



**HEARING DOGS FOR DEAF PEOPLE
(A COMPANY LIMITED BY GUARANTEE)
REPORTS AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 MARCH 2017**

**COMPANY NUMBER: 01964878
CHARITY NUMBER - ENGLAND: 293358
CHARITY NUMBER - SCOTLAND: SC040486**

**HEARING DOGS FOR DEAF PEOPLE
CONTENTS TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017**

	Page
Trustees' Report	1 – 5
Strategic Report	6 – 9
Trustees' responsibilities	10
Auditors' Report	11 – 12
Consolidated Statement of Financial Activities	13
Balance Sheet	14
Consolidated Statement of Cash Flows	15
Notes to the Financial Statements	16 – 29

HEARING DOGS FOR DEAF PEOPLE
TRUSTEES' REPORT
FOR THE YEAR ENDED 31 MARCH 2017

The Trustees (who are also Directors of the Charitable Company for the purpose of Company law) present their annual report together with the audited financial statements for the year ended 31 March 2017.

Reference and administrative details of the charity

Company number:	01964878
Charity number:	England: 293358 Scotland: SC040486
Registered office:	The Grange Wycombe Road Saunderton Princes Risborough Buckinghamshire HP27 9NS
Royal patron:	HRH The Princess Royal
President:	Sir Stuart Hampson CVO (Appointed 13 July 2016) Air Chief Marshal Sir Richard Johns GCB KCVO CBE FRAeS (Retired 13 July 2016)
Life vice-presidents:	A G Blunt MBE Mrs D A McInnes
Trustees:	Mrs F B Clark Dr B Fogle MBE DVM MRCVS Air Vice-Marshal D Crwys-Williams CB FCIPD FCIM J Bower MBE BVSC MRCVS G P Burchett MBA FCMI A P Freeland MB BS FRCS Dr H Harris MB ChB FRCGP Dr V Harrison J W Holmes MA A M Horsley JP Ms V A Hunt K W Keir OBE Mrs J M Smith MBE

Two Trustees, Ms V A Hunt and Mrs J M Smith MBE, were also stakeholders in the charity being recipients of hearing dogs.

In accordance with the Articles of Association, all the trustees except for Mr G P Burchett retire at the Annual General Meeting and being eligible, offer themselves for re-election.

The Trustees each guarantee to contribute an amount not exceeding £10 to the assets of the charity in the event of winding up.

Senior management team:	Chief Executive Director of External Relations Director of Resources and Company Secretary Head of Supply and Training Head of Partnership Services Head of Quality	Mrs M Jennings BA LL.B MBA A Jones MA P R Hester FCA Mrs J Tommey BSc Mrs A Platten Mrs J Gray VN, CTP
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**HEARING DOGS FOR DEAF PEOPLE
TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017**

Reference and administrative details of the charity (continued)

Principal bankers: Barclays Bank plc
Blenheim Gate
22-24 Upper Marlborough Road
St Albans
AL1 3AL

Solicitors: Penningtons Manches LLP
9400 Garsington Road
Oxford Business Park
Oxford, OX4 2HN

Auditors: Crowe Clark Whitehill LLP
Aquis House
49-51 Blagrove Street
Reading
Berkshire
RG1 1PL

Structure, Governance and Management

Governing Document

Hearing Dogs for Deaf People is a charitable company limited by guarantee and registered as a charity. The charity was incorporated on 26 November 1985 and its governing document is its Articles of Association which were adopted on 11 November 2015.

Governing Body

Overall responsibility rests with the Board of Trustees who are also appointed as Directors of the charitable company. The appointment of Trustees is made in accordance with the Articles of Association including receipt and approval of an application for membership.

The Trustees meet formally four times a year, with Trustees also forming four sub-committees: Finance, Business Development, Audit and Remuneration. The Finance and Business Development sub-committees meet four times and the Audit sub-committee meets at least twice a year. The Remuneration sub-committee meets at least once a year primarily to approve the remuneration of the Chief Executive. In addition, the Trustees hold ad hoc 'away days' where governance and the future strategy of the charity are discussed. Certain authority from the Trustees is delegated to the Chief Executive, who is responsible for the day-to-day running of the charity.

Recruitment and Training of Trustees

The selection of Trustees is designed to supplement the existing skills and expertise of the Board and is governed by an informal skills assessment. The Trustees have recognised that a more formal approach needed to be taken in respect of their selection, induction and training, and procedures are now in place. These include the declaration of eligibility to serve as a Trustee, including notification of any potential conflicts of interest, introduction of a code of conduct and deaf awareness training. DBS checks are also carried out on all Trustees. Applications to fill vacancies are advertised and shortlisted candidates are interviewed and references taken up before they are proposed as new Trustees.

The Trustees consider it to be best practice to make every effort to have representation of the charity's beneficiaries on the Board of Trustees.

Pay policy for senior staff

The pay of the Chief Executive is reviewed annually by the Remuneration Committee and normally increased according to agreed benchmarks and the percentage annual pay award to all staff. Pay increases for the senior management team are approved by the Chief Executive after reviewing performance, benchmarking against other charities and taking into account the annual pay award to all staff.

HEARING DOGS FOR DEAF PEOPLE

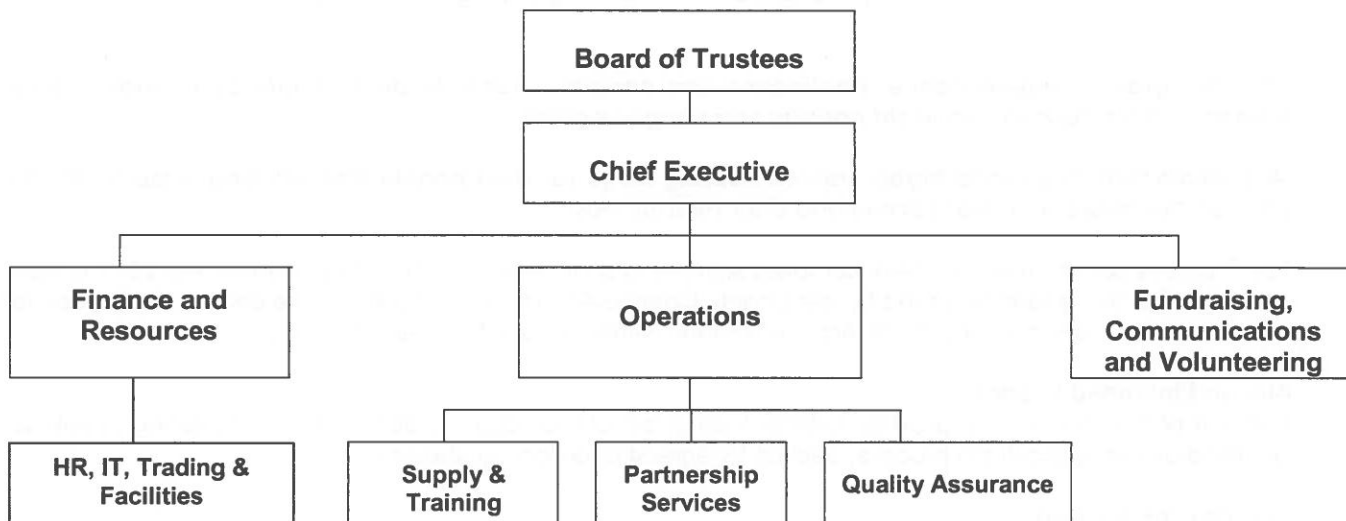
TRUSTEES' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Structure, Governance and Management (continued)

Organisation and Structure

The charity employs some 158 members of staff (full-time equivalent) who are involved in the labour intensive process of creating and supporting hearing dog partnerships. Members of staff operate within three main departments as indicated in the following organisation chart.



Group structure and relationships

The charity has a wholly owned subsidiary which is incorporated in the UK, Hearing Dogs for Deaf People (Trading) Limited. The subsidiary operates from premises owned by the charitable company and sells promotional and other items. It donates its taxable profits to the charitable company.

Hearing Dogs for Deaf People is a member of Assistance Dogs UK (ADUK) and plays a full and active role in this umbrella organisation which is open to assistance dog charities. Under the auspices of ADUK collaboration takes place on a number of fronts including access, public relations and training issues. The charity is also a fully accredited member of Assistance Dogs Europe (ADEu) and Assistance Dogs International (ADI) and is therefore involved with assistance dogs organisations worldwide. Hearing Dogs for Deaf People is also a member of the UK Council on Deafness, a national infrastructure organisation for voluntary sector organisations working with deaf people. Other collaborative relationships with which the charity is actively involved include the Deaf Alliance and the Microchipping Alliance.

Risk Management

The Trustees of Hearing Dogs for Deaf People recognise and accept their responsibility for ensuring that risks to which the charity is exposed are reviewed, and steps taken to mitigate the impact of adverse factors through the application of appropriate preventative controls and corrective actions. An Audit sub-committee is in place and a risk management strategy has been implemented which comprises:-

- An annual review of the risks which the charity may face
- The establishment of systems and procedures to mitigate identified risks
- The implementation of procedures designed to minimise any potential impact on the charity of adverse factors
- Reporting on the level of risk remaining after implementing the systems and procedures above.

The Audit sub-committee oversees these formal reviews and will meet at least twice annually and monitor the ongoing operational management decisions which make suitable adjustments and amendments to systems and procedures as and when risks are identified in everyday operations.

HEARING DOGS FOR DEAF PEOPLE TRUSTEES' REPORT (CONTINUED) FOR THE YEAR ENDED 31 MARCH 2017

Objectives, Aims and Activities

Charitable Objectives

The charity's objects as set out in the Articles of Association are the promotion of health and the relief of sickness by training, providing and supporting dogs in the relief of human deafness, disability, sickness, suffering or distress, and collaborating with other charities where appropriate.

In addition to the objects, the charity is aligned to the following strategic aims as set by the charity's Trustee Board:

'To offer greater independence, confidence and companionship to deaf people by providing dogs trained to alert them to important sounds and danger signals.'

'A commitment to provide highly trained hearing dogs for deaf people and life-long support for the partnership between a deaf person and their hearing dog.'

The Trustees confirm that they have complied with the duty of Section 17(5) of the Charities Act 2011 to have due regard to the guidance issued by the Charity Commission on public benefit. The charitable purpose for the charity within the meaning of the Act is enshrined within its objects as stated above.

Aim and Intended Impact

The aim of the charity is to provide suitably trained assistance dogs to deaf or hard of hearing people as identified by our applications process, backed by agreed audiology guidelines.

Our principal aim is to:

'Assist the maximum number of deaf people through the provision of a hearing dog.'

The effect on the individual through the provision of a practical means of identifying important sounds and danger signals will be greater independence and security. However the impact typically goes far deeper than this with the introduction of a hearing dog often bringing further life-enhancing results.

Principal activities of the year

The charity's main programme has continued to be the provision of trained and accredited hearing dogs for deaf and hard of hearing people including the provision of hearing dogs for deaf children. A small but important supplementary activity sees some hearing dogs working in conjunction with other ADUK charities to provide dogs to meet dual disabilities. In addition, the charity provides a number of support dogs to deaf adults and children.

All other activities have been undertaken to support the current training programme and to ensure the future development and expansion of the charity and its capacity to meet the growing demand for trained dogs.

The charity's core values underpin everything we do with consequential benefits for beneficiaries, volunteers and staff alike. These values are: Belief, Unity, Leadership, Appreciation, Communication and Excellence.

Activities in Scotland - Registered Charity Number: SC040486

The charity has two members of staff permanently based in Scotland, supplemented as necessary by management and staff from both the northern and southern training centres. Operational needs are covered by a partnership instructor who supports some 70 Scottish partnerships, while fundraising activities are undertaken by one full-time and one part-time fundraiser and branches run by volunteers. Fundraising activities include the generation of funds some of which are restricted for use in Scotland.

**HEARING DOGS FOR DEAF PEOPLE
TRUSTEES' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017**

Volunteer Support

We are indebted to our nationwide network of volunteers who assist in attaining and furthering the charity's objectives in so many ways including puppy socialising and training, holding of brood stock, fundraising, supporting our office based staff, as well as maintaining our beautiful sites in Buckinghamshire and Yorkshire.

This year has been notable for the significant expansion of the volunteer network in order to prepare for and fulfil the charity's ambitious plans for 2020. We have added to the fosterers who look after our hearing dog mums and dads, volunteers are increasingly involved in and taking responsibility for sound work training, and we have also conducted a huge recruitment campaign under the banner of 'Dog lovers wanted!'. Such was the success of the campaign, new volunteer enquiries broke all records in January 2017 when we received over 500 in one month alone.

We have expanded our puppy socialising scheme to Newcastle upon Tyne, doubled capacity in Cheshire, significantly upped puppy numbers in our Home Counties heartland, as well as welcomed new volunteers all across the UK in a myriad of different roles. Data cleansing has also been a significant endeavour this year to ensure only active volunteers are registered as such on the CRM database.

We endeavour to champion and thank all our volunteers who give so generously to Hearing Dogs. Volunteers' Week in June is a charity-wide highlight of the year and we have secured awards for a handful of especially deserving members of the volunteer family.

The charity had 2,168 (2016: 1,841) volunteers at 31 March 2017 who, in line with best practice, have entered into a formal agreement with the charity, setting out the responsibilities of both the charity and the volunteer. The year on year increase in the number of registered volunteers was 327 (2016: 120), however this net increase masks normal volunteer turnover which recorded 606 (2016: 399) new volunteers and 279 (2016: 279) departures.

Provision of information to auditors

Each of the persons who are Directors at the time when this Directors' report is approved has confirmed that:

- so far as that Director is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditors in connection with preparing their report and to establish that the Company's auditors are aware of that information.

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution proposing the reappointment of Crowe Clark Whitehill LLP as auditors of the company will be put to the Annual General Meeting.

Approved by the board on 18 July 2017
and signed on their behalf by



.....F B Clark (Chairman)

HEARING DOGS FOR DEAF PEOPLE

STRATEGIC REPORT

FOR THE YEAR ENDED 31 MARCH 2017

Review of the charity, and its achievements and performance for the year

Objectives for the year

The charity maintains a balance between the resources required to meet its commitments to the deaf people it seeks to serve and those required to train and support the dogs which are an integral and vital part of the success of the organisation. The key aspects of the charity's plans in 2016/17 were to:

1. increase the number of qualified partnerships trained in the year to 160, while continuing to improve the quality of both dogs and our overall service;
2. maintain the charity's financial performance by developing new and existing income streams, constraining costs and ensuring all charity assets are fully utilised;
3. firmly establish the charity in the public's awareness and maximise the resulting fundraising opportunities;
4. complete the upgrade of the charity's website and improve operating efficiencies using the new CRM database and new IT equipment;
5. secure funding for the development of The Grange, Saunderton incorporating a new welcome centre.

Strategies to achieve the year's objectives

The following strategies for achieving the objectives stated above were put in place to:

1. build on the charity's operations which are made up of three national teams namely Supply & Training, Partnership Services and Quality Assurance. Continue the review and refinement of operational processes and procedures working closely with staff and volunteers. Improve quality assurance through improving standards of welfare, training and assessment;
2. develop new income streams including expansion of the puppy sponsorship regular giving scheme using all media channels particularly direct marketing, regular communications and appeals to new and longer-term supporters. Constrain revenue and capital expenditure through tight budgetary control and the streamlining of operational and supporting activities;
3. implement a detailed programme of events with strong communications support including the provision of information on all events via social media and the charity's website;
4. document, review and test existing processes and procedures and automate wherever possible. Invest in new IT equipment, database systems and website to improve customer service and performance.
5. approach major donors, and trusts and foundations for funding to develop The Grange, Saunderton.

What we achieved during the year

The following progress was made towards achieving the objectives stated above:

1. Total output for the year was 158 (2016: 173) new hearing dogs trained. The difference of 15 dogs from the previous year is factored into our four year plan to create 200 new hearing dogs per annum by 2020. Each hearing dog takes on average 18 to 24 months to train.
2. The charity's financial performance in 2016/17 remained sound with an increase in funds of £1.8 million recorded including £0.8m of investment gains. Income increased by £1.2 million to £8.7 million (2016: £7.5 million) due to an increase in legacies. Expenditure increased by £0.4 million to £7.7 million (2016: £7.3 million); £0.3 resulted from an increase in staff costs and £0.1 million from higher direct and support costs.
3. The charity continued to enjoy extensive media coverage from its comprehensive programme of fundraising events and communications activities. Core campaigns included the "The Great British Dog Walk" with 20 walks taking place between March and June 2016 and the continuing promotion of puppy sponsorship regular giving scheme. Community events and fundraising initiatives continued to be promoted centrally and via community fundraising managers and local groups.

HEARING DOGS FOR DEAF PEOPLE

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

What we achieved during the year (continued)

4. The final module of the charity's new CRM database system went live in April 2016 and the new website went live in June 2016 as planned. Costs for the project were well controlled and the project was completed within budget. A second phase is planned for 2017/18 to improve shop and stock control systems and further automate the processing of expenses.
5. Donations of £98,607 were received for the new welcome centre at The Grange, Saunderton and fundraising for this project will continue during 2017/18.

Fundraising performance

The charity remains committed to its "Supporter Promise" which states that we pride ourselves on not using aggressive fundraising methods. These methods include using 'chuggers', door-to-door fundraisers, the selling of names and offering commercial deals that do a disservice to our beneficiaries or our supporters. During the year the charity also strengthened its fundraising team by recruiting a Director of External Relations to lead the Fundraising, Communications and Volunteering teams.

Total income was £1.2 million (16.4%) higher than last year due to legacies which were also £1.2 million (26.4%) higher than last year. Non-legacy income was marginally (0.5%) lower than last year with higher income from sponsorships offsetting a fall in income from fundraising events. Specific fundraising initiatives during the year included further development of the puppy sponsorship regular giving scheme and expansion of "The Great British Dog Walk" to 20 walks taking place between March and June 2016.

Sales by the Trading Company were marginally higher than last year with gross profit margins improving as a result of lower sales discounts. Administrative costs, including a gift aided donation made to the charity during the year of £14,362 (2016: £7,359), were £5,669 higher than last year and the net profit for the year amounted to £342 (2016: £417).

Operational performance

The senior operational management team continued to review, examine and assess the quantity and quality of the dogs as well as the training and support processes used by both staff and volunteers.

Improvements in working practices continued to be developed in the national operations teams and the recording and reporting of core operational data has been further refined and improved following the move to the new CRM database late in 2015. These improvements are assisting with future planning and resource allocation so as to further increase output.

In May 2016, the charity received re-accreditation with Assistance Dogs International (ADI) for a further five years. Hearing Dogs was described as "a highly professional, healthy and well run organisation, with highly motivated staff and volunteers, where a lot of effort is made to provide a high quality service to its recipients and to comply fully to the ADI standards". In addition, the CRM database was recognised as an example of "best practice" due to the quality and functionality of the system.

At the year end we were providing ongoing support to 940 (2016: 931) hearing dog partnerships with over 2,600 training and support visits carried out by our partnership support instructors during the year.

Investment performance

Tilney Bestinvest have been the charity's investment managers for the last thirteen years having been re-appointed in 2010. The table below records the performance of the Income and Growth Portfolio valued at £7.1 million (2016: £6.4 million), including cash awaiting investment, against three indices for last year and the last thirteen years.

	<u>Year 2016/17</u> <u>(Total Return)</u>	<u>Thirteen Year Period</u> <u>(Total Return)</u>
Income and Growth Portfolio	+11.8%	+129.7%
ARC Balanced	+11.5%	+102.6%
FTSE WMA Balanced	+19.5%	+171.6%
FTSE 100 TR	+23.3%	+168.1%

HEARING DOGS FOR DEAF PEOPLE

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Investment performance (continued)

The favoured benchmarks are currently the ARC Balanced and FTSE WMA Balanced indices as they are comparable with the underlying asset allocation of the Hearing Dogs portfolio. Performance over the past thirteen years has been close to the benchmarks and a good result was achieved in 2016/17, given the cautious growth investment strategy which has been followed for some time. Comparative figures are also shown for the FTSE 100 TR Index. The charity has reviewed its investment strategy for the coming year and will continue to monitor performance against the agreed benchmarks.

In the previous financial year the charity also invested £1.0 million in a new Aggressive Growth Portfolio. The table below records the performance of this portfolio valued at £1.2 million (2016: £1.0 million), including cash awaiting investment, against three indices for last year and the two years since inception.

	<u>Year 2016/17</u> <u>(Total Return)</u>	<u>Two Year Period</u> <u>(Total Return)</u>
Aggressive Growth Portfolio	+15.8%	+17.8%
ARC Balanced	+11.5%	+11.2%
FTSE WMA Balanced	+19.5%	+22.1%
FTSE 100 TR	+23.3%	+20.1%

Financial review, including results for the year and position at the year end

The charity recorded net income of £1.8 million (2016: £0.1 million) which was £1.8 million better than budgeted. Net income was a combination of income and expenditure of £1.0 million (2016: £0.2 million), due to higher than expected legacy receipts, and net investment gains of £0.8 million (2016: losses £(0.1) million) which resulted from the upward movement in stock market values during the year.

Total income rose by £1.2 million (16.4%) to £8.7 million. The major movement was the increase in legacies which also rose by £1.2 million (26.4%) to a record level of £5.9 million (2016: £4.7 million). Non-legacy income was marginally (0.5%) lower than last year with higher income from sponsorships of £0.1 million offsetting a fall in income from fundraising events. We remain very grateful to all our supporters who provide us with the resources we need to continue to maintain and develop our work. Their many contributions are essential given that there is continuing demand for the charity's services for which it receives no government funding.

Expenditure increased by £0.4 million from £7.3 million to £7.7 million. Staff costs were £0.3 million higher than last year as a result of the annual pay award and additional operational staff. Direct costs, depreciation and support costs combined increased by a further £0.1 million.

Total assets at 31 March 2017 were £18.2 million (2016: £16.4 million) with designated funds increasing by £1.6m to £14.4 million and the operational reserve and restricted funds amounting to £3.6 million (2016: £3.5 million) and £0.2 million (2016: £0.1 million) respectively.

Reserves policy

The charity operates to provide immediate benefit to its recipients followed by a lifetime of support. With plans to increase the number of dogs being trained each year and 940 (2016: 931) working partnerships located throughout the country this level of support is expensive to maintain and will require both capital and revenue expenditure as a continuing investment for the future. In addition it is dependent on voluntary income, principally legacies, which can be subject to considerable fluctuation from year to year.

The Trustees continue to monitor and review the level of reserves in conjunction with the setting of annual budgets and the development of the long-term strategy to meet the changing nature of demand.

The charity's policy is to maintain the following unrestricted funds:

Designated Funds for Tangible Fixed Assets.

This represents unrestricted reserves set aside by the Trustees for the functional fixed assets and capital commitments of the charity required to carry out its principal activities. At 31 March 2017 this reserve stood at £7.9 million (2016: £7.1 million).

HEARING DOGS FOR DEAF PEOPLE

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2017

Reserves policy (continued)

Designated Funds for Existing Partnerships.

These funds have been set aside to cover future long-term commitments, principally relating to existing hearing dog partnerships, which at 31 March 2017 were estimated at £6.5 million (2016: £5.7 million) over the next 10 years.

Operational (Free) Reserve.

The policy of the Trustees is to hold an operational reserve equivalent to 12 months operating expenditure. At present this reserve stands at £3.6 million (2016: £3.5 million) which represents some 5 months running costs, based on the 2017/18 expenditure budget. The objective is, therefore to increase this reserve to ensure that sufficient funds are available at all times to cover the annual cost of the charity's activities.

Investment policy

For the last twelve years, the Trustees have given their appointed investment managers, Tilney Bestinvest, discretion to manage the Income and Growth Portfolio with a cautious growth risk profile providing both income and capital growth. In the previous financial year, the Trustees also approved additional investment in an Aggressive Growth Portfolio which is also managed on a discretionary basis by Tilney Bestinvest. Decisions are taken in accordance with the charity's investment policy document which has been approved by the Board of Trustees. The charity reviewed its investment arrangements in 2010 and after conducting a tendering process reappointed Tilney Bestinvest in the belief that they continue to provide the best fit for the charity and its investment requirements. The charity's overriding policy remains to maximise returns whilst ensuring that as far as possible the funds invested are adequately safeguarded.

Principal risks and uncertainties facing the business

Risks are assessed for impact and probability and the following exceeded a combined residual score of 50%:

Risks:	Comments:
Implementation of General Data Protection Regulation 2018 and Fundraising Regulations	Clear guidance on fundraising regulations being developed. Close monitoring of GDPR 2018. Consent only communications policy to be developed.
Potential shortage of volunteers for puppy socialising and training.	Ongoing development and support for existing volunteers. Development of satellite socialising programmes ongoing.

Future plans

Underpinning the charity's strategic plans are its objectives which are set out on page 4.

The charity plans to build on its evolving strategy during 2017/18 with the key aspects of the plan being to:

1. continue to work towards our ambition to be training 200 new hearing dogs per annum by 2020;
2. maintain the charity's financial performance by developing new and existing income streams, constraining costs and ensuring all charity assets are fully utilised;
3. increase public awareness of the charity and maximise the resulting fundraising opportunities;
4. further improve operating efficiencies using the new website, CRM database and IT equipment;
5. secure additional funding for the new welcome centre at The Grange, Saunderton, which will open towards the end of 2017.

Approved by the board on 18 July 2017
and signed on their behalf by

.....F B Clark (Chairman)

**HEARING DOGS FOR DEAF PEOPLE
STATEMENT OF TRUSTEES' RESPONSIBILITIES
FOR THE YEAR ENDED 31 MARCH 2017**

The Trustees (who are also Directors of Hearing Dogs for Deaf People for the purposes of company law) are responsible for preparing the Trustees' Annual Report, the Strategic Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period. In preparing these financial statements, the Trustees are required to:

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF HEARING DOGS FOR DEAF PEOPLE

We have audited the financial statements of Hearing Dogs for Deaf People for the year ended 31 March 2017 which comprise the Consolidated Statement of Financial Activities, the Group and Charity Balance Sheets, the Group Consolidated Statement of Cash Flows and the related notes numbered 1 to 21.

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)

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 company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditor

As explained more fully in the Statement of Trustees' Responsibilities, the trustees (who are also the directors of the charitable company 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.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Trustees' Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS AND TRUSTEES OF HEARING DOGS FOR DEAF PEOPLE

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the charitable company's affairs as at 31 March 2017 and of the group's 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.

Opinion on other matter 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' Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Trustees' Annual Report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the trustees' annual report.

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

- the parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company 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.



Janette Joyce

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

Reading

Date: 28.7.17

HEARING DOGS FOR DEAF PEOPLE
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(INCORPORATING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 MARCH 2017

	Note	Unrestricted Funds £	Restricted Funds £	Total 2017 £	Total 2016 £
Income from:					
Donations and legacies	4	6,196,986	1,839,175	8,036,161	6,727,771
Trading and fundraising	4	497,916	16,916	514,832	605,094
Investments	4	140,003	-	140,003	132,490
Other	4	<u>39,666</u>	<u>-</u>	<u>39,666</u>	<u>38,040</u>
Total income		<u>£ 6,874,571</u>	<u>£ 1,856,091</u>	<u>£ 8,730,662</u>	<u>£7,503,395</u>
Expenditure on:					
Raising funds	5	1,634,144	-	1,634,144	1,580,743
Charitable Activities	5	<u>4,409,136</u>	<u>1,696,359</u>	<u>6,105,495</u>	<u>5,710,132</u>
Total expenditure		<u>£ 6,043,280</u>	<u>£ 1,696,359</u>	<u>£ 7,739,639</u>	<u>£ 7,290,875</u>
Net gains/(losses) on investments		<u>794,667</u>	<u>-</u>	<u>794,667</u>	<u>(96,833)</u>
Net income		1,625,958	159,732	1,785,690	115,687
Transfers between funds	17	<u>98,607</u>	<u>(98,607)</u>	<u>-</u>	<u>-</u>
Net movement in funds		1,724,565	61,125	1,785,690	115,687
Reconciliation of funds:					
Total funds brought forward		<u>16,322,374</u>	<u>89,264</u>	<u>16,411,638</u>	<u>16,295,951</u>
Total funds carried forward	17	<u>£18,046,939</u>	<u>£150,389</u>	<u>£18,197,328</u>	<u>£16,411,638</u>

The notes on pages 16 to 29 form part of these financial statements

HEARING DOGS FOR DEAF PEOPLE

BALANCE SHEET

31 MARCH 2017

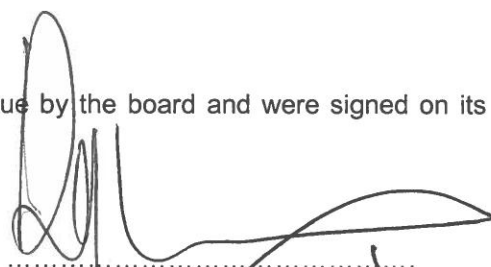
COMPANY NUMBER: 01964878

		The Group		The Charity	
	Note	2017 £	2016 £	2017 £	2016 £
Fixed assets:					
Tangible assets	9	7,072,389	7,072,510	7,072,389	7,072,510
Investments	10	<u>8,312,114</u>	<u>7,425,465</u>	<u>8,312,116</u>	<u>7,425,467</u>
Total fixed assets		<u>15,384,503</u>	<u>14,497,975</u>	<u>15,384,505</u>	<u>14,497,977</u>
Current assets:					
Stocks	11	30,149	36,667	-	-
Debtors	12	1,148,745	821,500	1,162,443	834,042
Short term deposits		2,348,586	1,669,862	2,322,147	1,654,419
Cash at bank and in hand		<u>27,144</u>	<u>27,146</u>	<u>27,142</u>	<u>27,144</u>
Total current assets		<u>3,554,624</u>	<u>2,555,175</u>	<u>3,511,732</u>	<u>2,515,605</u>
Liabilities:					
Creditors: Amounts falling due within one year	13	<u>(741,799)</u>	<u>(641,512)</u>	<u>(733,571)</u>	<u>(636,264)</u>
Net current assets		<u>2,812,825</u>	<u>1,913,663</u>	<u>2,778,161</u>	<u>1,879,341</u>
Total net assets	14	<u>£ 18,197,328</u>	<u>£ 16,411,638</u>	<u>£ 18,162,666</u>	<u>£ 16,377,318</u>
Funds:					
Restricted funds	17	150,389	89,264	150,389	89,264
Unrestricted funds:					
Designated funds	17	14,452,167	12,850,441	14,452,167	12,850,441
Operational reserve	17	<u>3,594,772</u>	<u>3,471,933</u>	<u>3,560,110</u>	<u>3,437,613</u>
Total funds	17	<u>£ 18,197,328</u>	<u>£ 16,411,638</u>	<u>£ 18,162,666</u>	<u>£ 16,377,318</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 18 July 2017



F B Clark
Chairman



D Crwys-Williams
Honorary Treasurer

The notes on pages 16 to 29 form part of these financial statements

HEARING DOGS FOR DEAF PEOPLE
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2017

	Notes	£	2017 £	2016 £
Cash flows from operating activities:				
Net cash provided by operating activities	18a		980,666	449,045
Cash flows from investing activities:				
Dividends and interest from investments		140,003		132,490
Proceeds from the sale of tangible assets		9,523		2,662
Purchase of tangible assets		(359,488)		(490,030)
Proceeds from the sale of investments		609,428		958,987
Purchase of investments		(625,090)		(2,104,038)
Net cash used in investing activities			(225,624)	(1,499,929)
Change in cash and cash equivalents in the reporting period	18b		755,042	(1,050,884)
Cash and cash equivalents at the beginning of the reporting period	18b		2,150,827	3,201,711
Cash and cash equivalents at the end of the reporting period	18b		£ 2,905,869	£ 2,150,827

The notes on pages 16 to 29 form part of these financial statements

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting policies

a) Basis of preparation

Hearing Dogs for Deaf People is a charity registered in the UK (charity number 293358 (England) and SC040486 (Scotland)) with its registered office at The Grange, Wycombe Road, Saunderton, Princes Risborough, Buckinghamshire, HP27 9NS.

The financial statements have been prepared in accordance with 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 January 2015) – (Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

Consolidated financial statements ("group accounts") have been prepared in respect of the charity and its wholly owned subsidiary, Hearing Dogs for Deaf People (Trading) Limited. The parent has taken exemption from presenting its unconsolidated profit and loss account under section 408 of the Companies Act 2006 and as permitted by FRS 102. Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy note.

The Trustees consider that there is a reasonable expectation that the charity has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the annual financial statements.

Hearing Dogs for Deaf People meets the definition of a public benefit entity under FRS 102.

b) Income

Voluntary income received by way of donations and gifts to the charity is included in full in the statement of financial activities when received.

Legacy income is included in the financial statements when the charity is satisfied that the conditions of entitlement, certainty and measurement have been met. Pecuniary legacies are accounted for when notified. Residuary legacies are accounted for when notification of impending distribution is received and/or receipt occurs within one month of the year end. Residuary legacies subject to a life interest held by another party are not included in income until the conditions associated with payment have been fulfilled.

Income generated from the supply of goods or services is included in the statement of financial activities in the period in which the supply is made.

c) Volunteers

In accordance with the Charities SORP (FRS 102), the time given by volunteers is not recognised in the accounts. Information about the contribution of volunteers is contained in the trustees' annual report.

d) Unrestricted funds

Unrestricted funds are donations and other incoming resources to the charity, received or generated for its charitable purposes.

e) Designated funds

Designated funds are funds set aside out of unrestricted funds by the Board of Trustees and applied towards specific purposes as identified by the Board of Trustees.

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting policies (continued)

f) Restricted funds

Restricted funds are to be used for specified purposes as laid down by the donor. Expenditure which meets these criteria is charged against the fund, together with a fair allocation of overheads and support costs.

g) Expenditure and irrecoverable VAT

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:

Expenditure on raising funds comprises the costs of the central and community fundraising teams and the trading subsidiary and their associated support costs.

Expenditure on charitable activities comprises all costs relating to the provision of hearing dogs for deaf people including the costs of the supply and training, partnership services and quality assurance teams and their associated support costs.

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

h) Allocation of support costs

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 comprising facilities, general management, legal and professional, IT and governance costs which support the charity's activities. These costs have been allocated between expenditure on raising funds and expenditure on charitable activities on the basis set out in note 5a.

i) Operating leases

All leased property and equipment are considered to be operating leases, and rentals are charged against revenue on a straight line basis over the life of the lease. No assets are held under hire purchase agreements.

j) Fixed assets and depreciation

Depreciation is provided on tangible fixed assets at rates calculated to write off the cost of each asset over its estimated useful life, as follows:-

Motor vehicles	:	25% per annum on a straight line basis
Furniture and equipment	:	20% per annum on a straight line basis
Freehold property	:	2% per annum on a straight line basis
Leasehold property	:	Over the 50 year life of the lease

Fixed assets costing under £500 are not capitalised and treated as revenue expenditure.

k) Investments

Listed investments are stated at market value. Changes in market value are credited or charged to the Statement of Financial Activities. Changes arising from the disposal of listed investments are recognised as realised. Changes arising from the movement in share price are recognised as unrealised.

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

1. Accounting policies (continued)

l) Stocks

Stocks of goods held for resale are stated at the lower of cost and net realisable value, after making due allowance for obsolete or damaged goods.

m) Debtors

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

n) Short term deposits and cash at bank and in hand

Short term deposits and Cash at bank and in hand includes cash and short term highly liquid investments with a short maturity of three months or less from the date of acquisition or opening of the deposit or similar account.

o) Creditors

Creditors 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 are normally recognised at their settlement amount after allowing for any trade discounts due.

p) Branches

The branches of Hearing Dogs for Deaf People are run independently under their own constitutions. Income from these branches is included on a cash received basis.

q) Pensions

The charity operates a defined contribution pension scheme. The charge in the Statement of Financial Activities is the amount of contributions payable to the pension scheme in respect of the accounting year.

r) Financial instruments

The charity only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value.

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

2. Critical accounting judgements and key sources of estimation uncertainty

Trustees are required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The key sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are as follows:

Residuary legacies are recognised on notification which therefore requires an estimation of the amount receivable as described in note 1b. above.

The estimates and underlying assumptions are reviewed on an ongoing basis. In the view of the Trustees, no assumptions concerning the estimation uncertainty affecting assets and liabilities at the balance sheet date are likely to result in a material adjustment to their carrying amounts.

3. Prior year comparatives

	Note	Unrestricted Funds £	Restricted Funds £	Total 2016 £
Income from:				
Donations and legacies	4	5,847,194	880,577	6,727,771
Trading and fundraising	4	605,094	-	605,094
Investments	4	132,490	-	132,490
Other	4	<u>38,040</u>	<u>-</u>	<u>38,040</u>
Total income		<u>£ 6,622,818</u>	<u>£ 880,577</u>	<u>£7,503,395</u>
Expenditure on:				
Raising funds	5	1,580,743	-	1,580,743
Charitable Activities	5	<u>4,869,369</u>	<u>840,763</u>	<u>5,710,132</u>
Total expenditure		<u>£6,450,112</u>	<u>£ 840,763</u>	<u>£7,290,875</u>
Net gains on investments		<u>(96,833)</u>	<u>-</u>	<u>(96,833)</u>
Net income		75,873	39,814	115,687
Transfers between funds	17	<u>37,010</u>	<u>(37,010)</u>	<u>-</u>
Net movement in funds		112,883	2,804	115,687
Reconciliation of funds:				
Total funds brought forward		<u>16,209,491</u>	<u>86,460</u>	<u>16,295,951</u>
Total funds carried forward	17	<u>£16,322,374</u>	<u>£89,264</u>	<u>16,411,638</u>

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

4. Income	Unrestricted funds	Restricted funds	2017	2016
	£	£	£	£
Donations and legacies				
Donations	1,006,722	337,459	1,344,181	1,346,995
Income from branches	115,552	-	115,552	139,163
Sponsorship	-	518,207	518,207	404,725
Legacies	4,953,045	983,509	5,936,554	4,696,257
Gift Aid	<u>121,667</u>	<u>-</u>	<u>121,667</u>	<u>140,631</u>
	<u>£ 6,196,986</u>	<u>£ 1,839,175</u>	<u>£ 8,036,161</u>	<u>£ 6,727,771</u>
Trading and fundraising				
Fundraising events	359,868	16,916	376,784	468,926
Trading subsidiary income	107,187	-	107,187	106,994
Restaurant	<u>30,861</u>	<u>-</u>	<u>30,861</u>	<u>29,174</u>
	<u>£ 497,916</u>	<u>£ 16,916</u>	<u>£ 514,832</u>	<u>£ 605,094</u>
Investment income				
UK listed securities	136,092	-	136,092	124,380
UK bank interest	<u>3,911</u>	<u>-</u>	<u>3,911</u>	<u>8,110</u>
	<u>£ 140,003</u>	<u>£ -</u>	<u>£ 140,003</u>	<u>£ 132,490</u>
Other income				
Profit on sale of fixed assets	9,523	-	9,523	2,662
Rent received	<u>30,143</u>	<u>-</u>	<u>30,143</u>	<u>35,378</u>
	<u>£ 39,666</u>	<u>£ -</u>	<u>£ 39,666</u>	<u>£ 38,040</u>
Total income	<u>£ 6,874,571</u>	<u>£ 1,856,091</u>	<u>£ 8,730,662</u>	<u>£ 7,503,395</u>

Donations includes a grant received from the Ostacchini Family Charitable Trust.

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

5. Expenditure

Expenditure on:	Direct Costs £	Staff Costs £	Depreciation £	Support Costs £	Total 2017 £	Total 2016 £
Raising funds:						
Donations and legacies	636,883	676,260	47,834	102,498	1,463,475	1,421,285
Fundraising trading	74,307	34,206	-	15,115	123,628	120,772
Investment management	47,041	-	-	-	47,041	38,686
	<u>758,231</u>	<u>710,466</u>	<u>47,834</u>	<u>117,613</u>	<u>1,634,144</u>	<u>1,580,743</u>
Charitable activities:						
Provision of hearing dogs	<u>995,629</u>	<u>3,786,127</u>	<u>311,775</u>	<u>1,011,964</u>	<u>6,105,495</u>	<u>5,710,132</u>
Total expenditure 2017	<u>£ 1,753,860</u>	<u>£4,496,593</u>	<u>£ 359,609</u>	<u>£ 1,129,577</u>	<u>£ 7,739,639</u>	<u>£ 7,290,875</u>
<i>Total expenditure 2016</i>	<i><u>£ 1,681,339</u></i>	<i><u>£4,165,942</u></i>	<i><u>£ 273,176</u></i>	<i><u>£ 1,170,418</u></i>	<i><u>£ 7,290,875</u></i>	

5a. Support costs

Support costs included above are analysed as follows:

	Facilities £	General Management £	Legal & Professional £	IT £	Total 2017 £	Total 2016 £
Raising funds:						
Donations and legacies	40,851	34,849	9,860	16,938	102,498	148,872
Fundraising trading	<u>12,475</u>	<u>1,500</u>	<u>-</u>	<u>1,140</u>	<u>15,115</u>	<u>16,746</u>
	<u>53,326</u>	<u>36,349</u>	<u>9,860</u>	<u>18,078</u>	<u>117,613</u>	<u>165,618</u>
Charitable activities:						
Provision of hearing dogs	<u>503,724</u>	<u>184,400</u>	<u>214,578</u>	<u>109,262</u>	<u>1,011,964</u>	<u>1,004,800</u>
Total support costs 2017	<u>£ 557,050</u>	<u>£ 220,749</u>	<u>£ 224,438</u>	<u>£ 127,340</u>	<u>£ 1,129,577</u>	<u>£ 1,170,418</u>
<i>Total support costs 2016</i>	<i><u>£ 584,755</u></i>	<i><u>£ 260,919</u></i>	<i><u>£ 197,002</u></i>	<i><u>£ 127,742</u></i>	<i><u>£ 1,170,418</u></i>	

Total governance costs included above are £71,545 (2016: £56,055)

Costs have been allocated across activities on the following basis:

	2017 %	2016 %
Raising funds:		
Donations and legacies	18.9	19.5
Fundraising trading	1.6	1.7
Investment management	0.6	0.5
Charitable activities:		
Provision of hearing dogs	<u>78.9</u>	<u>78.3</u>

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

6. Net Income

This is stated after (crediting)/charging:-

	2017 £	2016 £
Profit on sale of fixed assets	(9,523)	(2,662)
Depreciation	359,609	273,176
Auditors' remuneration - audit	18,122	18,750
- other services	3,844	2,450
Operating lease rentals - equipment	<u>34,206</u>	<u>13,397</u>

7. Staff costs and numbers

Staff costs were as follows:-

	2017 £	2016 £
Salaries and wages	3,982,728	3,696,673
Social security costs	362,202	330,709
Pension contributions	<u>151,663</u>	<u>138,560</u>
	<u>£ 4,496,593</u>	<u>£ 4,165,942</u>

Salaries and wages include termination costs of £8,000 accrued at 31 March 2017 (2016: £Nil).

The number of employees whose emoluments exceeded £60,000 fell within the following ranges:

£60,001 - £70,000	-	1
£70,001 - £80,000	1	-
£110,001 - £120,000	-	1
£120,001 - £130,000	<u>1</u>	<u>-</u>

Contributions to the charity's defined contribution pension scheme for the highest paid employee amounted to £9,324 (2016: £8,618).

The key management personnel of the charity are the trustees and the senior management team led by the Chief Executive. Total employee benefits of the key management personnel of the charity and the group were £458,481 (2016: £382,794).

The Trustees did not receive any remuneration during the year to 31 March 2017 (2016: £Nil). Six (2016: Six) Trustees received reimbursed expenses totalling £1,986 (2016: £3,571).

The average weekly number of employees (full time equivalent) during the year was as follows:-

	No	No
Operations - supply, training, welfare and aftercare	119	113
Fundraising	21	21
Communications and marketing	6	7
Management and administration	<u>12</u>	<u>13</u>
	<u>158</u>	<u>154</u>

The charity operates a defined contribution pension scheme for all eligible employees which was set up in April 2014 in order to comply with auto-enrolment regulations. The assets of the scheme are held separately from those of the charity in an independently administered fund. The pension charge represents contributions payable by the charity to the fund. Pension contributions outstanding at 31 March 2017 amounted to £23,041 (2016: £Nil).

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

8. Taxation

The charitable company is not in receipt of any income that is subject to corporation tax.

9. Tangible assets

Group	Freehold property £	Assets in the course of construction £	Leasehold property £	Motor vehicles £	Furniture and equipment £	Total £
Cost						
<i>At 1 April 2016</i>	7,737,980	-	35,656	465,549	1,253,863	9,493,048
Additions	-	248,275	-	-	111,213	359,488
Disposals	-	-	-	(79,125)	-	(79,125)
At 31 March 2017	<u>7,737,980</u>	<u>248,275</u>	<u>35,656</u>	<u>386,424</u>	<u>1,365,076</u>	<u>9,773,411</u>
Depreciation						
<i>At 1 April 2016</i>	1,380,868	-	4,278	276,373	759,019	2,420,538
Charge for the year	156,069	-	713	77,587	125,240	359,609
Disposals	-	-	-	(79,125)	-	(79,125)
At 31 March 2017	<u>1,536,937</u>	<u>-</u>	<u>4,991</u>	<u>274,835</u>	<u>884,259</u>	<u>2,701,022</u>
Net book value						
At 31 March 2017	<u>£6,201,043</u>	<u>£ 248,275</u>	<u>£ 30,665</u>	<u>£ 111,589</u>	<u>£ 480,817</u>	<u>£7,072,389</u>
<i>At 31 March 2016</i>	<u>£6,357,112</u>	<u>£ -</u>	<u>£ 31,378</u>	<u>£ 189,176</u>	<u>£ 494,844</u>	<u>£7,072,510</u>

Freehold property comprises:

	BWC £	The Grange £	Total £
<i>Net book value</i>			
<i>At 1 April 2016</i>	2,385,202	3,971,910	6,357,112
Additions at cost	-	-	-
Depreciation charge	<u>(56,489)</u>	<u>(99,580)</u>	<u>(156,069)</u>
Net book value			
At 31 March 2017	<u>£2,328,713</u>	<u>£3,872,330</u>	<u>£6,201,043</u>

Assets in the course of construction comprise building and professional costs relating to the new welcome centre at The Grange, Saunderton which is due for completion in the next financial year.

Included within office furniture and equipment are items owned by the subsidiary trading company with a fully depreciated cost of £43,954 (2016: £43,954). As the net book value of these items is £Nil, no separate fixed assets note has been prepared in respect of the charity.

All of the tangible fixed assets of the charity are used for direct charitable purposes.

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

10. Fixed asset investments

	Group and Charity	
	2017	2016
	£	£
Quoted investments:		
Market value at 1 April 2016	6,971,646	5,923,428
Purchases	625,090	2,104,038
Sales at brought forward market value	(611,936)	(1,026,526)
Net unrealised investment gains/(losses)	<u>797,175</u>	<u>(29,294)</u>
Market value at 31 March 2017	7,781,975	6,971,646
Cash awaiting investment	<u>530,139</u>	<u>453,819</u>
Total at 31 March 2017	<u>£ 8,312,114</u>	<u>£ 7,425,465</u>

The historic cost of quoted investments at 31 March 2017 was £6,249,287 (2016: £6,100,899). Included in the operational reserve shown in the balance sheet (see page 14) is a revaluation reserve of £1,532,688 (2016: £870,747) which is calculated by comparing the historical cost of quoted investments with their market value as shown above.

These investments are basic financial instruments which are held for investment return and measured at fair/market values.

The entity's income, expense, gains and losses in respect of financial instruments are as follows:

	2017	2016
	£	£
Total dividend and interest income for basic financial assets	<u>£ 140,003</u>	<u>£ 132,490</u>
Total gains/(losses) in respect of basic financial assets	<u>£ 794,667</u>	<u>£ (96,833)</u>

In addition to the above, the Charity accounts included an investment of £2 in its wholly owned trading subsidiary (see note 16).

11. Stocks

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Goods for resale	<u>£ 30,149</u>	<u>£ 36,667</u>	<u>£ -</u>	<u>£ -</u>

12. Debtors

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Loan to subsidiary	-	-	10	10
Other amounts due from subsidiary	-	-	14,621	13,292
Prepayments	127,365	153,399	126,432	152,639
Other debtors and accrued income	<u>1,021,380</u>	<u>668,101</u>	<u>1,021,380</u>	<u>668,101</u>
	<u>£1,148,745</u>	<u>£ 821,500</u>	<u>£1,162,443</u>	<u>£ 834,042</u>

Total debtors includes £10 (2016: £10) receivable after more than one year. This represents the loan to the subsidiary trading company that is secured by a fixed and floating charge over the assets of that subsidiary, with interest charged at 2% over Barclays Bank base rate.

All debtors are basic financial instruments measured at amortised cost, with the exception of prepayments.

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

13. Creditors: Amounts falling due within one year

	Group		Charity	
	2017	2016	2017	2016
	£	£	£	£
Trade creditors	340,022	372,540	339,268	371,263
Taxation and social security	119,060	93,677	117,426	92,741
Other creditors and accruals	282,717	175,295	276,877	169,595
Amount owed to subsidiary	-	-	-	2,665
	<u>£ 741,799</u>	<u>£ 641,512</u>	<u>£ 733,571</u>	<u>£ 636,264</u>

All creditors are basic financial instruments measured at amortised cost, with the exception of taxation and social security.

14. Analysis of group net assets between funds

	Restricted funds	Unrestricted designated funds	Unrestricted operational reserve	Total Funds
	£	£	£	£
Tangible fixed assets	-	7,072,389	-	7,072,389
Investments	-	6,544,074	1,768,040	8,312,114
Current assets	150,389	835,704	2,568,531	3,554,624
Current liabilities	-	-	(741,799)	(741,799)
Group funds at 31 March 2017	150,389	14,452,167	3,594,772	18,197,328
Deduct: Subsidiary net assets	-	-	(34,662)	(34,662)
Charity funds at 31 March 2017	<u>£ 150,389</u>	<u>14,452,167</u>	<u>£3,560,110</u>	<u>£18,162,666</u>

15. Other financial commitments

At 31 March 2017 the ageing of total minimum lease payments was as follows:

	2017			2016		
	Property leases	Other	Total	Property leases	Other	Total
	£	£	£	£	£	£
Operating leases due:						
Within one year	-	35,541	35,541	-	13,397	13,397
Between 2 – 5 years	-	33,777	33,777	-	10,240	10,240
Total	<u>£ -</u>	<u>£ 69,318</u>	<u>£ 69,318</u>	<u>£ -</u>	<u>£ 23,637</u>	<u>£ 23,637</u>

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

16. Subsidiary undertaking

The charity has a wholly owned subsidiary which is incorporated in the UK, Hearing Dogs for Deaf People (Trading) Limited (Company number 02786252). The subsidiary operates from premises owned by the charity and sells promotional items. It donates its taxable profits to the charity.

	2017 £	2016 £
Trading and profit and loss account		
Turnover	107,187	106,994
Cost of sales	<u>(48,793)</u>	<u>(54,540)</u>
Gross profit	58,394	52,454
Other Income	-	491
Administrative expenses	<u>(57,876)</u>	<u>(52,207)</u>
Operating profit	518	738
Interest payable	<u>(176)</u>	<u>(321)</u>
Profit on ordinary activities	342	417
Retained profit brought forward	<u>34,318</u>	<u>33,901</u>
Retained profit carried forward	<u>£ 34,660</u>	<u>£ 34,318</u>
Balance sheet		
Total assets	57,521	55,535
Total liabilities	<u>(22,859)</u>	<u>(21,215)</u>
Net assets	<u>£ 34,662</u>	<u>£ 34,320</u>
Share capital	2	2
Retained profit	<u>34,660</u>	<u>34,318</u>
Capital and reserves	<u>£ 34,662</u>	<u>£ 34,320</u>

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

17. Movement in funds

	2016 £	Total Income £	Total Expenditure £	Investment Gains/ Transfers £	2017 £
Restricted funds:					
<u>By project/activity</u>					
Hearing Dogs for Deaf Children	2,132	70,779	(70,779)	-	2,132
Puppy Socialising Satellites	10,166	-	(10,166)	-	-
Hearing Dogs Training	13,692	971,453	(860,145)	-	125,000
Puppy Socialising/Training	-	547,507	(547,507)	-	-
Partnership/Recipient Support	-	42,635	(42,635)	-	-
Hearing Dog Welfare	-	3,555	(3,555)	-	-
New Welcome Centre	-	98,607	-	(98,607)	-
Other projects	-	492	(292)	-	200
<u>By location</u>					
Devon	39,254	-	(26,960)	-	12,294
Somerset	7,702	-	(2,696)	-	5,006
Jersey	7,105	-	(1,348)	-	5,757
Norfolk	5,213	-	(5,213)	-	-
Scotland	2,000	36,092	(38,092)	-	-
Bournemouth	-	5,000	(5,000)	-	-
Greater Manchester	-	5,000	(5,000)	-	-
Lincolnshire	-	4,500	(4,500)	-	-
North East England	-	52,971	(52,971)	-	-
Norther Ireland	-	11,500	(11,500)	-	-
Amounts less than £3,000	2,000	6,000	(8,000)	-	-
Total restricted	89,264	1,856,091	(1,696,359)	(98,607)	150,389
Unrestricted funds:					
Designated funds:					
Freehold – BWC	2,385,202	-	(56,489)	-	2,328,713
Freehold – The Grange	3,971,910	-	(99,580)	-	3,872,330
Assets in the course of construction	-	-	-	248,275	248,275
Leasehold	31,378	-	(713)	-	30,665
Other functional fixed assets	684,020	-	(202,827)	111,213	592,406
Sub-total fixed assets	7,072,510	-	(359,609)	359,488	7,072,389
Capital Commitments	20,000	-	-	815,704	835,704
Total fixed assets	7,092,510	-	(359,609)	1,175,192	7,908,093
Partnership Commitments	5,757,931	-	(633,187)	1,419,330	6,544,074
Total designated	12,850,441	-	(992,796)	2,594,522	14,452,167
Operational reserve	3,471,933	6,874,571	(5,050,484)	(1,701,248)	3,594,772
Total unrestricted	16,322,374	6,874,571	(6,043,280)	893,274	18,046,939
Total funds	£16,411,638	£8,730,662	£(7,739,639)	£ 794,667	£18,197,328

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

17. Movement in funds (continued)

Restricted funds are those where the donor has imposed restrictions on the use of the funds.

The charity operates dog and puppy sponsorships schemes to sponsor the costs of partnerships between deaf people and hearing dogs. Typically amounts between £2,500 and £10,000 are received as sponsorship donations. Puppy sponsorship donations are mostly given on a regular monthly basis. Costs associated with the selection, socialising, training, welfare, placement and aftercare of dogs are charged to these sponsorship funds as appropriate.

The charity also has a number of restricted funds where donors have specified the geographical area or the specific type of project for which the funds are to be used.

Designated funds of £7,072,389 (2016: £7,072,510) have been set aside from the group's unrestricted funds by the Directors for the functional fixed assets required to carry out the principal activities of the charity. In addition, an amount of £835,704 (2016: £20,000) has been set aside to cover the future cost of fixed assets where contractual commitments existed at 31 March 2017. An amount of £1,175,192 (2016: £427,046) was transferred from restricted and general funds to designated funds in respect of fixed assets during the year.

The Directors have also designated an amount to cover the Charity's future long-term commitments relating to its existing hearing dog partnerships. At 31 March 2017 this amount was calculated at £6,544,074 (2016: £5,757,931) representing the projected costs over a 10 year period. An amount of £1,419,330 (2016: £542,525) was transferred from general funds to designated funds in respect of future partnership liabilities during the year.

Transfers from restricted funds during the year amounted to £98,607 (2016: £37,010) and related to capital expenditure on the charity's new welcome centre. Designated funds received net transfers of £2,594,522 (2016: £969,571) for additions and future commitments relating to functional fixed assets £1,175,192 (2016: £427,046) and £1,419,330 (2016: £542,525) in respect of future partnership liabilities. £1,701,248 (2016: £1,029,394) was transferred from the operational reserve during the year after deducting investment gains of £794,667 (2016: losses £(96,833)).

18a. Reconciliation of net income to net cash flow from operating activities

	2017 £	2016 £
Net income	1,785,690	115,687
Adjustments for:		
Depreciation charges	359,609	273,176
(Gains)/losses on investments	(794,667)	96,833
Dividends and interest from investments	(140,003)	(132,490)
Profit on sale of fixed assets	(9,523)	(2,662)
Decrease/(increase) in stock	6,518	(6,071)
(Increase)/decrease in debtors	(327,245)	92,142
Increase in creditors	100,287	12,430
Net cash provided by operating activities	£ 980,666	£ 449,045

HEARING DOGS FOR DEAF PEOPLE
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2017

18b. Analysis of cash and cash equivalents

	2017 £	2016 £
Cash awaiting investment (note 10)	530,139	453,819
Short term deposits	2,348,586	1,669,862
Cash at bank and in hand	<u>27,144</u>	<u>27,146</u>
Total cash and cash equivalents	<u>£ 2,905,869</u>	<u>£ 2,150,827</u>

19. Capital commitments

	2017 £	2016 £
Contracted capital commitments for the group and the charity	<u>£ 835,704</u>	<u>£ 20,000</u>

Capital commitments at 31 March 2017 relate to building costs for the new welcome centre at The Grange £835,704 (2016: £Nil) and IT systems upgrade costs £Nil (2016: £20,000).

20. Related parties

In the year to 31 March 2017 the following transactions took place between the charity and its wholly owned trading subsidiary:

- a. Management charges from the charity to the trading subsidiary £18,000 (2016: £18,000).
- b. Gift aided donation from the trading subsidiary to the charity £14,362 (2016: £7,359).
- c. Interest payable by the trading subsidiary to the charity £176 (2016: £321).

At 31 March 2017 the amount owed to the charity by its trading subsidiary amounted to £14,621 (2016: £13,292).

At 31 March 2017 the amount owed by the charity to its the trading subsidiary amounted to £Nil (2016: £2,665).

Mr D Crwys-Williams (Honorary Treasurer) and Mrs M Jennings (Chief Executive) are directors of the charity's wholly owned trading subsidiary.

21. Contingent assets – Legacies

At the balance sheet date the charity had received notification that it is a beneficiary of a number of legacies. It is not possible to quantify these accurately or to ascertain the date on which the charity will receive them. The estimated value of the legacies notified at 31 March 2017 was £4.3 million (2016: £4.2 million) and is not included in the accounts.

