

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 2023



**TOGETHER
WE CAN**

HOUNDS FOR HEROES

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Allen Parton Amanda Ferguson Peter Grinsted Daniel Connor Olivia Brown Jade Norman Elizabeth Ridgeway
Charity number (England & Wales)	1134359
Charity number (Scotland)	SC043751
Company number	07130031
Chair	Amanda Ferguson
Vice-Chair	Allen Parton
Registered office	Unit 2B Rookery Farm Buildings Ramsdean Petersfield Hampshire GU32 1RU
Auditor	Fiander Tovell Limited Stag Gates House 63/64 The Avenue Southampton Hampshire SO17 1XS
Bankers	Lloyds Bank plc 5 The Square Petersfield Hampshire GU32 3HL

HOUNDS FOR HEROES

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)**FOR THE YEAR ENDING 31 MARCH 2023**

The Trustees present their report and accounts for the financial year ended 31st March 2023.

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 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 disabled through injury or illness 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 purpose to deliver our Charitable Benefit primarily through the provision of specially trained Assistance Dogs. This is the *raison d'être* of the Charity.

Since the start of operation, the Charity has chosen to fund the whole working life of our dogs up to the dog's retirement. 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 developed an updated 5 Year Strategic Plan for the start of this fiscal year FY22/23, so this report covers Yr1 of that strategy. The strategy sets out 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 is very much about building on the current solid foundations and development of the Charity 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 as follows:

- The acceleration of delivery of charitable benefit is quantified by steadily increasing the number of puppies acquired each year to commence training from 5 puppies this fiscal 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 will require 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 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 relationship 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 and what the Charity strives to maintain for our partners
- 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.

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)**FOR THE YEAR ENDING 31 MARCH 2023****1.3 Our Achievements and Performance**

At the start of this fiscal, the Charity's overarching objective for the coming year, after the disruptions caused by Covid in the prior couple of years, was to have a year of full operations, return to our planned levels of service and delivery, rebuild our income streams and maintain the quality of our dog training and partner support in order to deliver our charitable benefit as effectively as we could.

Given that many of our applicants and partners are classed as clinically extremely vulnerable, even though the threat and issues caused by covid have eased, we continue to be very mindful to operate in a Covid-safe manner, regularly reviewing our operating practices, so that our applicants and partners (and also staff and volunteers) feel they are not placed at risk when dealing with the Charity.

Having been able to reintroduce applicant visits and matching sessions at the Charity's centre from the summer of 2021, we were delighted in FY22/23 to be able to deliver 5 advanced dogs into partnerships, one of which was a replacement dog for an existing Partner whose original dog had reached our set retirement age of 10 years old, thus meeting the target we had set for FY22/23. Having put on hold accepting new applications for partnerships in FY20/21 and nearly all of FY21/22 due to Covid, our application process has been open throughout the year.

We had aimed to acquire 8 puppies in FY22/23 but unfortunately were only able to bring in 5 puppies due to unforeseen constraints in training resource in the middle of the fiscal and 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 as it is a critical factor in our ability to expand our intake of puppies as planned in our current 5 Year Strategy.

We were able to return to using our training centre throughout the year for 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, after having to deliver aftercare remotely during the Covid period, our regular schedule of aftercare visits has been re-established with Partners and their dogs pleased to be able to see our staff in person in their home environment.

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, it is our intention, as set out in the 5 Year Strategic Plan, to steadily increase the number of dogs in training and in partnerships. This will require increased expenditure and therefore it is critical that the Charity grows its income significantly over the coming years. Therefore, at the beginning of this fiscal year, the Charity recruited an experienced Fundraising Manager to proactively generate and coordinate our income generation activities. It is pleasing to report that, despite the challenging economic environment, our total income increased in FY22/23 by 77%, recovering to pre-pandemic levels. This will, however, continue to be a major area of focus for the Charity as further continuous growth in income is required. We are very grateful for the generous 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.

Expenditure continued to be very tightly managed but inevitably as the Charity returned to a full year of more normal operations our costs increased, resulting in our full year expenditure being +17% vs the prior year. We continue to develop our ways of working to be able to operate as efficiently as possible.

To facilitate the desired growth in the number of partnerships and in income generation, the Charity has been working on developing an ongoing communications programme which aims to increase awareness of the Charity, who and how it helps, and how it can be supported amongst its key audiences. A key activity in this fiscal was to launch an improved, updated website which went live in March'23 and we have grown our marketing activity, particularly on social media channels, increasing our engagement with supporters and attended a larger number of relevant events and the Charity's Founder has continued to deliver an Awareness Programme to increase understanding of the Charity's objectives amongst both the communities it wishes to deliver charitable benefit to, and with current and potential supporters.

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)**FOR THE YEAR ENDING 31 MARCH 2023**

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 each year. These achievements, or deliveries, are measured in units of production of dog-years where a dog-year is the delivery of 1 year of training or 1 year of partnership support for one dog for one year.

By the end of FY22/23 the Charity had achieved the following:

- More than 138 dog-years of dog training have been delivered
- 30 successful placements of partnering a specially trained assistance dog with a client have been achieved
- Nearly 70 dog-years of partnership with proper partnership support have been delivered to Partners living 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, by the end of FY22/23 the Charity had achieved 30 successful placements and this represents 62% 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 aims to continue to improve performance in this area by our knowledge of breeds and breeders, by increasing the awareness amongst breeders of the Charity's needs and by continuously improving our dog training and partnering processes.

And finally, The Trustees would like to pay tribute to the hard work and dedication of our staff and volunteers throughout this period.

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 FY23/24 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 FY22/23 was 15 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 3 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 aim to acquire 10 puppies in FY23/24. So far, we have welcomed 6 new puppies to the Hounds for Heroes team with 4 planned to join in the final quarter of the fiscal. It is to be noted that the average cost of a puppy, which increased significantly due to the high demand during the pandemic, has now decreased to a more acceptable level, although still remains above the pre-pandemic average cost
- In order to support the growth in the pipeline of dogs, it is critical that the number of volunteer puppy parents is also increased. Several recruitment drives are planned for the year and the Charity will shortly launch a puppy training hub in Portsmouth to extend its puppy parent catchment area
- 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, investing in additional fundraising resource and expertise as required. 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.
- 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 if at all 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

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)**FOR THE YEAR ENDING 31 MARCH 2023****2. Financial Review****2.1 Overview**

The prior 5 Year Strategy put in place at the start of FY17/18 anticipated a decrease in the level of unrestricted general funds as the planned acceleration of the delivery of charitable benefit was over time expected to see outgoings increase above income. At the time that the Strategy was implemented, we did of course not anticipate a global pandemic and the resulting impact to the Charity's income and expenditure.

Due to the exceptional circumstances of the pandemic, costs were decreased where possible starting in FY20/21 and continue to be very carefully managed on an ongoing basis beyond FY22/23.

As we continue to return to a higher level of activity following the end of Covid restrictions, our fundraising and charitable activity expenditure increased on the prior year. Expenditure in FY22/23 increased by 14% on FY21/22. Our income from donations and legacies for FY22/23 increased 42% compared to FY21/22. Our new 5 Year Strategy anticipates, and we have budgeted, for increased growth on our income into FY23/24, as we can continue to increase our fundraising activity. Although at FY22/23 we remain in a cash deficit for the year, this deficit is 24% lower than FY21/22 and we anticipate a further reduced deficit in FY23/24. The Charity has sufficient reserves to continue our objectives whilst we reduce our deficit and return to a net positive position.

The level of unrestricted general funds has increased £147,466 since FY21/22, but decreased by £408,058 since the beginning of the prior 5 Year Strategy. For this reason, the Charity has been taking a more proactive approach to fundraising to ensure future income will remain sufficient, will deliver a more balanced position versus expenditure and will meet the Charity's growth objectives.

At the end of FY22/23 the Charity had total funds of £1,601,769. As outlined in the Charity's Reserves Policy below, the Charity has set aside £128,792 as Restricted Reserves and £1,164,775 as Designated Reserves leaving a balance of £308,202 as Unrestricted General Funds.

At the end of FY22/23 the Charity has the strength of assets required to successfully move forward and deliver the quality and volume of charitable benefit that the Charity and our donors wish for. At the time that this report is prepared, we are confident that the Charity will continue as a going and viable concern.

2.2 Reserves Policy

The Charity's Reserves Policy continues to evolve in line with the needs of the Charity, and therefore the Trustees have reviewed and amended the Designated Working Life Reserve (see note 2.2.2) It is the policy of the Charity to hold Restricted Reserves and a range of Designated Reserves. The balance of funds not held in reserve are Unrestricted General Funds which are used to meet the day to day needs of operating 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 increased from £109,096 as at the end of FY21/22 to £128,792 at the end of FY22/23. 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.

HOUNDS FOR HEROES**TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)****FOR THE YEAR ENDING 31 MARCH 2023****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.

During the strategic review of the Charity, the Trustees agreed that the Working Life Reserve was adjusted to set aside funds to support 2 years of costs for all dogs in service. The current designation represents a change from the prior year, where monies were set aside to fund all future costs of dogs currently in training and in service, through to the dog's retirement. The Trustees have agreed that the cost per year per dog will be £5,000

For FY22/23 this represents a requirement for a Working Life Reserve of £300,000 (FY21/22: £783,839). Due to the change in policy of this reserve this enabled the Charity to release £483,839 into unrestricted general funds.

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.

The projected indirect running costs of the Charity for the 18 months from the start of FY23/24 are £571,753. Direct costs are already covered within the Designated Working Life Reserve.

At the time that this report is being prepared, the Charity's income has still not returned to pre-pandemic levels. Throughout the remainder of FY23/24 the Trustees will remain watchful 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 FY22/23 is £258,022 (FY21/22: £280,451)

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.

2.2.6 Designated In-memoriam Reserve

The Charity is very grateful for donations it has received "in-memoriam". When donors do not specify how their "in-memoriam" donation should be used, the Charity nonetheless wishes to be able to demonstrate how the donation has been used. During the year, the balance of the In-Memoriam fund was utilized by the introduction of Recce joining the training programme and therefore the funds were transferred to the Named Dog Reserve. These funds will be held in the Named Dog Reserve until Recce is placed in a partnership. At the end of FY22/23 the Designated In-memoriam Reserve is £NIL (FY21/22: £28,235)

HOUNDS FOR HEROES**TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)****FOR THE YEAR ENDING 31 MARCH 2023****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 5 Year Strategy, which commenced in FY17/18, accelerates the delivery of charitable benefit. In this way the Charity seeks to utilise the Charity's funds in as timely a manner as our current premises permit. As anticipated in previous Trustees' reports the Charity's expenditure has risen. The forecast made 4 years ago was that our income would not increase over the short term and so a reduction in funds was forecast. This was the expectation of the 5 Year Strategy and is in line with the expectation of the Charity Commission.

The management of the Charity's funds through the allocation of Restricted and Designated Reserves is a key aspect of the 5 Year 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 PLC, operating as Petplan
- Bet Fred - Gibraltar
- BFBS – Big Salute
- Bloomberg
- Frazer Nash Consultancy
- Goodwood The Kennels
- Groundwork UK – Tesco Community Grant Scheme
- HMS Victory
- Hogsback Chapter UK
- Julia Hodgson Solicitors
- Kestrelway Gun Dogs
- Lord Barnby's Foundation
- National Lottery Community Fund
- Pets At Home Foundation
- Pavillion Row Ltd
- Portsmouth Water
- RAF Cranwell
- RAF High Wycombe
- Rotary Club Fareham
- Reedyford Dog Training Club
- Seafarers Charity UK
- The Forces Trust
- The Girdlers Company Charitable Trust
- The Hurst School
- Viking Cruises UK Ltd

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.

HOUNDS FOR HEROES**TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)****FOR THE YEAR ENDING 31 MARCH 2023****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.

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 FY22/23, Christopher Beynon, Katrina Young and Claire Newman stood down as Trustees and we thank them for their service. We are actively recruiting additional Trustees in FY 23/24.

5. Auditors

Fiander Tovell Limited were re-appointed as auditor to the Charity and will be deemed to be reappointed in accordance with the Companies Act 2006.

6. Statement of Trustees' Responsibilities

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

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

HOUNDS FOR HEROES

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

FOR THE YEAR ENDING 31 MARCH 2023

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.

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.

Amanda Ferguson

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Amanda Ferguson

11/10/2023 | 08:21 BST

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Dated

HOUNDS FOR HEROES

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 2023 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 2023 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.

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.

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.

HOUNDS FOR HEROES

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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Our approach to identifying and assessing the risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, was as follows:

- the engagement partner ensured that the engagement team collectively had the appropriate competence, capabilities and skills to identify or recognise non-compliance with applicable laws and regulations.
- we identified the laws and regulations applicable to the company through discussions with directors and other management, and from our commercial knowledge and experience.
- we focused on specific laws and regulations which we considered may have a direct material effect on the financial statements or the operations of the company, including the Companies Act 2006, taxation legislation, data protection, employment, environmental and health and safety legislation.
- we assessed the extent of compliance with the laws and regulations identified above through making enquiries of management.

We assessed the susceptibility of the company's financial statements to material misstatement, including obtaining an understanding of how fraud might occur, by:

- making enquiries of management as to where they considered there was susceptibility to fraud, their knowledge of actual, suspected and alleged fraud.
- considering the internal controls in place to mitigate risks of fraud and non-compliance with laws and regulations.

HOUNDS FOR HEROES

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

Audit response to risks identified

To address the risk of fraud through management bias and override of controls, we:

- performed analytical procedures to identify any unusual or unexpected relationships.
- tested journal entries to identify unusual transactions.
- tested a sample of BACS payments to identify payments being made to unexpected bank accounts.
- performed transactional testing on payroll costs in respect of those employees with responsibility or authority in connection with the payroll function.
- assessed whether judgements and assumptions made in determining the accounting estimates were indicative of potential bias.
- investigated the rationale behind significant or unusual transactions.

In response to the risk of irregularities and non-compliance with laws and regulations, we designed procedures which included, but were not limited to:

- agreeing financial statement disclosures to underlying supporting documentation.
- enquiring of management as to actual and potential litigation and claims.
- reading minutes of those charged with governance

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.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

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. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an 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 and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Gregory

Mark Gregory ACA (Senior Statutory Auditor)
for and on behalf of Fiander Tovell Limited

11/10/2023 | 15:40 BST
.....

Chartered Accountants
Statutory Auditor

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

HOUNDS FOR HEROES

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 31 MARCH 2023

	Notes	Unrestricted funds general £	Unrestricted funds designated £	Restricted funds £	Total 2023 £	Total 2022 £
<u>Income and endowments from:</u>						
Donations and legacies	3	196,388	6,150	89,428	291,966	168,680
Other trading activities	4	3,557	-	-	3,557	4,285
Investments	5	30,025	-	-	30,025	8,910
Other income	6	-	-	-	-	1,686
Total income		229,970	6,150	89,428	325,548	183,561
<u>Expenditure on:</u>						
Raising funds	7	165,123	-	-	165,123	128,654
Charitable activities	8	365,115	-	-	365,115	325,688
Total resources expended		530,238	-	-	530,238	454,342
Net (outgoing)/incoming resources before transfers		(300,268)	6,150	89,428	(204,690)	(270,781)
Gross transfers between funds		447,734	(378,002)	(69,732)	-	-
Net income/(expenditure) for the year/ Net movement in funds		147,466	(371,852)	19,696	(204,690)	(270,781)
Fund balances at 1 April 2022		160,736	1,536,627	109,096	1,806,459	2,077,240
Fund balances at 31 March 2023		308,202	1,164,775	128,792	1,601,769	1,806,459

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 2023

	Notes	2023		2022	
		£	£	£	£
Fixed assets					
Intangible assets	13		16,150		6,392
Tangible assets	14		7,543		11,618
			<u>23,693</u>		<u>18,010</u>
Current assets					
Stocks	15	5,282		16,735	
Debtors	16	101,861		60,206	
Cash at bank and in hand		1,507,686		1,740,658	
		<u>1,614,829</u>		<u>1,817,599</u>	
Creditors: amounts falling due within one year	17	<u>(36,753)</u>		<u>(29,150)</u>	
Net current assets			<u>1,578,076</u>		<u>1,788,449</u>
Total assets less current liabilities			<u><u>1,601,769</u></u>		<u><u>1,806,459</u></u>
Income funds					
Restricted funds	19		128,792		109,096
<u>Unrestricted funds</u>					
Designated funds	20	1,164,775		1,536,627	
General unrestricted funds		308,202		160,736	
		<u>1,472,977</u>		<u>1,697,363</u>	
			<u><u>1,601,769</u></u>		<u><u>1,806,459</u></u>

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

11/10/2023 | 09:21 BST

The financial statements were approved by the Trustees on

Allen Parton

Allen Parton
Trustee

Company Registration No. 07130031

HOUNDS FOR HEROES

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2023

	Notes	2023		2022	
		£	£	£	£
Cash flows from operating activities					
Cash absorbed by operations	24		(244,428)		(183,383)
Investing activities					
Purchase of intangible assets		(16,150)		-	
Purchase of tangible fixed assets		(2,419)		(1,498)	
Interest received		30,025		8,910	
Net cash generated from investing activities			11,456		7,412
Net cash used in financing activities			-		-
Net decrease in cash and cash equivalents			(232,972)		(175,971)
Cash and cash equivalents at beginning of year			1,740,658		1,916,629
Cash and cash equivalents at end of year			1,507,686		1,740,658
Relating to:					
Cash at bank and in hand			1,507,686		1,740,658

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

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 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)". 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 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 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.

Government grants relate to claims made under the coronavirus job retention scheme and are recognised in the statement of financial activities in the same period as the costs to which they relate.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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 Expenditure

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.

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

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

1.7 Tangible fixed assets

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

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

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

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in the statement of financial activities.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

1.8 Impairment of fixed assets

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

1.9 Stocks

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

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

1.10 Cash and cash equivalents

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

1.11 Financial instruments

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

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

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

Basic financial assets

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

Impairment of financial assets

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

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

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

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

1 Accounting policies

(Continued)

Derecognition of financial assets

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

Basic financial liabilities

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

Derecognition of financial liabilities

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

1.12 Employee benefits

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

1.13 Retirement benefits

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

1.14 Debtors

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

1.15 Creditors and provisions

Creditors and provisions are recognised where the charity has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount.

2 Critical accounting estimates and judgements

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

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

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

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

3 Donations and legacies

	Unrestricted funds general £	Unrestricted funds designated £	Restricted funds £	Total 2023 £	Total 2022 £
Donations and gifts	118,444	6,150	89,428	214,022	102,776
Legacies receivable	40,000	-	-	40,000	35,715
Donated goods and services	31,683	-	-	31,683	20,868
Other	6,261	-	-	6,261	9,321
	<u>196,388</u>	<u>6,150</u>	<u>89,428</u>	<u>291,966</u>	<u>168,680</u>
For the year ended 31 March 2022	<u>134,483</u>	<u>6,140</u>	<u>28,057</u>		<u>168,680</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, 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 Other trading activities

	2023 £	2022 £
Shop income	<u>3,557</u>	<u>4,285</u>

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

5 Investments

	2023 £	2022 £
Interest receivable	<u>30,025</u>	<u>8,910</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 2023

6 Other income

	2023	2022
	£	£
Government grant income	-	1,686
	<u> </u>	<u> </u>

This income is classified as unrestricted.

7 Raising funds

	2023	2022
	£	£
<u>Fundraising and publicity</u>		
Staging fundraising events	4,489	5,019
Advertising	6,741	523
Other fundraising costs	12,734	1,269
Staff costs	12,983	9,500
Share of support costs (see note 9)	122,675	105,723
Share of governance costs (see note 9)	5,501	6,620
	<u> </u>	<u> </u>
Fundraising and publicity	<u>165,123</u>	<u>128,654</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 2023

8 Charitable activities

	Puppy costs	Advanced training	Working dog costs	Total 2023	Total 2022
	£	£	£	£	£
Puppy purchase	13,000	-	-	13,000	10,700
Care and training costs	1,090	1,990	778	3,858	2,831
Food and treats	2,919	3,376	4,083	10,378	9,797
Kennels	140	1,076	1,107	2,323	1,880
Vet fees and medication	5,871	3,462	14,558	23,891	32,524
Travel and mileage	430	458	-	888	1,047
Insurance	2,335	3,887	14,512	20,734	19,550
Puppy parents' claims	875	80	-	955	994
Client costs and after care	-	-	17,188	17,188	3,581
Residential Training Costs	-	6,724	-	6,724	2,257
	<u>26,660</u>	<u>21,053</u>	<u>52,226</u>	<u>99,939</u>	<u>85,161</u>
Staff costs				<u>137,000</u>	<u>128,184</u>
				<u>236,939</u>	<u>213,345</u>
Share of support costs (see note 9)				122,675	105,723
Share of governance costs (see note 9)				5,501	6,620
				<u>365,115</u>	<u>325,688</u>
Analysis by fund					
Unrestricted funds - general				<u>365,115</u>	<u>325,688</u>
				<u>365,115</u>	<u>325,688</u>

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

9 Support costs

	Support costs £	Governance costs £	2023 £	2022 £
Staff costs	125,158	-	125,158	103,029
Depreciation and loss on disposal	12,886	-	12,886	15,132
Rent and rates	51,140	-	51,140	52,016
Premises costs	15,569	-	15,569	9,766
Travel and subsistence	8,070	-	8,070	6,979
Telephone	7,370	-	7,370	5,246
Legal and professional	4,122	-	4,122	2,295
Printing, postage, stationery and website costs	12,105	-	12,105	7,448
Insurance	3,437	-	3,437	3,389
Advertising	479	-	479	1,793
Bank charges	3,359	-	3,359	2,918
Administration costs	1,655	-	1,655	1,435
Audit fees	-	9,000	9,000	8,240
Accountancy	-	750	750	3,720
Trustees' expenses	-	1,252	1,252	1,280
	<u>245,350</u>	<u>11,002</u>	<u>256,352</u>	<u>224,686</u>
Analysed between				
Fundraising	122,675	5,501	128,176	112,343
Charitable activities	122,675	5,501	128,176	112,343
	<u>245,350</u>	<u>11,002</u>	<u>256,352</u>	<u>224,686</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.

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.

A total of £3,063 has been reimbursed to one of the Trustees, this includes expenses in respect of travel, hospitality and attending fundraising events (2022: five Trustees were reimbursed a total of £1,120). All expenses are reimbursed at cost and there is no benefit to the Trustee.

A total of £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 2023

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 £31,947 (2022: £30,484). 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:

	2023 Head Count	2023 FTE	2022 Head Count	2022 FTE
Dog trainers	6	5	6	5
Administration and fundraising	6	4	5	4
	<u>12</u>	<u>9</u>	<u>11</u>	<u>9</u>

Employment costs

	2023 £	2022 £
Wages and salaries	251,078	222,078
Social security costs	18,281	14,010
Other pension costs	5,782	4,625
	<u>275,141</u>	<u>240,713</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 2023

13 Intangible fixed assets

	Software £
Cost	
At 1 April 2022	25,750
Additions - separately acquired	16,150
Disposals	(19,200)
	<hr/>
At 31 March 2023	22,700
	<hr/>
Amortisation	
At 1 April 2022	19,358
Amortisation charged for the year	3,832
Disposals	(16,640)
	<hr/>
At 31 March 2023	6,550
	<hr/>
Carrying amount	
At 31 March 2023	16,150
	<hr/> <hr/>
At 31 March 2022	6,392
	<hr/> <hr/>

14 Tangible fixed assets

	Equipment £	Fixtures and fittings £	Motor vehicles £	Total £
Cost				
At 1 April 2022	28,030	20,702	64,848	113,580
Additions	-	2,419	-	2,419
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	28,030	23,121	64,848	115,999
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation and impairment				
At 1 April 2022	27,173	19,139	55,650	101,962
Depreciation charged in the year	857	1,657	3,980	6,494
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2023	28,030	20,796	59,630	108,456
	<hr/>	<hr/>	<hr/>	<hr/>
Carrying amount				
At 31 March 2023	-	2,325	5,218	7,543
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 March 2022	857	1,563	9,198	11,618
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

15 Stocks

	2023 £	2022 £
Goods for resale	5,282	16,735

An impairment charge of £10,568 (2022: £Nil) was recognised in expenditure on raising funds during the year.

16 Debtors

Amounts falling due within one year:	2023 £	2022 £
Other debtors	88,559	46,482
Prepayments and accrued income	13,302	13,724
	<u>101,861</u>	<u>60,206</u>

17 Creditors: amounts falling due within one year

	2023 £	2022 £
Other taxation and social security	5,356	3,284
Trade creditors	13,151	7,110
Other creditors	2,749	3,247
Accruals and deferred income	15,497	15,509
	<u>36,753</u>	<u>29,150</u>

18 Retirement benefit schemes

Defined contribution schemes

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.

The charge to profit or loss in respect of defined contribution schemes was £5,782 (2022 - £4,625).

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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:

	Movement in funds			Movement in funds			Balance at 31 March 2023 £
	Balance at 1 April 2021 £	Incoming resources £	Transfers £	Balance at 1 April 2022 £	Incoming resources £	Transfers £	
Sponsored Dogs	139,804	26,807	(61,015)	105,596	88,303	(68,607)	125,292
St James Trust	3,500	-	-	3,500	-	-	3,500
Homes Estate Agents	-	1,250	(1,250)	-	-	-	-
Tesco Trust	-	-	-	-	1,125	(1,125)	-
	<u>143,304</u>	<u>28,057</u>	<u>(62,265)</u>	<u>109,096</u>	<u>89,428</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.

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

The Homes Estates fund relates to amounts received for the purchase of new laptops.

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

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

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 31 March 2023 £
	Balance at 1 April 2022 £	Incoming resources £	Resources expended £	Transfers £	
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>-</u>	<u>(378,002)</u>	<u>1,164,775</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 £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 current designation represents a change from the prior year, where monies were set aside to fund all future costs of dogs currently in training and in service, through to the dog's retirement. The large transfer out of the Working Life Reserve to Unrestricted General funds reflects this change in designation.

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. The first dog Ally joined the programme in 2017/18. During the year, a second dog called Recce joined the programme, the balance has now been moved to the named dog reserve, where it will be held until Recce has been placed.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

20 Designated funds

(Continued)

As described in the Trustees' Report, the Named Dog Reserve identifies where a donation that is initially placed in the restricted reserve has been spent, but the desired outcome has not yet been achieved in respect of a successful placement of a named dog. The reserve will be released once the desired outcome has been achieved. Amounts of £106,765 have been released from this reserve back to unrestricted general funds to reflect donations received previously where the named dog is now in service.

The Trustees have transferred £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.

The comparative fund movements are as follows:

	Movement in funds				Balance at 31 March 2022 £
	Balance at 1 April 2021 £	Incoming resources £	Resources expended £	Transfers £	
Working Life Reserve	1,071,320	-	-	(287,481)	783,839
Lance Corporal James Brynin In Memoriam	28,235	-	-	-	28,235
Named Dog Reserve	295,651	6,140	-	(21,340)	280,451
Operating Reserve	383,060	-	-	26,042	409,102
Property Maintenance Reserve	35,000	-	-	-	35,000
	<u>1,813,266</u>	<u>6,140</u>	<u>-</u>	<u>(282,779)</u>	<u>1,536,627</u>

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

21 Analysis of net assets between funds

	Unrestricted General Funds £	Unrestricted Designated Funds £	Restricted Funds £	Total £
Fund balances at 31 March 2023 are represented by:				
Intangible fixed assets	16,150	-	-	16,150
Tangible assets	7,543	-	-	7,543
Current assets	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>
Fund balances at 31 March 2022 are represented by:				
Intangible fixed assets	6,392	-	-	6,392
Tangible assets	11,618	-	-	11,618
Current assets	142,726	1,536,627	109,096	1,788,449
	<u>160,736</u>	<u>1,536,627</u>	<u>109,096</u>	<u>1,806,459</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:

Lessee	2023 £	2022 £
Within one year	540	45,806
Between two and five years	2,160	-
	<u>2,700</u>	<u>45,806</u>

During the year, the charitable company recognised £48,178 (2022: £48,955) of lease costs in the Statement of Financial Activities in respect of non-cancellable operating leases.

During the current financial year the lease for the Charity's premises ended. At the year end the Charity were in the process of a rent review and as such no commitment is disclosed. Post year end a new lease was signed, which committed the Charity to rent of £48,423 per year for 6 years, a break clause can be exercised after 3 years.

HOUNDS FOR HEROES

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2023

23 Related party transactions

There were no disclosable related party transactions during the year (2022: none).

24 Cash generated from operations	2023	2022
	£	£
Deficit for the year	(204,690)	(270,781)
Adjustments for:		
Investment income recognised in profit or loss	(30,025)	(8,910)
(Gain)/loss on disposal of tangible fixed assets	-	875
Loss on disposal of intangible assets	2,560	-
Amortisation and impairment of intangible assets	3,832	4,612
Depreciation and impairment of tangible fixed assets	6,494	9,645
Movements in working capital:		
Decrease in stocks	11,453	160
(Increase)/decrease in debtors	(41,655)	90,234
Increase/(decrease) in creditors	7,603	(9,218)
Cash absorbed by operations	(244,428)	(183,383)

25 Analysis of changes in net funds

The charity had no debt during the year.