

REGISTERED CHARITY NUMBER 1132340

REGISTERED COMPANY NUMBER 07032339

AFGHAN HEROES

GROUP REPORT AND FINANCIAL STATEMENTS

31 DECEMBER 2013



scruttonbland 

AFGHAN HEROES

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INTERIM MANAGER'S REPORT

The Interim Manager of the charity presents herewith his report together with the financial statements of the charity for the year ended 31 December 2013.

The Interim Manager is unable to provide a full commentary on the charity's activities and financial performance as a result of the ongoing Charity Commission investigation which was opened on 22 November 2013 (please refer to the Objectives, Activities, Achievements and Performance section below for further information).

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISERS

Registered Charity Name: Afghan Heroes

Charity Registration Number: 1132340

Company Registration Number: 07032339

Principal & Registered Office: Acre House
11-15 William Road
London NW1 3ER

Auditors: Scrutton Bland
Fitzroy House
Crown Street
Ipswich IP1 3LG

The Trustees

The trustees who served during the year under review were as follows:

Mrs D Harris

Mr A Harris

Mr S Miles (Resigned as a trustee on 20 December 2013)

Mr P Ferguson (Resigned as a trustee on 20 December 2013)

Mr M Turner (Resigned as a trustee on 20 December 2013)

Brian Johnson, Partner at HW Fisher and Company, Acre House, 11-15 William Road, London NW1 3ER was appointed Interim Manager of the charity by Order of the Charity Commission effective 11:00am on 5 February 2014.

Whilst Mrs D Harris and Mr A Harris remain in office as trustees, the appointment of the Interim Manager was to their exclusion. As a result, they are excluded from exercising their powers as charity trustees while the Charity Commission Order remains in force.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The charity is a company limited by guarantee which was incorporated on 28 September 2009. It is governed by a Memorandum and Articles of Association ('the governing document'), which was amended on 22 October 2009 and 10 June 2010.

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INTERIM MANAGER'S REPORT

The governing document provides for a Council of Management which is responsible for the management and administration of the Charity. The charity's governing document acknowledges, for the purposes of the Charities Act and charity law that those persons serving on its Council of Management are considered to be charity trustees. Those persons are also directors for the purposes of the Companies Act 2006 and company law. They are referred to in this annual report as 'trustees'.

The Council of Management met periodically during 2013 to consider the charity's affairs. Certain decisions were delegated to an Operating Board of 3 trustees comprising Mr Harris, Mrs Harris and Mr Miles.

During the period under review Mrs Harris also served as the Chief Executive Officer of the charity.

The charity had three wholly owned subsidiaries during this financial period:

True Heroes Retreat Limited
True Heroes Limited
Smuggled Retreat Limited (incorporated 31 May 2013)

Mr and Mrs Harris also served as the directors of each of the charity's subsidiaries.

Appointment, rotation and re-election of trustees

The Council of Management has the power to appoint trustees, under Article 42 of the charity's governing document.

The governing document requires the charity to hold an Annual General Meeting and for one third of the trustees (holding the longest service in office) to retire and if willing to stand for re-election.

As a result of the on-going Charity Commission investigation (see below under Objectives, Activities, Achievements and Performance), the Interim Manager is unable to comment on the extent to which the trustees complied with the provisions in the charity's governing document for the appointment, retirement and re-election of trustees.

Induction and training of new trustees

The Interim Manager is unable to comment on the induction and training procedures that were in place during the period under review.

Risk Management

As a result of the on-going Charity Commission investigation (see below), the Interim Manager is unable to comment on the extent to which the trustees had systems or procedures to assess and manage the major risks facing the charity for the period under review.

OBJECTIVES, ACTIVITIES, ACHIEVEMENTS AND PERFORMANCE

In late 2012, True Heroes Retreat Limited, utilising funds advanced by the charity, purchased the lease and goodwill of a public house in Ashcott, Somerset, which became known as the Retreat. Further funds were utilised in 2013 to renovate the property (in both commercial and residential areas). The residential area was converted into a facility capable of housing five service veterans and a mentor.

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INTERIM MANAGER'S REPORT

The first veteran was admitted as a resident beneficiary in March 2013. By the end of the year there were five veterans and a mentor resident at the Retreat.

Later in the year the charity and the Smuggled Retreat Limited entered into an arrangement in June 2013 to replicate the Retreat model in a public house near Minehead.

The Charity Commission contacted the charity in September 2013 about how much income was spent on charitable activities and various payments to companies connected to some of the trustees. It met with the trustees in October 2013 who were unable to allay the Charity Commission's concerns.

As a result, on 22 November 2013, the Charity Commission opened a statutory inquiry into the charity.

Around this time the charity and the Smuggled Retreat Limited withdrew from its arrangement with the landlord of the public house near Minehead.

As part of the inquiry, on 12 December 2013, the Charity Commission used its legal powers to restrict the charity's and its trading subsidiaries' bank accounts and the transactions they were able to conduct. The restrictions required the trustees to obtain the prior consent of the Charity Commission before payments could be made from the accounts or property could be disposed of.

Three of the charity's five trustees resigned on 20 December 2013. In addition, a patron of the charity, Dr Liam Fox, also resigned in December 2013.

As a result of the appointment of Brian Johnson, Partner at HW Fisher and Company, as Interim Manager to the exclusion of the trustees, the charity has been under the Interim Manager's sole control since 5 February 2014.

PRIOR YEAR FINANCIAL STATEMENTS

The Interim Manager has concluded that there were errors in the prior year financial statements. These are reflected within the profit and loss as opening balance adjustments.

FINANCIAL REVIEW

Summary

During the year under review the charity together with its subsidiaries ('the charitable group') earned income of £1,229,476 (2012 : £548,440). From the income earned, the charitable group spent £52,867 (2012 : £15,153) on charitable activities and incurred other costs of £1,131,500 (2012: £501,135). Further details concerning income and expenditure are provided in designated sections below.

The amount spent on charitable activities includes a calculation for the costs incurred by True Heroes Retreat Limited with regard to the occupancy of the residential area of the public house by beneficiaries of the charity and food and drink provided to the beneficiaries. Since the first beneficiary became resident in March 2013, no adjustment is required to the prior year figure.

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INTERIM MANAGER'S REPORT

The charitable group recorded a surplus in the year of £45,109 (2012 : £32,152). As at 31 December 2013 the charitable group's total reserves totalled £293,373 (2012 : £248,264) and its cash reserves totalled £228,414 (2012 : £132,191).

The charity recorded a surplus in the year of £580 (2012 : 90,364). As at 31 December 2013 the charity's total reserves totalled £307,056 (2012 : 306,476) and its cash reserves totalled £87,433 (2012 : £75,261 (restated)).

Income

Of the charitable group's total income of £1,229,476, £697,111 related specifically to the charity's activities. The balance of the charitable group's income relates to the trading activities of the charity's subsidiaries.

Of the charity's income of £697,111 (2012 : £536,875), voluntary income totalled £645,178 (2012: £430,218) and the balance is attributable to the charity's trading activities.

Readers of this report and these financial statements should be made aware that of the voluntary income received by the charity, £551,838 (2012 : £193,133) was received from a professional fundraiser. The professional fundraiser passed on 20% of funds raised by its activities.

Costs

The charitable group's total costs (excluding charitable expenditure) during the year under review were £1,131,500 (2012: £501,135). The charity's total costs (excluding charitable expenditure in the year under review were £456,437 (2012 : 440,822 (restated))). All other costs related to the activities of the charity's subsidiaries.

The charity's costs during the year include opening balance adjustments totalling £25,740 (2012 : £nil).

The charity's total costs of generating funds for the year were £400,469 (2012: £414,611 (restated)), governance costs in the year were £30,228 (2012: £26,211 (restated)).

Loans to subsidiaries

The charity has lent significant funds to its subsidiaries on an unsecured basis. A significant proportion of the funds lent will not be recoverable by the charity. The balances due to the charity from True Heroes Retreat Limited and The Smuggled Retreat Limited at 31 December 2013 totalled £343,643 and, of this, it is anticipated that, ultimately, the charity will only be able to recover in the region of £50,000.

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INTERIM MANAGER'S REPORT

Reserves Policy

It is understood that the trustees' policy remained the same in the period under review as it did in prior years and was to hold sufficient reserves in cash to enable the charity to meet its annual expenditure on charitable activities.

Contingent Liability – Corporation Tax

During the year ended 31 December 2012 the charity entered into a relationship with Prize Promotions Limited ("PPL"), a professional fundraiser.

Due to the manner in which the relationship with PPL was set up, there is a significant concern that a corporation tax liability may have arisen and not been properly accounted for. The Interim Manager has sought the advice of his solicitors and of counsel and, whilst the advice indicates that there is unlikely to be a liability, full disclosure of the issue has been made to HM Revenue and Customs and their response is awaited.

If this potential tax liability crystallises it will be catastrophic for the charity and render it highly insolvent.

Financial Outlook

For the reasons detailed within this report, the financial outlook of the charity is presently uncertain.

Basis of the Presentation of these Financial Statements

These financial statements have been prepared on the basis of the charity's operations being wound down and its divestment from commercial ventures.

The financial statements that follow the auditor's report have been prepared under the instructions of the Interim Manager using the records of the charity available to him. These records were incomplete. In particular, there appear to be insufficient records relating to:

- the charity's statutory filings and records of meetings;
- subsidiaries;
- payroll; and
- cash.

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INTERIM MANAGER'S REPORT

THE FUTURE OF THE CHARITY

Shortly after appointment, the Interim Manager requested that all fundraising efforts be suspended and that suspension remains in place.

The former beneficiaries of the charity that were resident at the public house operated by True Heroes Retreat Limited have all moved on. They were all introduced to other professional support organisations and charities that continue to provide support to the former beneficiaries as required.

The Interim Manager is continuing to wind down the operations of the charity and it is only once that process is complete that the ultimate future of the charity will be decided.

The findings made by the Interim Manager involve some particularly complicated issues together with intricate areas of law and operation. As such, the Interim Manager is continuing to deal with many of those issues.

STATEMENT OF INTERIM MANAGER'S RESPONSIBILITIES

The Interim Manager is responsible for preparing his report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company Law requires the preparation of financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources including the income and expenditure of the charitable company for that period. In preparing these financial statements, the Interim Manager was required to:

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

Trustees are responsible for keeping adequate accounting records that 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 and Charities Act 2011. They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFGHAN HEROES

The Interim Manager was not in office during the period being reported and took on the records of the charity as they were available. The charity's records were not complete and the charity's auditors have had difficulty in completing particular areas of their audit; most significantly, with regard to cash control and human resources information.

The Interim Manager confirms that so far as he is aware, there is no relevant audit information of which the charitable company's auditors are unaware. He has taken all the steps that he ought to have taken in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

The Interim Manager is responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed 
BRIAN JOHNSON
INTERIM MANAGER

Approved on: 30/10/14

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFGHAN HEROES

We have audited the group and parent company financial statements ("the financial statements") of Afghan Heroes for the year ended 31 December 2013 which comprise the Group Statement of Financial Activities including the Group Income and Expenditure Account, Group Balance Sheet, Company Balance Sheet and related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and the Charities Act 2011. Our audit work has been undertaken so that we might state to the charity'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 charity and the charity'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 set out on page 10, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

We have been appointed auditor under the Companies Act 2006 and Section 151 of the Charities Act 2011 and report in accordance with those Acts. 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 (APB'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 group's and the parent 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 group report and financial statements to identify material inconsistencies with the audited financial statements. 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 OF AFGHAN HEROES

Basis for qualified opinion on Financial Statements

Included within incoming resources are cash donations of £93,339, shop income of £51,922 and bar income of £532,365. There are insufficient records to enable us to confirm completeness of income in relation to these sources of income. The charitable group paid wages of £314,780. Due to the inadequate HR records being maintained by the group we have been unable to confirm the existence of the employees to whom these wages have been paid. There were no other satisfactory audit procedures that we could adopt to satisfy ourselves as to the completeness of income or the validity of payroll payments.

Opinion on Financial Statements

Except for any adjustments that might have been found to be necessary had we been able to obtain sufficient evidence to confirm cash donations, shop income, bar income and payroll payments, in our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 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 and the Charities Act 2011.

Emphasis of matter – contingent liability

In forming our opinion we have considered the disclosure of the contingent liability in note 20. In view of the significance of this liability on going concern were it to crystallise we consider that is should be drawn to your attention but our opinion is not qualified in this respect.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AFGHAN HEROES

Matters on which we are required to report by exception

In respect of the limitation on our work relating to cash income and existence of employees:

- we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

We were unable to determine whether proper books of account had been kept during the year by the charitable group as referred to in the trustees report. However the interim manager has undertaken remedial work to enable year end accounts to be produced.

We have nothing to report in respect of the following matters where the Companies Act 2006 and the Charities Act 2011 requires us to report to you if in our opinion:

- the parent company's financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees' remuneration specified by law are not made.

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SHARON GRAVENER (Senior Statutory Auditor)
For and on behalf of
SCRUTTON BLAND
Chartered Accountants & Statutory Auditor

Fitzroy House
Crown Street
Ipswich
Suffolk
IP1 3LG

Scrutton Bland is eligible to act as an auditor in terms of section 1212 of the Companies Act 2006.

30 October 2014

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GROUP STATEMENT OF FINANCIAL ACTIVITIES (INCLUDING GROUP INCOME AND EXPENDITURE ACCOUNT) YEAR ENDED 31 DECEMBER 2013

	Notes	Unrestricted funds 2013 £	Total funds 2012 £
INCOMING RESOURCES			
Voluntary income	2	645,178	430,218
Activities for generating funds:			
Charitable trading income	3	51,922	106,224
Bar income	3	532,365	11,565
Investment income	4	11	433
Total incoming resources		1,229,476	548,440
RESOURCES EXPENDED			
Cost of generating funds			
Costs of generating voluntary income	5	210,708	210,857
Fundraising trading: cost of goods sold and other costs	6	189,761	203,754
Bar running costs	7	675,063	60,313
Charitable activities			
Charitable expenditure		9,654	6,875
Costs of supporting beneficiaries		42,657	-
Grants to individuals and organisations		556	8,278
Governance costs	8	30,228	26,211
Opening balance adjustments	25	25,740	-
Total resources expended		1,184,367	516,288
Net income (incoming resources) for the year		45,109	32,152
Reconciliation of funds			
Total funds brought forward as at 1 January 2013		248,264	216,112
Total funds carried forward		293,373	248,264

None of the group's activities were acquired or discontinued during the above two financial years.

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

The charitable company has taken advantage of section 408 of the Companies Act 2006 not to publish its own Statement of Financial Activities.

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GROUP BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013 £	2012 £
Fixed assets			
Tangible fixed assets	13	63,800	105,869
Intangible fixed assets	14	7,999	8,999
Investments	15	-	1
		<u>71,799</u>	<u>114,869</u>
Current assets			
Stocks		8,250	22,933
Debtors	16	72,085	64,000
Cash at bank and in hand		228,414	132,191
		<u>308,749</u>	<u>219,124</u>
Creditors: amounts falling due within one year	17	(87,175)	(76,524)
Net current assets		<u>221,574</u>	<u>142,600</u>
Total assets less current liabilities		293,373	257,469
Creditors: amounts falling due after more than one year	18	-	(9,205)
Net assets		<u><u>293,373</u></u>	<u><u>248,264</u></u>
Funds	21		
Unrestricted funds:			
Other charitable funds (prior to provision against subsidiary loan)		510,375	306,476
Losses incurred by subsidiaries		(217,002)	(58,212)
		<u><u>293,373</u></u>	<u><u>248,264</u></u>

Signed on behalf of the Trustee's on 30/10/14 by:


BRIAN JOHNSON
INTERIM MANAGER

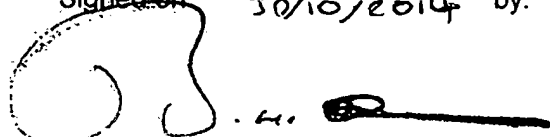
AFGHAN HEROES

COMPANY BALANCE SHEET AS AT 31 DECEMBER 2013

	Notes	2013 £	(Restated) 2012 £
Fixed assets			
Tangible fixed assets	13	21,799	56,241
Investments	15	3	2
		<u>21,802</u>	<u>56,243</u>
Current assets			
Stocks		1,250	16,657
Debtors	16	232,756	227,001
Cash at bank and in hand		87,433	75,261
		<u>321,439</u>	<u>318,919</u>
Creditors: amounts falling due within one year	17	<u>(36,185)</u>	<u>(59,481)</u>
Net current assets		<u>285,254</u>	<u>259,438</u>
Total assets less current liabilities		307,056	315,681
Creditors: amounts falling due after more than one year	18	<u>-</u>	<u>(9,205)</u>
Net assets		<u>307,056</u>	<u>306,476</u>
Funds	21		
Unrestricted funds:		<u>307,056</u>	<u>306,476</u>

These financial statements have been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small charitable companies and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Signed on 30/10/2014 by:



Brian Johnson
Interim Manager

Company registration number: 07032339

Charity registration number: 1132340

AFGHAN HEROES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

1 Accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in March 2005, applicable accounting standards and the Companies Act 2006.

Consolidation

The consolidated financial statements incorporate the financial statements of the charity and all group undertakings. The results of the subsidiary undertakings are consolidated on a line by line basis. As a consolidated statement of financial activities is published, a separate statement of financial activities for the parent company is omitted from the group financial statements by virtue of section 408 of the Companies Act 2006.

Going concern

The financial statements have been prepared on the basis that the subsidiary companies have/will cease trading and the charity has ceased fundraising operations. The future of the charity is not yet decided and it may be wound up within 12 months. The charity has sufficient cash reserves to enable it to achieve this.

Incoming resources

All incoming resources are included in the statement of financial activities when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy, exclusive of Value Added Tax.

Resources expended

Resources expended are recognised in the Statement of Financial Activities when a liability is incurred. All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs relating to the activity.

Costs of generating funds include the expenditure associated with the activities undertaken by the charity to generate funds, such as the running costs of the subsidiaries.

Governance costs are those incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements.

Support costs have been allocated to the activities on a basis consistent with the use of resources expended.

Goodwill

Goodwill, being the amount paid in connection with the acquisition of a business in 2012, is being amortised evenly over its estimate useful life of ten years.

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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

1 Accounting policies – (continued)

Fixed assets

Fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected lives on the following basis:

Short leasehold	- 20% on cost
Equipment	- 25% on reducing balance and 20% on reducing balance
Fixtures and fittings	- 20% on reducing balance
Motor vehicles	- 25% on reducing balance
Computer equipment	- 25% on cost

Fixed assets with a value below £100 are not capitalised.

Investments

Investments are stated at cost less provision for any diminution in value.

Cash flow

The financial statements do not include a cash flow statement because the charity, as a small reporting entity, is exempt from the requirement to prepare such a statement under Financial Reporting Standard 1 "Cash flow statements".

Taxation

Afghan Heroes is a charity within the meaning of the Charities Act 2011 and as such is a charity within the meaning of Part 11, Corporation Tax Act 2010. Accordingly, Afghan Heroes is potentially exempt from taxation in respect of income or gains received within categories covered by Part 11, Corporation Tax Act 2010 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied exclusively to its charitable purposes.

The subsidiary undertakings are companies as defined under the Companies Act 2006 and therefore do not receive exemption from taxation. The subsidiaries do not provide for deferred taxation on short term timing differences on the basis that the companies' profitability is difficult to foresee.

Irrecoverable VAT

Irrecoverable VAT is included in the Statements of Financial Activities within the expenditure to which it relates.

Financial instruments

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the charity after deducting all of its liabilities.

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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

1 Accounting policies – (continued)

Funds

General funds are unrestricted funds which are available for use at the discretion of the Trustees in furtherance of the general objectives of the charity and which have not been designated for other purposes. All funds are unrestricted.

2 Voluntary income

	Group		Charity	
	2013 £	2012 £	2013 £	2012 £
Donations	645,178	424,079	645,178	424,079
Gift Aid	-	6,139	-	6,139
	<u>645,178</u>	<u>430,218</u>	<u>645,178</u>	<u>430,218</u>

3 Activities for generating funds

	Group		Charity	
	2013 £	2012 £	2013 £	2012 £
Trading income	51,922	106,224	51,922	106,224
Bar income	532,365	11,565	-	-
	<u>584,287</u>	<u>117,789</u>	<u>51,922</u>	<u>106,224</u>

4 Investment income

	Group		Charity	
	2013 £	2012 £	2013 £	2012 £
Investment income	<u>11</u>	<u>433</u>	<u>11</u>	<u>433</u>

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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

5 Costs of generating voluntary income

	Group		Charity	
	2013 £	2012 £	2013 £	2012 £
Event costs	29,843	45,469	29,843	45,469
Advertising & PR	14,284	20,165	14,284	20,165
Support costs	140,271	145,223	140,271	145,223
Irrecoverable VAT	26,310	-	26,310	-
	<u>210,708</u>	<u>210,857</u>	<u>210,708</u>	<u>210,857</u>

6 Fundraising trading: costs of goods sold and other costs

	Group		Charity	
	2013 £	2012 £	2013 £	2012 £
Opening stock	16,657	26,873	16,657	26,873
Purchases	45,840	53,625	45,840	53,625
Closing stock	(1,250)	(16,657)	(1,250)	(16,657)
Support costs	128,514	139,913	128,514	139,913
	<u>189,761</u>	<u>203,754</u>	<u>189,761</u>	<u>203,754</u>

7 Bar running costs

	Group		Charity	
	2013 £	2012 £	2013 £	2012 £
Staff wages	178,604	16,626	-	-
Purchases	222,922	9,418	-	-
Repairs & maintenance	62,923	19,826	-	-
Other direct costs	4,332	827	-	-
Advertising & PR	3,727	-	-	-
Rent, rates & storage	48,485	-	-	-
Insurance	4,137	653	-	-
Light & heat	34,374	976	-	-
Postage, stationery & sundries	6,790	2,738	-	-
Travel & subsistence	9,192	-	-	-
Depreciation & impairment	75,289	8,249	-	-
Amortisation	1,000	1,000	-	-
Loss on disposal	17,837	-	-	-
Bank charges	3,900	-	-	-
Provision for bad debts	1,551	-	-	-
	<u>675,063</u>	<u>60,313</u>	<u>-</u>	<u>-</u>

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NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

8 Governance costs

	Group		Charity	
	2013 £	2012 £	2013 £	2012 £
Accountancy	15,512	8,636	9,357	8,441
Legal fees	10,966	13,075	1,029	3,806
Auditors' remuneration	3,750	4,500	3,750	4,500
	<u>30,228</u>	<u>26,211</u>	<u>14,136</u>	<u>16,747</u>

9 Support costs

	Management £	Finance £	Other £	Total £
Costs of generating voluntary income	125,393	248	14,630	140,271
Fundraising trading: cost of goods sold and other costs	112,383	3,018	13,113	128,514
	<u>237,776</u>	<u>3,266</u>	<u>27,743</u>	<u>268,785</u>

Basis of allocation of support costs

Support costs are allocated to each activity on the basis of resources expended.

AFGHAN HEROES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

10 Net incoming resources on ordinary activities

Net incoming resources on ordinary activities are stated after charging/(crediting):

	2013 £	2012 £
Depreciation and impairment of owned assets	105,633	23,927
Auditor's remuneration:		
For parent company	3,750	4,500
Amortisation of goodwill	1,000	1,000
Deficit/(surplus) on disposal of fixed asset	15,237	(2,463)
Depreciation of assets held on hire purchase contracts	-	4,724
	<u> </u>	<u> </u>

11 Trustees' remuneration and reimbursed expenditure

The trustees received no remuneration during the current or previous period for their role as trustees. However the charity paid £49,166 (2012 : £79,165) to ADA Consultancy Services Limited for the consultancy and administration services of Mrs D and Mr A Harris. The group paid £14,790 (2012 : £8,080) for accountancy and payroll services to Accounting Solutions, a business owned by Mr S P Miles.

The charity purchased goods to the value of £6,233 (2012 : £23,886) from Event Merchant Supplies, a business owned by Mr P Ferguson.

12 Staff costs

	2013 £	2012 £
Wages and salaries	314,780	183,254
Social security costs	7,589	7,225
	<u>322,369</u>	<u>190,479</u>

No employee received remuneration in excess of £60,000.

The average number of employees during the year was 31 (2012: 24)

Details of the average number of employees on a full time equivalent basis is not available.

AFGHAN HEROES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

13 Tangible fixed assets

Group

	Short Leasehold property	Equipment £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Cost						
At 1 January 2013	70,136	50,756	1,882	23,080	6,888	152,742
Additions	18,500	25,965	34,034	7,000	1,623	87,122
Disposals	(12,259)	(3,970)	(13,867)	-	-	(30,096)
At 31 December 2013	76,377	72,751	22,049	30,080	8,511	209,768
Depreciation						
At 1 January 2013	14,787	19,302	616	9,254	2,914	46,873
Charge for the year	11,457	15,056	5,295	5,207	1,825	38,840
Impairment	14,670	27,643	16,137	4,869	3,474	66,793
Disposals	(6,538)	-	-	-	-	(6,538)
At 31 December 2013	34,376	62,001	22,048	19,330	8,213	145,968
Net book value						
At 31 December 2013	42,001	10,750	1	10,750	298	63,800
At 31 December 2012	55,349	31,454	1,266	13,826	3,974	105,869

AFGHAN HEROES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

13 Tangible fixed assets – (continued)

Company

	Short leasehold £	Equipment £	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Total £
Cost						
At 1 January 2013	12,259	50,756	1,882	23,080	6,888	94,865
Additions	-	-	-	-	1,623	1,623
Disposals	(12,259)	-	-	-	-	(12,259)
At 31 December 2013	-	50,756	1,882	23,080	8,511	84,229
At 1 January 2013	6,538	19,302	616	9,254	2,914	38,624
Charge for the year	-	7,864	253	3,457	1,825	13,399
Impairment	-	12,840	1,012	(381)	3,474	16,945
Disposal	(6,538)	-	-	-	-	(6,538)
At 31 December 2013	-	40,006	1,881	12,330	8,213	62,430
Net book value						
At 31 December 2013	-	10,750	1	10,750	298	21,799
At 31 December 2012	5,721	31,454	1,266	13,826	3,974	56,241

AFGHAN HEROES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

14 Intangible fixed assets

Group	Goodwill £
Cost	
As at 1 January 2013 and 31 December 2013	<u>9,999</u>
Amortisation	
At 1 January 2013	1,000
Amortisation for the year	<u>1,000</u>
At 31 December 2013	<u>2,000</u>
Net book value	
At 31 December 2013	<u><u>7,999</u></u>
At 31 December 2012	<u><u>8,999</u></u>

Goodwill relates to the acquisition of the licence of The Retreat at Ashcott, formerly The Ashcott Inn.

15 Investments

Charity	Total £
Cost	
At 1 January 2013	2
Additions	<u>1</u>
At 31 December 2013	3
Net book value	
At 31 December 2013	<u><u>£ 3</u></u>
At 31 December 2012	<u><u>£ 2</u></u>

AFGHAN HEROES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

15 Investments (continued)

The charity owns 100% of the issued share capital of the following companies, all registered in England and Wales;

The True Heroes Retreat Limited (see note 26)

The Smuggles Retreat Limited (see note 27)

True Heroes Limited (dormant)

16 Debtors

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
				(Restated)
Amounts due from group undertakings	-	-	177,243	190,045
Other debtors	72,085	64,000	55,513	36,956
	<u>72,085</u>	<u>64,000</u>	<u>232,756</u>	<u>227,001</u>

17 Creditors : amounts falling due within one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Trade creditors	66,699	53,572	23,038	36,989
Taxation and social security	12,682	7,277	6,353	6,881
Other creditors	7,794	11,926	6,794	11,862
Hire purchase	-	3,749	-	3,749
	<u>87,175</u>	<u>76,524</u>	<u>36,185</u>	<u>59,481</u>

18 Creditors : amounts falling due after more than one year

	Group		Company	
	2013	2012	2013	2012
	£	£	£	£
Hire purchase	-	9,205	-	9,205

The hire purchase creditor is secured on the asset to which it relates.

AFGHAN HEROES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

19 Financial commitments

At 31 December 2013 the group had annual commitments under non-cancellable operating leases as follows:

	2013 £	2012 £
Expiring:		
Within one year	-	25,000

20 Contingent Liabilities

As referred to in the Trustees Report, the manner in which the relationship with PPL was set up makes the income potentially liable to corporation tax. The interim manager had obtained Counsel's opinion and is advised that it is unlikely that a liability will arise. The interim manager has written to HM Revenue and Customs to obtain confirmation of this. A response has not been received to date. The likelihood of a liability becoming due is considered to be remote.

21 Movement in funds

Group

	Balance at 1 January 2013 £	Incoming resources £	Resources expended £	Balance at 31 December 2013 £
Unrestricted funds				
General fund	248,264	1,229,476	(1,184,367)	293,373
Total funds	248,264	1,229,476	(1,184,367)	293,373

Company

	Balance at 1 January 2013 £	Incoming resources £	Resources expended £	Balance at 31 December 2013 £
Unrestricted funds				
General fund	306,476	697,111	(696,531)	307,056
Total funds	306,476	697,111	(696,531)	307,056

AFGHAN HEROES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

22 Related party transactions

During 2013 the charity purchased consultancy and administration services from ADA Consultancy Services (UK) Limited, comprising fees and expenses. In total, £49,166 (2012 : £79,165) was reimbursed. Mr and Mrs Harris are directors and shareholders of ADA Consultancy Services (UK) Limited.

There was an amount owing to ADA Consultancy Services (UK) Limited as at 31 December 2013 of £401 (2012 : £4,588) which is included within trade creditors.

During 2013 the charity and its subsidiaries purchased book keeping and accountancy services from Accounting Solutions in the sum of £14,790 (2012 : £8,080) of whom the director is also a trustee of the charity.

There was an amount owing to Accounting Solutions as at 31 December 2013 of £1,533 (2012 : £326) which is included within trade creditors.

During 2013 the charity purchased goods for resale from Event Merchandise Supplies in the sum of £6,233 (2012 : £23,886) of whom the proprietor is a trustee of the charity.

There was an amount owing to Event Merchandise Supplies as at 31 December 2013 of £Nil (2012 : £22) which is included within trade creditors.

During 2012 a motor vehicle was sold to Mr Dean Scott, son of Mrs D Harris for the sum of £6,000 which was agreed by the trustees to be a fair market value at the point of sale.

There was no amount owing by Mr Scott as at 31 December 2013.

During 2013 the charity and its subsidiaries purchased goods from Aquarius Systems Limited in the sum of £1,347 (2012 : £Nil) of whom Mr and Mrs Harris were formerly directors and shareholders.

23 Ultimate Controlling Party

The charity has no ultimate controlling party throughout the period under review.

24 Post balance sheet events

Subsequent to the appointment of Brian Johnson as Interim Manager of Afghan Heroes by the Charity Commission on 5 February 2014 and as a result of a review into the performance and viability of Afghan Heroes and its subsidiaries, a decision was taken to wind-down the operations of the Charity. True Heroes Retreat Limited was the remaining trading subsidiary and it traded as a public house known as the Retreat.

The Retreat was trading at a significant loss prior to the Interim Manager's involvement and those losses have been funded by charitable money. No further charitable money has been used in funding the Retreat. However, the process of Afghan Heroes exiting from True Heroes Retreat Limited has involved costs incurred by that company and as a result the level of anticipated repayment to Afghan Heroes from intercompany debt owed by True Heroes Retreat (£300,731) will fall to approximately £50,000.

AFGHAN HEROES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

24 Post balance sheet events (continued)

The additional costs relate to the appointment and maintenance of a specialist manager to trade the venue as director, as a result of it no longer being appropriate for the former directors (the same individuals as the trustees whom were excluded as a result of the Interim Manager appointment) to be involved, costs in relation to servicing the needs of the beneficiaries (which whilst reduces the intercompany debt also reduces the eventual repayment), costs in relation to the on-going maintenance of the trade of the business whilst a willing buyer is sought. Finally there will be legal costs associated with the disposal of the business of True Heroes Retreat Limited.

Prior to the involvement of the specialist director, True Heroes Retreat Limited was trading at a significant loss. It is as a result of his appointment that the losses have significantly reduced enabling the business to be traded whilst a willing buyer is sought to maximise value, which will facilitate the return of some funds to Afghan Heroes.

25 Opening balance adjustment

The following opening balance adjustments have been identified, these have not been treated as a prior year adjustment as they do not represent a fundamental error, but have been shown separately.

	2013 £
A leasehold property was not an asset of the charity	5,721
The Charities relationship with Give us Time had been disclosed incorrectly.	34,992
The Charity is not party to any hire purchase agreements	(12,958)
Invalid outstanding items on the bank reconciliation	(14,800)
Debit balances on aged creditors list not recoverable	12,785
	<hr/> 25,740 <hr/>

In addition to these opening balance adjustments, the comparatives have been adjusted to reflect the legal ownership of bank accounts as between the charity and its subsidiaries. The adjustment to the comparatives is for disclosure reasons only and does not affect the level of the charity's reserves brought forward.

AFGHAN HEROES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

26 Subsidiary Company 1 – True Heroes Retreat Limited

The Charity owns the whole of the issued share capital of The True Heroes Retreat Limited, a company registered in England. The subsidiary is used for the running of a Public House, which includes accommodation to house beneficiaries. All results have been included in a line by line basis in the SOFA. A summary of the results of the subsidiary are shown below:

	2013	2012
	£	£
Turnover	391,858	11,565
Total income from trading company	391,858	11,565
Costs of sales	289,092	26,043
Administration expenses	188,016	43,733
Total trading company costs	477,108	69,777
Net (loss) for the year excluding inter-company costs	(85,250)	(58,211)
Costs Eliminated on consolidation	(16,946)	-
Net (loss) for the year	(102,196)	(58,211)
Assets	208,570	115,167
Liabilities	(368,977)	(173,378)
Funds	(160,407)	(58,211)

AFGHAN HEROES

NOTES TO THE FINANCIAL STATEMENTS YEAR ENDED 31 DECEMBER 2013

27 Subsidiary Company 2 – The Smuggled Retreat

The Charity owns the whole of the issued share capital of The Smuggled Retreat Limited, a company registered in England. The subsidiary is used for the running of a Public House. All results have been included in a line by line basis in the SOFA. A summary of the results of the subsidiary are shown below:

	2013	2012
	£	£
Turnover	140,507	-
Total income from trading company	140,507	-
Costs of sales	119,528	-
Administration expenses	94,517	-
Total trading company costs	214,045	-
Net (loss) for the year excluding inter-company costs	(73,538)	-
Costs Eliminated on consolidation	-	-
Net (loss) for the year	(73,538)	-
Assets	60	-
Liabilities	(73,598)	-
Funds	(73,538)	-

AFGHAN HEROES

DETAILED CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES YEAR ENDED 31 DECEMBER 2013

	2013 £	2012 £
INCOMING RESOURCES		
Voluntary income		
Donations	645,178	424,079
Gift aid	-	6,139
	<u>645,178</u>	<u>430,218</u>
Activities for generating funds		
Trading income	584,287	117,789
Investment income		
Deposit account interest	11	433
Total incoming resources	<u>1,229,476</u>	<u>548,440</u>
RESOURCES EXPENDED		
Costs of generating voluntary income		
Event costs	29,843	45,469
Advertising and PR	14,284	20,165
Irrecoverable VAT	26,310	-
	<u>70,437</u>	<u>65,634</u>
Fundraising trading: cost of goods sold and other costs		
Opening stock	16,657	26,873
Purchases	45,840	53,625
Closing stock	(1,250)	(16,657)
Bar running costs	675,063	60,313
	<u>736,310</u>	<u>124,154</u>
Charitable activities		
Charitable expenditure	9,654	6,875
Grants to individuals	556	6,344
Costs of supporting beneficiaries	42,657	-
	<u>52,867</u>	<u>13,219</u>
Governance costs		
Accountancy	15,512	8,636
Legal fees	10,966	13,075
Auditors' remuneration	3,750	4,500
	<u>30,228</u>	<u>26,211</u>
Resources expended – carried forward	<u>889,842</u>	<u>229,218</u>
Total incoming resources – carried forward	<u>1,229,476</u>	<u>548,440</u>

AFGHAN HEROES

DETAILED CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES YEAR ENDED 31 DECEMBER 2013

	2013 £	2012 £
Total incoming resources – brought forward	1,229,476	548,440
Resources expended – brought forward	889,842	229,218
Management		
Wages	136,176	157,210
Social security	7,589	7,225
Rent, rates and storage costs	18,730	12,778
Insurance	7,954	8,396
Light and heat	6,321	5,614
Telephone, postage, stationery and sundries	25,528	15,038
Cleaning	-	571
Motor and travel	35,478	40,151
Computer support	-	13,607
Office machine maintenance	-	-
Repairs and renewals	-	3,089
Subscriptions	-	789
Subsistence	-	309
	237,776	264,777
Finance		
Bank charges	3,266	2,923
Hire purchase	-	1,434
	3,266	4,357
Other		
Short leasehold	-	3,269
Goodwill	-	-
Improvements to property	-	3,540
Plant and machinery	20,704	6,944
Fixtures and fittings	1,265	316
Motor vehicles	3,076	4,609
Computer equipment	5,298	1,721
Loss on sale of tangible fixed assets	(2,600)	(2,463)
	27,743	17,936
Opening balance adjustment	25,740	-
Total resources expended	1,184,367	516,288
Net income	45,109	32,152