Administrator for discrete areas of the Charity's operations namely fund raising, support, dog training and partnerships, and finance. Three of the 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

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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 minutes are circulated and the vote is held open until all Trustees have cast their vote. Day to day operational matters are the responsibility of the Charity's senior management team comprising the Charity Manager and the senior management team.

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.

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. 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.

7. 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.

8. 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 Hounds for Heroes and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that year.

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, and
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of 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 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.

9. 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.

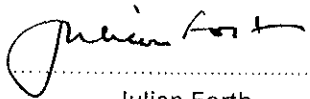
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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

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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.

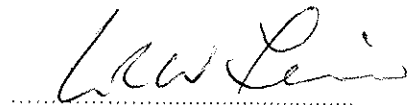


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Julian Forth

16th October 2018

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Dated



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Len Flint

16/10/2018

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Dated

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

Opinion

We have audited the financial statements of Hounds for Heroes (the 'charity') for the year ended 31 March 2018 which comprise the statement of financial activities, the balance sheet, the statement of cash flows and the notes to the financial statements, including a summary of 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 2018 and of its incoming resources and application of resources, 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.

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 accounts section of our report. We are independent of the charity in accordance with the ethical requirements that are relevant to our audit of the accounts 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

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charity's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. 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.

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

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INDEPENDENT AUDITOR'S REPORT (CONTINUED)

TO THE MEMBERS OF HOUNDS FOR HEROES

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 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 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

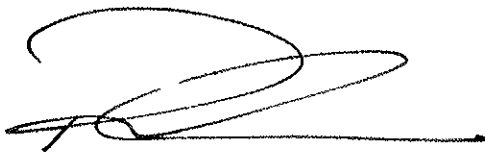
As explained more fully in the statement of Trustees' responsibilities, the Trustees, who are also the directors of the charity for the purpose of company law, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal 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

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 Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



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

19 Oct 2018

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 2018

	Notes	Unrestricted funds general £	Unrestricted funds designated £	Restricted funds £	Total 2018 £	Total 2017 £
<u>Income from:</u>						
Donations and legacies	3	634,627	5,391	20,275	660,293	292,041
Charitable activities	4	635	-	-	635	1,214
Other trading activities	5	6,542	-	-	6,542	5,059
Investments	6	14,575	-	-	14,575	18,121
Total income		656,379	5,391	20,275	682,045	316,435
<u>Expenditure on:</u>						
Raising funds	7	124,794	-	-	124,794	111,941
Charitable activities	8	132,946	28,261	69,450	230,657	182,156
Total resources expended		257,740	28,261	69,450	355,451	294,097
Net incoming/(outgoing) resources before transfers		398,639	(22,870)	(49,175)	326,594	22,338
Gross transfers between funds		(432,114)	432,114	-	-	-
Net (expenditure)/income for the year/ Net movement in funds		(33,475)	409,244	(49,175)	326,594	22,338
Fund balances at 1 April 2017		716,260	943,781	222,265	1,882,306	1,859,968
Fund balances at 31 March 2018		682,785	1,353,025	173,090	2,208,900	1,882,306

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.


HOUNDS FOR HEROES

BALANCE SHEET

AS AT 31 MARCH 2018

	Notes	2018		2017	
		£	£	£	£
Fixed assets					
Intangible assets	13		4,694		6,004
Tangible assets	14		39,096		35,984
			<u>43,790</u>		<u>41,988</u>
Current assets					
Stocks	16	18,284		16,461	
Debtors	17	287,349		54,318	
Cash at bank and in hand		1,881,675		1,791,168	
		<u>2,187,308</u>		<u>1,861,947</u>	
Creditors: amounts falling due within one year	18	(22,198)		(21,629)	
Net current assets			<u>2,165,110</u>		<u>1,840,318</u>
Total assets less current liabilities			<u>2,208,900</u>		<u>1,882,306</u>
Income funds					
Restricted funds	19		173,090		222,265
<u>Unrestricted funds</u>					
Designated funds	20	1,353,025		943,781	
General funds		682,785		716,260	
			<u>2,035,810</u>		<u>1,660,041</u>
			<u>2,208,900</u>		<u>1,882,306</u>

The financial statements were approved by the Trustees on ...16/10/18.


Mr A Parton
Trustee

Company Registration No. 07130031

HOUNDS FOR HEROES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2018

	Notes	2018 £	£	2017 £	£
Cash flows from operating activities					
Cash generated from/(absorbed by) operations	24		93,589		(10,591)
Investing activities					
Purchase of intangible assets		-		(6,550)	
Purchase of tangible fixed assets		(17,657)		(7,844)	
Interest received		14,575		18,121	
Net cash (used in)/generated from investing activities			(3,082)		3,727
Net cash used in financing activities			-		-
Net increase/(decrease) in cash and cash equivalents			90,507		(6,864)
Cash and cash equivalents at beginning of year			1,791,168		1,798,032
Cash and cash equivalents at end of year			<u>1,881,675</u>		<u>1,791,168</u>
Relating to:					
Cash at bank and in hand			<u>1,881,675</u>		<u>1,791,168</u>

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

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 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 £.

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 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 financial statements.

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 financial statements.

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.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies (Continued)

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.

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 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.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost or value of the asset 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
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HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies (Continued)

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.

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.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

1 Accounting policies

(Continued)

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.

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.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

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.

3 Donations and legacies

	Unrestricted funds general £	Unrestricted funds designated £	Restricted funds £	Total 2018 £	Total 2017 £
Donations and gifts	139,090	5,391	20,275	164,756	237,885
Legacies receivable	472,669	-	-	472,669	43,656
Donated goods and services	15,020	-	-	15,020	10,500
Other	7,848	-	-	7,848	-
	<u>634,627</u>	<u>5,391</u>	<u>20,275</u>	<u>660,293</u>	<u>292,041</u>
For the year ended 31 March 2017	<u>242,814</u>	<u>374</u>	<u>48,853</u>		<u>292,041</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

	2018 £	2017 £
Speakers' fees	<u>635</u>	<u>1,214</u>

Charitable trading income

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 2018

5 Other trading activities

	2018	2017
	£	£
Fundraising events	1,527	1,464
Shop income	5,015	3,595
Other trading activities	<u>6,542</u>	<u>5,059</u>

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

6 Investments

	2018	2017
	£	£
Interest receivable	<u>14,575</u>	<u>18,121</u>

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

7 Raising funds

	2018	2017
	£	£
<u>Fundraising and publicity</u>		
Staging fundraising events	8,372	12,137
Advertising	10,980	1,661
Other fundraising costs	1,958	1,553
Share of support costs (see note 9)	96,669	89,857
Share of governance costs (see note 9)	6,815	6,733
Fundraising and publicity	<u>124,794</u>	<u>111,941</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 2018

8 Charitable activities

	Puppy costs £	Advanced training £	Working dog costs £	Total 2018 £	Total 2017 £
Puppy purchase	4,196	-	-	4,196	1,549
Care and training costs	1,440	531	85	2,056	1,587
Food and treats	2,651	1,521	1,778	5,950	3,262
Kennels	1,408	1,639	-	3,047	904
Vet fees and medication	8,922	1,594	6,403	16,919	6,828
Travel and mileage	897	311	118	1,326	211
Insurance	3,030	1,241	3,749	8,020	6,000
Puppy parents' claims	1,708	162	113	1,983	552
Client costs and after care	5,769	-	-	5,769	12,306
Residential Training Costs	3,006	-	-	3,006	10,841
	<u>33,027</u>	<u>6,999</u>	<u>12,246</u>	<u>52,272</u>	<u>44,040</u>
Staff costs				74,902	41,527
				<u>127,174</u>	<u>85,567</u>
Share of support costs (see note 9)				96,669	89,856
Share of governance costs (see note 9)				6,814	6,733
				<u>230,657</u>	<u>182,156</u>
Analysis by fund					
Unrestricted funds - general				132,946	158,871
Unrestricted funds - designated				28,261	-
Restricted funds				69,450	23,285
				<u>230,657</u>	<u>182,156</u>

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

9 Support costs	Support costs £	Governance costs £	2018 £	2017 £
Staff costs	99,808	-	99,808	83,327
Depreciation	15,855	-	15,855	15,131
Rent and rates	46,610	-	46,610	42,391
Light and heat	8,301	-	8,301	7,278
Premises costs	4,020	-	4,020	4,544
Telephone	4,460	-	4,460	3,400
Legal and professional	993	-	993	4,854
Printing, postage, stationery and website costs	5,714	-	5,714	6,816
Insurance	2,628	-	2,628	3,384
Advertising	720	-	720	2,176
Bank charges	974	-	974	828
Administration costs	3,255	-	3,255	5,584
Audit fees	-	8,000	8,000	8,000
Accountancy	-	4,263	4,263	3,987
Trustees' expenses	-	1,366	1,366	1,479
	<u>193,338</u>	<u>13,629</u>	<u>206,967</u>	<u>193,179</u>
Analysed between				
Fundraising	96,669	6,815	103,484	96,590
Charitable activities	96,669	6,814	103,483	96,589
	<u>193,338</u>	<u>13,629</u>	<u>206,967</u>	<u>193,179</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.

Governance costs includes payments to the auditors of £8,000 for audit fees (2017- £8,000).

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

10 Trustees

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, the Trustees have made payments on behalf of the Charity, which have been reimbursed through the charity's expenses policy, in addition to the reimbursement of travel and accommodation related expenses which have been incurred by the Trustees on behalf of the charity.

A total of £11,835 has been reimbursed to five of the Trustees, £1,366 is in respect of travel, hospitality and attending fundraising events (2017 - six Trustees were reimbursed a total of £10,440, with £1,479 reimbursed in respect of travelling expenses). All expenses are reimbursed at cost and there is no benefit to the Trustee.

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 £28,000 (2017: £12,851 having joined the Charity in October 2016). There are no amounts outstanding at the balance sheet date.

11 Employees

Number of employees

The average monthly number of employees during the year was:

	2018 Number	2017 Number
Dog trainers	3	2
Administration and fundraising	4	4
	<u>7</u>	<u>6</u>
Employment costs	2018	2017
	£	£
Wages and salaries	164,023	117,651
Social security costs	9,716	6,681
Other pension costs	971	522
	<u>174,710</u>	<u>124,854</u>

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

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 2018

13 Intangible fixed assets					Software £
Cost					
At 1 April 2017 and 31 March 2018					6,550
Amortisation and impairment					
At 1 April 2017					546
Amortisation charged for the year					1,310
At 31 March 2018					1,856
Carrying amount					
At 31 March 2018					4,694
At 31 March 2017					6,004
14 Tangible fixed assets					
		Equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost					
At 1 April 2017		21,143	11,195	44,949	77,287
Additions		2,057	15,600	-	17,657
At 31 March 2018		23,200	26,795	44,949	94,944
Depreciation and impairment					
At 1 April 2017		12,121	8,644	20,538	41,303
Depreciation charged in the year		4,301	2,492	7,752	14,545
At 31 March 2018		16,422	11,136	28,290	55,848
Carrying amount					
At 31 March 2018		6,778	15,659	16,659	39,096
At 31 March 2017		9,022	2,551	24,411	35,984
15 Financial instruments					
					2018 £
Carrying amount of financial assets					2017 £
Debt instruments measured at amortised cost					2,144,462
Carrying amount of financial liabilities					1,791,167
Measured at amortised cost					19,270
					18,472

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

16	Stocks	2018	2017
		£	£
	Goods for resale	18,284	16,461
	Cost of stock recognised as an expense during the year	1,958	1,553
17	Debtors	2018	2017
	Amounts falling due within one year:	£	£
	Other debtors	266,260	46,075
	Prepayments and accrued income	21,089	8,243
		<u>287,349</u>	<u>54,318</u>
18	Creditors: amounts falling due within one year	2018	2017
		£	£
	Other taxation and social security	2,926	3,157
	Trade creditors	6,316	5,206
	Other creditors	3,875	1,656
	Accruals and deferred income	9,081	11,610
		<u>22,198</u>	<u>21,629</u>
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:

	Restated Balance at 1 April 2017 £	Movement in funds		Balance at 31 March 2018 £
		Incoming resources £	Resources expended £	
Sponsored Dogs	218,982	15,275	(61,167)	173,090
Wheelchair	1,283	-	(1,283)	-
Gazebos	2,000	-	(2,000)	-
Red Socks	-	5,000	(5,000)	-
	<u>222,265</u>	<u>20,275</u>	<u>(69,450)</u>	<u>173,090</u>

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

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

19 Restricted funds

(Continued)

The Wheelchair restricted fund comprises amounts received to be expended on wheelchairs for use by the charity. These monies were used towards the cost of purchasing a wheelchair during the year.

The Gazebos restricted fund comprises an amount received to be expended on two gazebos, which were purchased during the year.

The Red Socks restricted fund comprises an amount received to be expended on furnishing a rest room with accessible equipment for both clients and applicants. These monies were fully spent in the year towards the purchase of a wheel chair, a reclining chair, a TV, room dividers and some soft furnishings.

The comparative fund movements are as follows:

	Balance at 1 April 2016 £	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>

20 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 2017 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 March 2018 £
Working Life Reserve	335,484	-	-	318,205	653,689
Lance Corporal James Brynin In Memoriam	56,472	24	(28,261)	-	28,235
Named Dog Reserve	122,529	5,367	-	97,261	225,157
Operating Reserve	399,296	-	-	16,648	415,944
Building Reinstatement Reserve	30,000	-	-	-	30,000
	<u>943,781</u>	<u>5,391</u>	<u>(28,261)</u>	<u>432,114</u>	<u>1,353,025</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 £653,689 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.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

20 Designated funds

(Continued)

The Lance Corporal James Brynin In Memoriam fund comprises 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 15/16). Should there be any funds remaining, the Trustees have considered using these to improve the quiet room by purchasing soft furnishings. During the year, one dog has entered into the training programme funded by these monies. The balance will be carried forward to be used as described above.

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. Further amounts of £97,261 have been added to this reserve from unrestricted general funds to reflect donations received in the year, but where a named dog is not yet in service.

The Trustees have transferred £16,648 during the year from unrestricted general reserves to the 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.

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 and this is carried forward in the Building Reinstatement Reserve.

The comparative fund movements are as follows:

	Movement in funds				Balance at 31 March 2017 £
	Balance at 1 April 2016 £	Incoming resources £	Resources expended £	Transfers £	
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>

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

21 Analysis of net assets between funds

	Unrestricted General Funds	Unrestricted Designated Funds	Restricted Funds	2018
	£	£	£	£
Fund balances at 31 March 2018 are represented by:				
Intangible fixed assets	4,694	-	-	4,694
Tangible assets	21,762	-	17,334	39,096
Current assets	656,329	1,353,025	155,756	2,165,110
	<u>682,785</u>	<u>1,353,025</u>	<u>173,090</u>	<u>2,208,900</u>
	Unrestricted General Funds	Unrestricted Designated Funds	Restricted Funds	2017
	£	£	£	£
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>

22 Operating lease commitments

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 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:

	2018	2017
	£	£
Within one year	41,938	41,798
Between two and five years	44,083	82,315
	<u>86,021</u>	<u>124,113</u>

During the year, the charitable company recognised £43,839 (2017: £39,704) of lease costs in the Statement of Financial Activities in respect of non-cancellable operating leases.

23 Related party transactions

There were no disclosable related party transactions during the year (2017 - none).

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2018

24 Cash generated from operations	2018 £	2017 £
Surplus for the year	326,594	22,338
Adjustments for:		
Investment income recognised in statement of financial activities	(14,575)	(18,121)
Amortisation and impairment of intangible assets	1,310	546
Depreciation and impairment of tangible fixed assets	14,545	14,585
Movements in working capital:		
(Increase)/decrease in stocks	(1,823)	2,261
(Increase) in debtors	(233,031)	(8,885)
Increase/(decrease) in creditors	569	(23,315)
Cash generated from/(absorbed by) operations	<u>93,589</u>	<u>(10,591)</u>