

HCT Group

Annual Report and Financial Statements

31 March 2019

Company Limited by Guarantee
01747483 (England and Wales)

Charity Registration Number 1091318

THURSDAY



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COMPANIES HOUSE

Reference and administrative details of the charity, its trustees and advisers

Trustees	Sir V Cable (Chair until 22 January 2020, then trustee) S Sullivan (Chair from 22 January 2020) P Brennan C Hewitt A Levitt A Ross OBE E Siegel R Sewell J Winter
Chief Executive Officer	D Powell OBE
Registered office	CAN Mezzanine 49-51 East Road London N1 6AH
Company registration number	01747483 (England and Wales)
Charity registration number	1091318
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	HSBC Canada Place Canary Wharf London E14 5AH
Solicitors	Bates Wells 10 Queen Street Place London EC4R 1BE

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HCT Group is a social enterprise in the transport industry, safely providing over 36 million passenger trips on our buses every year. We provide a wide range of services – from London red buses to social services transport, from school transport to whole bus networks, from community transport to education and training.

Profits are then reinvested into high-social impact transport services or projects in the communities we serve, and into providing training opportunities for people who are long-term unemployed – making a real difference to people's lives.

HCT Group exists for an explicit social purpose. Our mission is:

To enhance people's lives, provide opportunities and bring people and communities together through transport and training.

We live in a world where older and disabled people's lives are blighted by loneliness, social isolation and poor access to services. As a consequence, we must be driven by a singular imperative to do more in our communities, increasing our social impact. This has led us to seek opportunities to grow our operations – both in scale and scope. During 2018/19, we posted further rapid growth, both organic and through acquisitions.

We are not alone in our pursuit of social impact through transport and training, with Community Transport Organisations across the UK working to similar aims. Times are hard for many of these organisations and, over the past few years, we welcomed two into the Group – Manchester Community Transport and Derbyshire Community Transport¹ – both in a state of commercial distress. We chose the difficult and uncertain task of trying to maintain the social impact these organisations create in their communities.

Whilst we believe that the attempted rescues of Manchester Community Transport and Derbyshire Community Transport were the right thing to do, the threefold challenge of rapid growth, embedding new acquisitions and business transformation at our new community transport organisations led to a very challenging financial year for the Group, as set out in this report.

And yet, even as work continues to address these challenges, there have been several developments over the past year that show promise for the future.

During 2018/19 we commenced operation of the m1 Metrobus routes in Bristol. We operate this under a subcontract from First West of England, within the context of a Quality Partnership Scheme. In the bus industry, all too often riven with mistrust, this is a singular achievement. We believe that this has been made possible by one of HCT Group's sources of competitive advantage – we genuinely work well with others. Even as this service comes under significant strain during the COVID-19 epidemic, we do see this ability to work with stakeholders to innovate together as a path to increased success.

¹ The trading name of Community Transport for Town and Country

In the light of challenging times, we are taking the necessary steps to make our business more robust. We remain confident that we can chart a path to a stronger future, developing our social impact.

I would like to thank the Board of Directors, the management team and staff across the organisation for their work over the last year and all that they have achieved –often in the face of challenging circumstances.

I would also like to thank our partners in commissioning authorities and the other stakeholders with whom we work for supporting the delivery of our services and the development of our ideas, all seeking to improve people's lives. HCT Group is an organisation built around its values – and these values are shared by many of the other organisations with which we work.

The companion piece to our published accounts is our Social Impact report. Our impact explores in depth the difference we have been making in our communities over the past year. To build the truest possible picture of HCT Group, I would urge all readers of these accounts to also review the companion document.

Sir Vince Cable

HCT Group Chair (2016 - Jan 2020)

HCT Group exists to make a positive difference in our communities and this is underpinned by our performance as an enterprise. Our commercial success enables our community impact.

HCT Group has posted growth in 2018/19, with turnover increasing from £62.9m in 2017/18 to £76.72m.

This growth has been driven by the part-year impact of three new Transport for London (TfL) red bus routes – Routes D6, N550 and N551, the part-year impact of the new m1 Metrobus route in Bristol, the full-year impact on turnover Manchester Community Transport and Derbyshire Community Transport, plus strong business performance in the Channel Islands.

Growth through commercial acquisitions

In a new development, 2018/19 also saw HCT Group undertake its first commercial acquisitions – buying private sector bus companies and turning them into social enterprises. In July 2018, we acquired Powell's Bus in south Yorkshire, followed by the acquisition of Impact Group in west London in August 2018.

A challenging year

HCT Group has seen a loss for 2018/19 of £1,555k after posting a surplus in 2017/18. The most significant contributing factors to the loss have been losses at both Manchester Community Transport and Derbyshire Community Transport². The commercial situation in both of these community transport operations was very serious, despite our best efforts to turn their businesses around and protect their social impact.

HCT Group's main business is the delivery of longer-term transport contracts won by competitive tender. This has the advantage of giving good visibility of the year ahead in terms of new work. 2019/20 sees the full-year impact of routes D6, N550 and N551 in London – and the impact of Route 20, won during the course of the year and commencing operation in the final days of March 2019.

Post-balance sheet events

Between the end of financial year 2018/19 and the publication of this report, there have been a number of significant post-balance sheet events.

A cyberattack: In May 2019: HCT Group and its subsidiaries were the victim of a major cyberattack. The outcome of the cyber-attack was significant, permanent data loss, including of financial data. The cyberattack has had two significant consequences:

² The trading name of Community Transport for Town and Country

- ♦ The loss of financial data has contributed to a significant delay in the publication of these accounts – *our auditors could not assess data that was no longer there. We have spent the intervening time rebuilding information, records and transaction detail, working with specialists and our stakeholders, and following the advice of our auditors.*
- ♦ The loss of management information and the disruption to its collection caused significant challenges. It contributed to a decline in business performance and masked that decline from management oversight. This has had a negative impact on our ongoing performance.

A farewell and a closure: the performance of Derbyshire Community Transport stabilised in the post-balance sheet period, enabling them to regain their status as an independent charity. They left the Group on 29 January 2020.

Operating conditions for Manchester Community Transport continued to be very challenging. As a consequence, we came to the difficult decision that there was no alternative but to withdraw support. The last service at Manchester Community Transport ran on 18 April 2020 and MCT is now in liquidation.

A sale and leaseback: Since the year end, HCT Group has disposed of a bus garage in Waltham Forest on a sale and leaseback basis. The property was sold for £6.65m and this resulted in net cash after paying down creditors of £2.25m. This action was taken to support the Group's working capital requirements.

An unprecedented pandemic: The COVID-19 outbreak means that we are publishing this report at a time of great uncertainty – not only for HCT Group but for almost every organisation, family and individual in the British Isles. We are providing essential services to our communities, but are also taking all necessary steps to protect the position of the Group, working with our commissioners and stakeholders. Nevertheless, the lockdown represents uncharted territory whose financial impact – in both short and longer terms – is yet to become clear.

More detail of these events is provided in the Strategic report.

Making a difference

HCT Group exists to have a positive social impact – helping to break down the barriers to access for the most vulnerable in our society. In 2018/19 our high-social impact services made a real contribution to our communities.

Individual transport: We live in a world where the more vulnerable you are, the greater barriers to access you face. A disabled person travels well under half (46%) the distance per person per year when compared to a non-disabled person. The total number of miles travelled per disabled person per year has fallen by 17% since 2014.

HCT Group provides a range of individual transport services to help older and disabled people get out and about. In 2018/19 these services provided a total of 155,736 passenger trips. The services directly seek to reduce social isolation – and over half (54%) of these service users said that they felt less lonely a consequence.

Group Transport: HCT Group supports a wonderfully diverse range of community groups by providing Group Transport – the subsidised, accessible minibuses we have operated since our inception in 1982. The social impact of community groups is extraordinary and each has a story to tell. By providing transport we are a part of that story, acting as a critical enabler for the social impact of others. In 2018/19, these services provided a total of 186,685 passenger trips. One quarter (25%) of our Group Transport users said that their ability to get out and about had improved as a consequence.

Learning Centre: Our Learning Centre's primary goal is to support people who are unemployed in building the skills and confidence to move into sustainable employment, creating a step change in their life chances. Working with some of the hardest to reach groups in education, the Learning Centre supported 403 long-term unemployed learners on either bite sized programmes or full qualifications, with 33.5% (135) gaining jobs as a consequence.

Even in challenging commercial circumstances, HCT Group is making a real difference in our communities and delivering on its social mission.

Dai Powell OBE

Chief Executive

The trustees, who are directors of the charity, present their report together with the consolidated financial statements for the year ended 31 March 2019. This trustees' report, incorporating the Strategic Report, has been prepared in accordance with the Charities Act 2011 and is also the report of the directors for purposes of the Companies Act 2006.

The financial statements have been prepared in accordance with the accounting policies as set out later in this document and comply with the Group's Memorandum and Articles of Association, applicable laws and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102).

Principal aims and objectives

HCT Group, the parent charity, is a social enterprise with a strong commitment to equal opportunities that operates community transport, other types of passenger transport and other related services. The objects of HCT Group are for such purposes as may be charitable in law but in particular:

- a) to provide community transport services for people who are in need of such services because of age, sickness, disability (mental or physical) or poverty or because of a lack of availability of adequate and safe public transport; and
- b) the relief of unemployment for public benefit through the provision of training programmes.

The objects of HCT Group are carried out by the parent charity and its subsidiaries.

Structure, governance and management

HCT Group is a registered charity and is incorporated as a company limited by guarantee and governed by its Memorandum and Articles of Association. It is managed by its Board of Trustees who are the trustees and directors of the Group. HCT Group adheres to the 2017 Charity Governance Code for Larger Charities.

New Board members are proposed by the HCT Group's Governance Committee which seeks to ensure that the Board of Trustees has a broad range of appropriate skills, experience and diversity. All candidates undergo a formal interview process.

New trustees and directors are selected and appointed for a fixed term of three years. Retiring trustees may be reappointed for two additional terms, each of up to three years. A trustee who has served for three consecutive terms is required to take a break from office and not be reappointed for one year.

Where any trustee has served for more than three terms and the extended duration is deemed essential for the successful delivery of our principal aims and objectives, they will be allowed to continue in their role and will be subject to rigorous review.

Structure, governance and management (continued)

New trustees are provided with an induction to the Group, which includes an induction pack and governance manual introducing the organisation and its activities, and detailing the rights and responsibilities of charity trustees. Prior to the first meeting a trustee is introduced to senior staff within the HCT Group, requested to sign the Trustee Eligibility Declaration, register any interests and to make a declaration concerning conflicts of interest. Trustees are invited to visit the organisation whilst services are in operation, and are encouraged to do so throughout their term of office.

All trustees have a role description and those applying for a second or third term of office undergo a formal review. The board itself undertakes periodic skills audits to ensure they have the skills, experience and diversity HCT requires.

The HCT Group board meets at least six times a year.

In order to keep the social mission at the forefront of our business decisions, we have a rolling programme of direct stakeholder outreach in each of our operating regions. We meet regularly with local community leaders, elected officials and heads of community groups to understand local priorities.

We also conduct direct outreach with service users to better understand their needs – through surveys, focus groups and open user or passenger meetings. These enable us to remain accountable to passengers or service users, take feedback, listen to concerns and explore new ideas.

There are two sub-committees of the Board, the Governance and Remuneration Committee which meets once a year and the Audit Committee which meets twice a year.

The Chief Executive Officer is Dai Powell OBE. He was supported during financial year 2018/19 by the Chief Financial Officer, John Smart and the Chief Operations Officer, Jane Desmond. These three post holders are known as the Chief Officers and they formed the core of the senior management team, together with the heads of department and project managers.

The Board of Trustees make strategic decisions and the day-to-day operations of the Group are managed by the Chief Officers of HCT Group, delegated to other staff members, as appropriate.

Trustees

The trustees in office throughout the year were as follows:

Sir V Cable
P Brennan
C Hewitt
E Siegel
R Sewell
A Levitt
A Ross OBE
J Winter

Structure, governance and management (continued)

None of the trustees has or had any beneficial interest in the Group or its subsidiaries.

Key management personnel

The key management personnel have been classified as the three Chief Officers who served during the year. They are ably supported by the Senior Management Team which comprises the Regional Directors and heads of service including (but not limited to) Business Development, Communications, Engineering, Training and Education, Finance, HR, Impact, Independent Travel Training and Innovation.

The remuneration of the Chief Officers is determined by the Governance and Remuneration Committee giving due regard to current market rates and delivery of the business plan.

Objectives and activities

The primary objects of HCT Group are to provide community transport services to those who are in need of such services because of age, sickness, disability (mental or physical) or poverty, or because of a lack of availability of adequate and safe public transport, and also the relief of unemployment for public benefit through the provision of training programmes.

HCT Group pursues its primary objects by securing income on a continuing basis that allows it to provide services which fulfil the criteria set down in its Memorandum and Articles of Association, as stated in the previous paragraph. Income is secured from three primary sources; commercial contracts (via its trading subsidiaries), grant funding, and under service level agreements with local authorities and other government agencies. The commercial contracts are with public sector bodies under which HCT Group aims to deliver a service that offers best value, in terms of quality and price, to both service users and its contractors.

The Group is committed to providing a proportion of any profit generated in each of the areas in which it operates to provide additional services in that area.

The activities of the Group are set out in the Strategic Report.

Diversity

HCT Group's workforce reflects the communities we are in and serve. We monitor and report statistics on employee diversity in our Impact Report and from April 2018 produced a Gender Pay Gap Report for CT Plus, our largest trading arm, using the format and methods of calculation set by Government.

Our board is periodically reviewed to ensure it has the skills, experience and diversity HCT requires, and the issue is discussed at our annual governance review. Our approach to both senior executive and trustee recruitment seeks to identify the widest possible field of diverse candidates, and we work with executive search firms who have strong track records in this area. Our selection and interview panels have mixed gender and sectoral backgrounds, and potential appointees are questioned on their experience and approach to leading and building a more diverse workforce.

In 2020 we expect to deliver a refreshed People Plan, of which diversity and inclusion will form a key strand.

Subsidiaries

HCT Group is a national organisation that relies on local accountability. In both Bristol and Derbyshire, we maintain a local Board of Trustees to whom our community transport work in those areas is accountable – ensuring we can better reflect the needs of those communities in our work.

Statement of trustees' responsibilities

The trustees (who are also directors of HCT Group for the purposes of company law) are responsible for preparing the trustees' report, strategic report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the income and expenditure of the 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 Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard 102;
- ◆ make judgements and estimates that are reasonable and prudent;
- ◆ state whether applicable United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- ◆ prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Each of the trustees confirms that:

- ◆ so far as the trustee is aware, there is no relevant audit information of which the charity's auditor is unaware; and
- ◆ the trustee has taken all the steps that he/she ought to have taken as a trustee in order to make himself/herself aware of any relevant audit information and to establish that the charity's auditor is aware of that information.

Statement of trustees' responsibilities (continued)

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The trustees are responsible for the maintenance and integrity of financial information included on the charity's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Signed on behalf of the board of trustees:

A handwritten signature in black ink, appearing to read 'P Brennan', written in a cursive style.

P Brennan
Trustee

Approved by the board on: 18 May 2020

Statement of public benefit

When setting the objectives and planning the work of the Group for the year the trustees have given careful consideration to the Charity Commission's general guidance on public benefit.

The HCT Group Social Impact Report gives full details of the work that we do, including statistics of benefits provided to the communities. Rather than re-iterate the text of the Social Impact Report here, readers are asked to refer to that document.

Achievements and performance

The Group's achievements and performance for the year are set out in the Chair's report and the Chief Executive's report.

Financial review

In the year to 31 March 2019, there was net expenditure of £1,570,192 (2018 – net income £838,028) before net actuarial gains (2018 – gains) on final salary pension schemes. After the actuarial gain on the defined benefit pension schemes of £15,000 (2018 – £53,000) the total net movement of funds was a deficit of £1,555,192 (2018 – surplus of £891,028).

This includes income of £18,527 in respect of the merger with Community Transport for Town and County ('CT4TC') (2018 - £287,604 in respect of the merger with Manchester Community Transport). For the period from acquisition to 31 March 2019 CT4TC had a trading loss of £247,671.

Reserves

The Group has four reserves funds.

The restricted funds represent monies received by the Group which are subject to restrictions on their use, but which have not yet been expended.

The fixed asset fund represents the net book value of those assets held at the balance sheet date which are not readily realisable into liquid funds less the related finance lease and loan obligations.

The general fund represents the free working capital of the Group which enables it to plan and operate its services.

The pension reserve represents the net pension liabilities in respect of final salary pension schemes.

Reserves policy

At 31 March 2019 the balance of the Group's total funds was £3.9m (2018 – £5.5m). None of these reserves were held for restricted purposes (2018 - £nil).

The balance on the Group's pension reserve as at 31 March 2019 was a deficit of £100,000 (2018 – deficit of £94,000). The Group maintains a designated fund representing all the general funds that have been invested in tangible fixed assets and therefore are not readily available for working capital purposes. The balance on the designated fund at 31 March 2019 was £3.3m (2018 - £2.6m).

Reserves policy *(continued)*

After deducting the funds mentioned above, the balance on the Group's general reserves as at 31 March 2019 was £0.8m (2018 - £3.0m). The group had net current assets as at 31 March 2019 of £3,400,196 (2018 – £2,009,636).

The Group is reliant on a number of income streams and is also subject to fluctuations in the cost of its activities. The Group needs to maintain a level of reserve so that it can continue its operations in the event that an unforeseen shortfall in income or increase in costs creates an imbalance of funding.

The trustees have taken a risk based approach in calculating the amount that is required to be held in reserves.

In assessing the amount of reserves required to be held the risk of a shortfall in income or an increase in cost is estimated and a sum held to cover the potential shortfall for each element of the Group's income and expenditure. The risk weightings range from 3% to 10% depending on the nature of the activities.

Based on these calculations, the trustees estimate that a total of £4.9m is required representing approximately 3 weeks of budgeted spend for the year 2019/20. The Group's reserves are therefore below the requirement identified by the trustees. The trustees will continue to build the reserves in order to accommodate expansion of the Group, by improving the profitability of commercial contracts which it operates through its subsidiaries and retaining those profits in the Group.

Plans for the future

Following the commercial challenges set out in the Chief Executive's report, the Group's focus will be to consolidate our position and improve trading performance – particularly in light of the COVID-19 pandemic. This will ensure the Group is in a stronger position to increase its social impact.

Risk management

The trustees have made an assessment of the risks to which the Group and its subsidiaries are exposed, particularly with respect to finance, staff, premises and governance. The major risks to which the Group is exposed have been identified and the trustees are satisfied that systems are in place to mitigate those risks.

Risk management *(continued)*

The key risks identified by the trustees, and the procedures in place to mitigate them are as follows:

Risk	Procedures to mitigate risk
The Group is in breach of its covenants.	The Group has invested in a number of acquisitions to ensure continuity of the social impact delivered by the organisations acquired, and to ensure that the Group is well placed to continue to grow its business in key strategic locations. This investment has contributed to an in-year loss that, in turn, has led to a breach of covenants. The Group is committed to minimising those losses and to delivering a period of consolidation followed by continued growth.
The Group fails to achieve its budgeted profit	As noted above, acquisitions to secure continuity of social impact have resulted in in-year losses. The Group is mitigating this through investment in skilled and experienced managers, together with improvements in both capacity and capability of financial monitoring and reporting.
Integration of acquisitions has a detrimental effect on workforce, income and costs	The continuing investment in the development and implementation of integrated systems and processes provides managers with tools to support their operational and financial delivery.
Health and safety and safeguarding compliance is not achieved	Regular reporting by each operation on health and safety in relation to both premises and vehicles, and on safeguarding is reviewed by the Chief Operating Officer, and reported to each Board meeting. The Executive team receive a weekly report on health and safety and safeguarding. Both Board and Executive receive details of action that has been taken and a detailed mitigation and prevention plan where an untoward event has occurred. A Trustee with significant operational experience has been nominated to provide dedicated health and safety and safeguarding oversight.
Systems continue to be inadequate to support the Group's business	The Group is continuing the implementation of a new Transport Management System, delivering a unified platform for all of the Group's non-fixed schedule bus services.
The Group fails to attract and retain a workforce with the required level of capacity and capability	In addition to the delivery of a cohesive systems strategy, the Group is delivering an enhanced HR Strategy to attract, retain, support and develop management capability.

Financial instruments

The Group's principal financial instruments include bank overdrafts, loans and bonds of various forms, the main purpose of which is to raise finance for the Group's operations. In addition, the Group has various other financial assets and liabilities such as trade debtors and trade creditors arising directly from operations, leases and cash.

Liquidity risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the needs of its operations.

Credit risk

Trade debtors are reviewed on a regular basis and provision is made for doubtful debts when necessary.

Going concern

Developments in the business since 31 March 2019

As noted in the financial review and reserves sections above, the 2018/19 financial year was very challenging for HCT Group and its subsidiary companies. Subsequent to the year end, in May 2019 HCT Group and its subsidiaries were the victim of a major cyberattack. The outcome of the cyber-attack was significant permanent data loss, including of financial data.

The loss of data and subsequent focus on recovering the situation resulted in a lack of management information for an extended period of time, during which the performance of parts of the operation – both existing and new acquisitions – significantly declined. Once the impact of this became known an experienced director was engaged as Executive Chairman.

The Group invested in acquisitions. This investment contributed to an in-year loss that, in turn, has led to a breach of covenants. The Group is committed to minimising those losses and to delivering a period of consolidation followed by continued growth.

Since the year end, HCT Group has disposed of a bus garage in Waltham Forest on a sale and leaseback basis. The property was sold for £6.65m, and this resulted in net cash after paying down creditors of £2.25m.

The Revolving Cash Facility of £3m that had been made available by our bankers, has been withdrawn and the Group's cash position is now being supported by trading and from the sale proceeds of the bus garage in Waltham Forest.

The new Executive Chair has been leading the Group through a restructuring of its business. A redundancy programme, designed to remove overheads, is under way. The full year effect of this programme is to deliver a reduction in expenditure of £2m. The Group continues to work with its funders and other counterparties to secure the funding required to implement the restructuring and business plan for the Group.

The Group de-merged with Community Transport for Town and County ('CT4TC') in December 2019 by resigning as the sole member of the charity. CT4TC is now an independent charity.

Going concern *(continued)*

Developments in the business since 31 March 2019 (continued)

Having invested over £2m in Manchester Community Transport ('MCT'), it is with regret that the Group recognised the lack of viability in this operation and MCT is now in liquidation.

Impact of COVID-19

The Group's ability to resolve the current situation has further been impacted by the unusual circumstances prevailing as of April 2020 due to COVID-19. We are a transport provider, providing services to disadvantaged and vulnerable members of the communities we serve, in addition to delivering commercial bus transport services, and at the time of writing it is unclear what impact the COVID-19 outbreak is having and will continue to have on our business.

We are commissioned to provide our services by many different transport organisations. It is not yet clear how these commissioners will deal with COVID-19 and to what extent that will affect our business, nor for how long. Therefore, we are unable to reliably predict what the shape of our business will be over the coming months. Although the Trustees have prepared detailed projections taking account of the redundancy programme and business closures noted above which extend to 31 March 2022, due to the evolving impact of COVID-19 these are subject to continual revision and potential ongoing material uncertainty.

Following the advice issued by the UK Government in March 2020 regarding employees working from home and other social distancing measures, we have enacted procedures to facilitate this as far as possible and have a detailed plan that enables support functions such as finance and administration to continue whilst employees are not physically present in the charity's offices. However, it has not been possible to continue our events programme and activities for beneficiaries due to the social distancing measures.

The Trustees acknowledge and recognise the potential impact of the COVID-19 pandemic on the future operations of the charity, its beneficiaries, partners and stakeholders and on wider society. As well as the personal risk to health of its staff, the charity is suffering from an adverse impact on fare box income, cancelled and reduced routes but is seeking to offset the impact through government support measures. It is not possible to know the full extent and duration of the impact of the COVID-19 pandemic on the charity.

Conclusion

The combination of all of the above creates multiple and significant uncertainties which management and the Trustees are working to resolve. The Trustees had confidence prior to the onset of COVID-19 that with sufficient financial backing to meet the costs of transformation, the Group could return to a sustainable operating model over the next two financial years. The impact of the pandemic is to introduce significant additional uncertainty.

The successful delivery of the Group's recovery plan and return to sustainable trading is dependent upon reaching agreement with existing and potential funders other counterparties. Negotiations with these funders and other counterparties are necessarily complicated by the above uncertainties, and their successful outcome cannot be guaranteed. While negotiations with funders and other counterparties continue and the Trustees believe that a positive outcome remains possible, it is appropriate to prepare the financial statements on a going concern basis.

Signed on behalf of the board of trustees:

A handwritten signature in black ink, appearing to read 'P Brennan', written in a cursive style.

P Brennan
Trustee

Approved by the board on: 18 May 2020

Independent auditor's report to the members of HCT Group

Qualified opinion

We have audited the financial statements of HCT Group (the 'charitable parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the group statement of financial activities, the group and charitable parent company balance sheets, the group statement of cash flows, the principal accounting policies and the notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, except for the possible effects of the matter described in the *Basis for qualified opinion* section of our report, in our opinion, the financial statements:

- ◆ give a true and fair view of the state of the group's and of the charitable parent company's affairs as at 31 March 2019 and of the group's income and expenditure for the year then ended;
- ◆ have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- ◆ have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

HCT Group acquired a 100% interest in Powell's Bus Company Limited and John Powell Limited on 25 July 2018. During our audit, we were unable to locate sufficient audit evidence to satisfy ourselves as to the completeness, accuracy and presentation of the amounts relating to these companies. Whilst we are satisfied that the amounts shown in the balance sheets of these companies at the date of acquisition and at 31 March 2019 were not materially misstated in the context of the group financial statements we were unable to confirm that the income of £1,053,397 and expenditure of £1,271,747 included in the group financial statements was free from material misstatement. This matter does not affect our audit opinion on the financial statements of the parent charity.

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

Material uncertainty related to going concern

We draw attention to the information set out under the headings *Critical accounting estimates and areas of judgement* and *Assessment of going concern* within the accounting policies that form part of the financial statements. This relates to significant deficits incurred during the year ended 31 March 2019 and subsequently, breaches of financial covenants which are the subject of ongoing negotiations and the additional inherent operating and financial difficulties resulting from the COVID-19 pandemic from early 2020. The trustees' conclusion is that the financial statements should be prepared on the going concern basis notwithstanding these circumstances as there has been significant restructuring of the Group's operations from December 2019 onwards, and although the outcomes of negotiations with funders and other counterparties are not certain, they are ongoing.

As stated in the accounting policies, these events indicate that a material uncertainty exists that may cast significant doubt on the parent charitable company's and the group's ability to continue as a going concern.

Our opinion is not modified in respect of this matter.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

Other than any misstatement of group income and expenditure that may result from the matter referred to in the *Basis for qualified opinion* section of this report, we have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- ◆ the information given in the trustees' report, which is also the directors' report for the purposes of company law and includes the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- ♦ the trustees' report, which is also the directors' report for the purposes of company law and includes the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

Other than the matter referred to in the *Basis for qualified opinion* section of this report, we have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, 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, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the group's and the charitable parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the group or the charitable parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Edward Finch (Senior Statutory Auditor)
For and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Date:

Consolidated statement of financial activities Year to 31 March 2019
Incorporating the income and expenditure account

	Notes	Unrestricted funds £	Restricted funds £	Total 2019 funds £	Unrestricted funds £	Restricted funds £	Total 2018 funds £
INCOME AND EXPENDITURE ACCOUNT							
Income from:							
Donations	1	18,527	2,427,199	2,445,726	807,335	18,500	825,835
Charitable activities							
. Income from transport services	2	74,266,704	—	74,266,704	62,361,912	—	62,361,912
Investments		10,191	—	10,191	—	—	—
Total income		74,295,422	2,427,199	76,722,621	63,169,247	18,500	63,187,747
Expenditure on:							
Charitable activities							
. Community transport	3	5,254,390	606,254	5,860,644	2,840,390	18,500	2,858,890
. Public sector contracts	3	70,953,538	—	70,953,538	58,414,905	—	58,414,905
. Training programmes	3	1,478,631	—	1,478,631	1,075,924	—	1,075,924
Total expenditure		77,686,559	606,254	78,292,813	62,331,219	18,500	62,349,719
Net (expenditure) income for the year	5	(3,391,137)	1,820,945	(1,570,192)	838,028	—	838,028
Transfers between funds	17,18	1,820,945	(1,820,945)	—	—	—	—
Net (expenditure) after transfers		(1,570,192)	—	(1,570,192)	838,028	—	838,028
Other recognised gains:							
Actuarial gains on pension schemes	14	15,000	—	15,000	53,000	—	53,000
Net movement in funds		(1,555,192)	—	(1,555,192)	891,028	—	891,028
Total funds brought forward at 2 April 2018		5,474,509	—	5,474,509	4,583,481	—	4,583,481
Total funds carried forward at 31 March 2019		3,919,317	—	3,919,317	5,474,509	—	5,474,509

All of the group's activities in the above two financial years derived from continuing operations.

Group and charity balance sheets 31 March 2019

	Notes	Group		Charity	
		2019 £	2018 £	2019 £	2018 £
Fixed assets					
Tangible fixed assets	7	22,272,569	14,691,156	5,389,219	5,751,158
Investment in subsidiaries		—	—	1,185,058	—
Goodwill	6	354,355	—	—	—
Negative goodwill	6	(485,470)	—	—	—
Total fixed assets		22,141,454	14,691,156	6,574,277	5,751,158
Current assets					
Stock		788,703	772,674	332	262
Debtors	8	10,084,171	7,122,494	11,664,826	6,795,569
Cash at bank and in hand		3,567,567	298,051	1,358,136	—
Total current assets		14,440,441	8,193,219	13,023,294	6,795,831
Liabilities					
Creditors: amounts falling due within one year	9	(11,040,245)	(6,183,583)	(6,837,558)	(3,560,373)
Net current assets		3,400,196	2,009,636	6,185,736	3,235,458
Total assets less current liabilities		25,541,650	16,700,792	12,760,013	8,986,616
Creditors: amounts falling due after more than one year	10	(21,076,129)	(10,849,918)	(11,360,980)	(7,086,732)
Provisions for liabilities	14	(446,204)	(282,365)	(44,620)	(28,958)
Net assets excluding pension liabilities		4,019,317	5,568,509	1,354,413	1,870,926
Net pension liabilities	15	(100,000)	(94,000)	—	—
Net assets including pension liabilities		3,919,317	5,474,509	1,354,413	1,870,926
The funds of the group:					
Unrestricted funds:					
Designated funds	18	3,258,485	2,574,912	—	—
General fund	18	760,832	2,993,597	1,354,413	1,870,926
Pension reserve	15	(100,000)	(94,000)	—	—
Total group funds		3,919,317	5,474,509	1,354,413	1,870,926

Approved by the trustees of HCT Group, company registration number 01747483 (England and Wales) and signed on their behalf by:

R Sewell
Trustee



Approved by the board on: 18 May 2020

Consolidated Statement of cash flows Year to 31 March 2019

	Notes	2019 £	2018 £
Cash flows from operating activities:			
Net cash provided by operating activities	A	3,201,625	2,442,797
Cash flows from investing activities:			
Proceeds from the disposal of tangible fixed assets		319,474	61,740
Purchase of subsidiary undertaking		(1,185,118)	—
Purchase of tangible fixed assets		(8,353,494)	(1,695,761)
Net cash used in investing activities		(9,219,138)	(1,634,021)
Cash flows from financing activities:			
Repayments of borrowing		(8,760,916)	(1,521,161)
Interest paid		(1,431,276)	(1,068,243)
Cash inflows from new borrowing		19,432,557	906,706
Net cash used in financing activities		9,240,365	(1,682,698)
Change in cash and cash equivalents in the year		3,222,852	(873,922)
Cash inflows from acquisitions and mergers		46,664	1,200
Cash and cash equivalents at 2 April 2018	B	298,051	1,170,773
Cash and cash equivalents at 31 March 2019	B	3,567,567	298,051

Notes to the statement of cash flows for the year to 31 March 2019.

A Reconciliation of net income to net cash flow provided by operating activities

	2019 £	2018 £
Net (expenditure)/income (as per the statement of financial activities)	(1,570,192)	838,028
Adjustments for:		
Depreciation charge	2,482,427	1,563,651
Amortisation charge	(37,462)	—
Mergers	(18,527)	(287,604)
Transfer of pension scheme	—	(133,000)
Pension charge	17,000	19,000
Net interest from pension scheme	4,000	2,000
Disposal of tangible fixed assets	138,074	(107,281)
Interest payable	1,431,276	1,068,243
Decrease/(increase) in stocks	5,611	(168,048)
Increase in debtors	(1,117,928)	(656,085)
Increase in provisions	163,839	107,227
Increase in creditors	1,703,507	196,666
Net cash provided by operating activities	3,201,625	2,442,797

B Analysis of cash and cash equivalents

	2019 £	2018 £
Cash at bank and in hand	3,567,567	298,051
Total cash and cash equivalents	3,567,567	298,051

Principal accounting policies Year to 31 March 2019

The principal accounting policies adopted, judgements and key sources of estimation uncertainty in the preparation of the accounts are laid out below.

Basis of preparation

These accounts have been prepared for the year to 31 March 2019.

The accounts have been prepared under the historical cost convention with items recognised at cost or transaction value unless otherwise stated in the relevant accounting policies below or the notes to these accounts.

The accounts 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 United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

The charity constitutes a public benefit entity as defined by FRS 102.

The accounts are presented in sterling and are rounded to the nearest pound.

Critical accounting estimates and areas of judgement

Preparation of the accounts requires the trustees and management to make significant judgements and estimates.

The items in the accounts where these judgements and estimates have been made include:

- ◆ the useful economic lives attributed to tangible fixed assets used to determine the annual depreciation charge;
- ◆ the period of 3 years is an appropriate period over which to amortise the positive goodwill on Powell's Bus Company Limited and John Powell Travel Limited and the negative goodwill on The Impact Group Limited;
- ◆ determining fair values of assets acquired in business combinations;
- ◆ the allocation of overheads and governance costs between charitable expenditure categories;
- ◆ the provision against doubtful and bad debts in respect to income from charitable activities;
- ◆ estimates in respect to accrued expenditure;
- ◆ estimating any provision for slow moving and/or obsolete stock;
- ◆ the validity of old and/or disputed debtors and creditors;
- ◆ estimates applied in calculating the self-insurance provision; and
- ◆ actuarial assumptions used in calculating the defined benefit pension liability.

Critical accounting estimates and areas of judgement (continued)

In addition to the above, the full impact following the recent emergence of the global COVID-19 pandemic is still unknown. It is therefore not currently possible to evaluate all the potential implications for the charity's activities, beneficiaries, funders and other counterparties, suppliers and the wider economy. Estimates used in the accounts are therefore subject to a greater degree of uncertainty and volatility.

As set out in these accounting policies under "going concern", the Trustees have considered the impact of the pandemic on the charity's financial position and going concern. They have concluded that although there is material uncertainty related to this, it is appropriate for the charity to continue to prepare its accounts on the going concern basis.

Assessment of going concern

The Trustees have assessed whether the use of the going concern assumption is appropriate in preparing these accounts. The Trustees have made this assessment in respect of a period of one year from the date of approval of these accounts - although as a result of the considerable uncertainties arising in the wake of the COVID-19 pandemic the projections made prior to the pandemic are subject to ongoing and continual re-evaluation.

As set out in greater detail in the Trustees' report, the Group has experienced a significant deterioration in trading in the period since 1 April 2018 which has continued through the subsequent accounting period and up to the date of approval of these financial statements. This has resulted in further significant losses, reductions in cash balances and breaches of funders and other counterparties' financial covenants. The situation was further exacerbated by a cyber security attack in May 2019 which led to a lack of clarity regarding the extent of the deterioration and seriously delayed the preparation and audit of these financial statements.

The Group has prepared detailed recovery plans and is in discussion with funders and other counterparties with a view to obtaining sufficient finance to enable it to achieve a turnaround over the next two financial years. The turnaround plan includes restructuring which is expected to result in a significant reduction in headcount and cessation or disengagement from some loss making activities and group entities. The process of negotiation with funders and other counterparties is ongoing.

The successful delivery of the Group's recovery plan and return to sustainable trading is dependent upon reaching agreement with existing and potential funders and other counterparties. Negotiations with these funders and other counterparties are complicated by these continuing uncertainties, and successful outcome cannot be guaranteed.

The Trustees have considered the requirement that they should prepare the accounts on the going concern basis unless they intend to liquidate the charity or to cease trading, or have no realistic alternative but to do so. The Trustees believe there are material uncertainties arising from the charity's financial position which may severely curtail its work and/or threaten its going concern status.

However, while negotiations with funders and other counterparties continue and the Trustees believe that a positive outcome remains possible, it is appropriate to prepare the financial statements on a going concern basis.

Basis of consolidation

The consolidated statement of financial activities and group balance sheet consolidate the financial statements of HCT Group and its subsidiaries, made up at the balance sheet date as HCT group either owns the entire share capital of the subsidiary or assumes control of the entity. These are listed from page 39.

Subsidiary acquisitions

Acquisitions of subsidiary entities where HCT Group has assumed control by way of a transfer of ownership, are accounted for as combinations that are in substance gifts. The assets and liabilities transferred are valued at their fair value and recognised in the balance sheet under the appropriate headings with a corresponding net amount recognised as a net gain in the statement of financial activities as donations. Details are given in note 18.

Acquisitions of subsidiary entities where HCT Group has assumed control by way of a purchase of shares, are accounted for as business combinations using the acquisition method. The assets and liabilities transferred are valued at their fair value and recognised in the balance sheet under the appropriate headings with the difference between the purchase price and the fair value of the net assets acquired being recognised on the balance sheet as goodwill. Details are given in note 19.

Parent charity information

The parent charity HCT Group had total income of £7,973,369 (2018 – £6,124,265) and net expenditure of £516,513 for the year ended 31 March 2019 (2018 – net income of £50,982). The parent company has taken advantage of the exemption from preparing a separate income statement and statement of cash flows.

No separate statement of financial activities has been presented for HCT Group alone, as permitted by s408 of the Companies Act 2006 and paragraph 24.36 of SORP 2015.

Income recognition

Income is recognised in the period in which the group is entitled to the income, the amount of income can be measured reliably and it is probable that the income will be received. Income is deferred only when the group has to fulfil conditions before becoming entitled to it, for example contractual income, or where the donor or funder has specified that the income is to be expended in a future accounting period.

Grants from government and other agencies have been included as income from charitable activities where these amount to a contract for services, but as donations where the money is given with greater freedom of use, for example monies for core funding or to fund acquisitions of tangible fixed assets.

Expenditure recognition and the basis of apportioning costs

Liabilities are recognised as expenditure as soon as there is a legal or constructive obligation committing the group to make a payment to a third party, it is probable that a transfer of economic benefits will be required in settlement and the amount of the obligation can be measured reliably.

Costs incurred up front in connection with long-term contracts are included in prepayments and released over the life of the contract.

Expenditure recognition and the basis of apportioning costs (continued)

Expenditure comprises direct costs and support costs, including any attributable VAT which cannot be recovered. All expenses are allocated or apportioned to the applicable expenditure headings.

Expenditure comprises the following:

- a. The costs of charitable activities comprise expenditure on the charity's primary charitable purposes as described in the trustees' report.

Such costs include:

- ◆ staff costs
- ◆ premises costs, equipment and utilities
- ◆ professional fees.

The majority of costs are directly attributable to specific activities. Certain shared support costs are apportioned to charitable activities based on turnover of each activity.

- a. Indirect costs are apportioned on a basis which reflects the overall activity of head office.
- b. Office costs and property related costs are allocated in the same proportion as directly attributable staff costs.
- c. Governance costs which include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements.

Tangible fixed assets

All assets costing more than £500 and with an expected useful life of more than one year are capitalised.

Fixed assets are stated at cost less accumulated depreciation. Depreciation is provided at rates based on the estimated useful life of the assets as follows:

- | | |
|---|--|
| ◆ Motor vehicles – buses and large mini-buses | straight line basis over periods between 10 and 17 years |
| ◆ Motor vehicles – other | straight line basis between 7 and 10 years |
| ◆ Fixtures and fittings | 25% reducing balance |
| ◆ Plant and equipment | 25% reducing balance |
| ◆ IT equipment | straight line basis over 3 years |
| ◆ Portacabins | straight line basis over 3 years |
| ◆ Modular buildings | straight line basis over 20 years |
| ◆ Leasehold improvements | over the length of the lease |

No depreciation is provided on freehold land.

Pensions

The group's contributions to defined contribution pension schemes for the majority of its employees are charged to the statement of financial activities in the period in which they fall due.

Eligible employees of CT Plus Community Interest Company are offered membership of the London Borough of Waltham Forest Pension Fund or the Avon Pension Fund. The London Borough of Waltham Forest Pension Fund and the Avon Pension Fund are defined benefit schemes and are able to identify CT Plus Community Interest Company's share of assets and liabilities of the schemes. The requirements of FRS 102 in respect of defined benefit pension schemes have been followed.

CT Plus Community Interest Company's share of the schemes' assets is measured at fair value as at each balance sheet date. Liabilities are measured on an actuarial basis using the projected unit method. The net of these two figures is recognised as an asset or liability on the balance sheet. Any movement in the asset or liability between balance sheet dates is reflected in the statement of financial activities.

The Avon Pension Fund related to a specific bus contract, which ceased during 2018. CT Plus Community Interest Company is no longer a member of that scheme and no longer has any obligations in connection with it.

Debtors

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. Debtors have been discounted to the present value of the future cash receipt where such discounting is material.

Cash at bank and in hand

Cash at bank and in hand represents such accounts and instruments that are available on demand or have a maturity of less than three months from the date of acquisition. Deposits for more than three months but less than one year have been disclosed as short term deposits. Cash placed on deposit for more than one year is disclosed as a fixed asset investment.

Creditors and provisions

Creditors and provisions are recognised when there is an obligation at the balance sheet date as a result of a past event, it is probable that a transfer of economic benefit will be required in settlement, and the amount of the settlement can be estimated reliably.

Creditors and provisions are recognised at the amount the charity anticipates it will pay to settle the debt. They have been discounted to the present value of the future cash payment where such discounting is material.

Payments received to finance the costs of travel training programs are included in creditors until the respective costs of the program have been incurred. These payments constitute non-recourse debt.

Creditors and provisions (continued)

Loans, where the rate of interest is variable and linked to meeting of impact targets, are treated as basic financial instruments as the fair value is not materially different to amortised cost.

Fund accounting

The reserves of the charity are as follows:

Restricted funds comprise monies set aside for particular projects or purposes in accordance with the instructions of the grantor.

Designated funds represent the net book value of tangible fixed assets held at the balance sheet date which are not readily realisable into liquid funds less the related finance lease obligations and loans.

General funds represent those monies which are freely available for application towards achieving any charitable purpose that falls within the charity's charitable objects.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of assets acquired and liabilities assumed in business combinations.

Goodwill is subsequently measured at cost less any accumulated impairment losses. Goodwill is subjected to an impairment test at the reporting date or when there has been an indication that the goodwill should be impaired. Any loss is recognised immediately through the statement of financial activities and is not subsequently reversed. For the purposes of impairment testing, goodwill is allocated to cash-generating units and impairment of goodwill is assessed with reference to the estimated future performance and cash flows from the cash-generating units.

Where net assets are in excess of the amount paid, negative goodwill is recognised.

Both negative and positive goodwill is amortised over a period of five years.

Leased assets

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged against income on a straight line basis over the lease term.

Assets held under finance leases are capitalised and depreciated over their useful lives. The corresponding lease obligation is treated in the balance sheet as a liability. The interest element is charged against income over the period of the lease at a constant proportion of the outstanding balance of capital repayments.

Stock

Stock represents the cost, net of VAT, of diesel, vehicle parts, oils/ lubricants and other vehicle related consumables.

Term deposits

Term deposits comprise monies held in short-term deposits with maturity periods of more than 24 hours.

Taxation

The parent charity is considered to pass the tests set out in Paragraph 1 Schedule 6 of the Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Accordingly, the parent charity is potentially exempt from taxation in respect of income or capital gains received within categories covered by part 11, chapter 3 of the 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 charitable purposes

The subsidiary companies are not normally liable for corporation tax as they gift aid any taxable profits arising to the parent charity within nine months of the year end.

Financial instruments

The group and parent charity only have financial assets and liabilities of a kind that qualify as basic financial instruments. These are initially recognised at transaction value and subsequently valued at their settlement value.

The group and parent charity only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties and loans to related parties.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the statement of financial activities.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the group and parent charity would receive for the asset if it were to be sold at the reporting date.

Notes to the Financial Statements Year to 31 March 2019

1 Donations

Group	2019 Unrestricted funds £	2019 Restricted funds £	2019 Total funds £
Community Transport Grants			
. Big Lottery Fund grant (note 16)	—	24,108	24,108
. Bristol City Council	—	460,410	460,410
. Other	—	56,736	56,736
	—	541,254	541,254
Capital grants			
. South Gloucestershire Council grant	—	1,695,945	1,695,945
. Ticketing system grant	—	112,500	112,500
. Vehicle equipment grant	—	12,500	12,500
	—	1,820,945	1,820,945
Donations	—	65,000	65,000
Transfer of charitable assets on merger			
. Transfer of net assets from CT4TC *	18,527	—	18,527
	18,527	—	18,527
2019 Total funds	18,527	2,427,199	2,445,726

Group	2018 Unrestricted funds £	2018 Restricted funds £	2018 Total funds £
Community Transport Grants			
. Big Lottery Fund grant (note 16)	—	18,500	18,500
. Bristol City Council	519,731	—	519,731
	519,731	18,500	538,231
Transfer of charitable assets on merger			
. Transfer of net assets from Manchester Community Transport **	287,604	—	287,604
	287,604	—	287,604
2018 Total funds	807,335	18,500	825,835

**On 4 October 2017, HCT Group merged with Manchester Community Transport, a Manchester-based community transport industrial and provident society. Further details of the merger are included in note 18.

*On 3 April 2018, HCT Group merged with CT4TC, a Derby-based community transport charitable company. Further details of the merger are included in note 18.

Notes to the Financial Statements Year to 31 March 2019

2 Income from transport services

The analysis of income from charitable activities, all of which is derived from the UK and Channel Islands is as follows:

Group	2019 Unrestricted funds £	2019 Restricted funds £	2019 Total funds £
Public Sector Contracts			
. Bus Operations	61,637,181	—	61,637,181
. Home to School Transport	6,495,939	—	6,495,939
Community Transport			
. Contracts	2,929,856	—	2,929,856
. Group Transport	1,270,590	—	1,270,590
. ScootAbility	141,000	—	141,000
Other	426,829	—	426,829
Training Programmes	1,365,309	—	1,365,309
2019 Total funds	74,266,704	—	74,266,704

Group	2018 Unrestricted funds £	2018 Restricted funds £	2018 Total funds £
Public Sector Contracts			
. Bus Operations	51,438,850	—	51,438,850
. Home to School Transport	6,910,000	—	6,910,000
Community Transport			
. Contracts	424,112	—	424,112
. Group Transport	1,598,093	—	1,598,093
. ScootAbility	141,000	—	141,000
Other	505,576	—	505,576
Training Programmes	1,344,281	—	1,344,281
2019 Total funds	62,361,912	—	62,361,912

Notes to the Financial Statements Year to 31 March 2019

3 Expenditure on charitable activities

	Basis of allocation	Community transport £	Public sector contracts £	Training programmes £	Total 2019 £
Costs directly allocated to activities					
Provision of transport services					
. Bus operations	Direct	—	58,397,819	—	58,397,819
. Home to school transport	Direct	—	6,928,371	—	6,928,371
. Community Transport Contracts	Direct	3,701,907	—	—	3,701,907
. Group transport	Direct	1,655,399	—	—	1,655,399
. ScootAbility	Direct	99,134	—	—	99,134
. Other	Direct	58,629	—	—	58,629
Training Programmes					
. Driver training programmes	Direct	—	—	1,369,953	1,369,953
Support costs allocated to activities					
Governance costs	Turnover	9,183	149,528	2,887	161,598
Other staff	Turnover	116,320	1,894,149	36,581	2,047,050
Management	Turnover	76,585	1,247,115	24,085	1,347,785
Premises costs	Turnover	29,508	480,500	9,280	519,288
Office costs	Turnover	13,685	222,853	4,304	240,842
Other costs	Turnover	63,218	1,029,444	19,881	1,112,543
Legal and professional fees	Turnover	25,058	408,046	7,880	440,984
Depreciation and amortisation	Turnover	12,018	195,713	3,780	211,511
2019 Total funds		5,860,644	70,953,538	1,478,631	78,292,813

	Basis of allocation	Community transport £	Public sector contracts £	Training programmes £	Total 2018 £
Costs directly allocated to activities					
Provision of transport services					
. Bus operations	Direct	—	48,340,323	—	48,340,323
. Home to school transport	Direct	—	6,426,000	—	6,426,000
. Community Transport Contracts	Direct	285,205	—	—	285,205
. Group transport	Direct	1,709,795	—	—	1,709,795
. ScootAbility	Direct	104,718	—	—	104,718
. Community Bus Service	Direct	367,653	—	—	367,653
. Other	Direct	250,733	—	—	250,733
Training Programmes					
. Driver training programmes	Direct	—	—	992,884	992,884
Support costs allocated to activities					
Governance costs	Turnover	2,226	57,684	1,313	61,223
Other staff	Turnover	19,849	514,411	11,708	545,968
Management	Turnover	50,200	1,300,961	29,609	1,380,770
Premises costs	Turnover	11,026	285,754	6,504	303,284
Office costs	Turnover	4,683	121,369	2,762	128,814
Other costs	Turnover	28,779	745,837	16,975	791,591
Legal and professional fees	Turnover	15,135	392,234	8,927	416,296
Depreciation	Turnover	8,888	230,332	5,242	244,462
2018 Total funds		2,858,890	58,414,905	1,075,924	62,349,719

Notes to the Financial Statements Year to 31 March 2019

4 Staff costs

	2019 £	2018 £
Wages and salaries	37,800,642	32,628,219
Social security	3,511,594	2,774,024
Pension costs	1,090,126	861,265
	42,402,362	36,263,508
Agency staff	1,189,379	1,129,090
	43,591,741	37,392,598

There were no redundancy costs paid during for the period (2018 – £nil). HCT Group accounts for redundancy payments on an accruals basis.

The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2019 Number	2018 Number
£60,001 - £70,000	2	5
£70,001 - £80,000	6	2
£80,001 - £90,000	4	2
£90,001 - £100,000	—	1
£100,001 - £110,000	3	1
£110,001 - £120,000	—	2
£120,001 - £130,000	2	—
£140,001 - £150,000	—	1
£170,001 - £180,000	1	—
	17	14

The total remuneration paid to the key management personnel in the year was £485,224 (2018 - £444,098).

The trustees received no remuneration for their services during the year (2018 – none). One trustee (2018 – one) was reimbursed for expenses of £640 during the year (2018 – £137).

Charity and charity trustees' indemnity insurance has been purchased to protect the charity from the neglect or defaults of its trustees, employees and agents and to indemnify the trustees or other officers against the consequences of any neglect or default on their part. The insurance premium paid by the charity for the year totalled £7,616 (2018 – £2,072) and provides cover of up to a maximum of £2,000,000 (2018 – £2,000,000).

The average number of employees during the year was 1,867 (2018 – 1,457):

	2019 No	2018 No
Operations	1,792	1,393
Transport unit	22	10
Management and finance	39	42
Training	14	12
	1,867	1,457

5 Net income

This is stated after charging:

Group	2019 £	2018 £
Depreciation	2,275,357	1,563,651
Amortisation	(37,462)	—
Gain on disposal of tangible fixed assets	(226,966)	(107,281)
Auditor's remuneration		
· Audit fees	76,400	59,000
· Other services	28,250	10,150
Operating lease rentals	7,191,552	6,011,082
Interest payable in respect of finance leases	812,762	547,491
Interest payable in respect of loans	618,638	520,752

6 Intangible fixed assets

Group	Goodwill £	Negative goodwill £	Total £
Opening cost	—	—	—
Additions	455,599	(624,176)	(168,577)
Closing cost	455,599	(624,176)	(168,577)
Opening amortisation	—	—	—
Charge for the year	101,244	(138,706)	(37,462)
Closing amortisation	101,244	(138,706)	(37,462)
Net book value 2019	354,355	(485,470)	(131,115)
Net book value 2018	—	—	—

Notes to the Financial Statements Year to 31 March 2019

7 Fixed assets

Group	Leasehold improve- ments £	IT and office equipment £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Modular buildings £	Freehold land £	Total £
Opening cost	421,287	834,876	328,022	1,503,927	19,378,834	2,922,442	2,515,318	27,904,706
Additions	2,998	15,406	35,886	402,506	6,727,185	986,059	183,454	8,353,494
Acquired through acquisitions and merger	34,099	90,917	58,934	221,807	7,259,562	—	—	7,665,319
Disposals	—	—	—	(300)	(3,230,768)	—	—	(3,231,068)
Closing cost	458,384	941,199	422,842	2,127,940	30,134,813	3,908,501	2,698,772	40,692,451
Opening depreciation	240,602	750,754	166,994	918,955	10,647,732	488,513	—	13,213,550
Depreciation on disposals	—	—	—	—	(2,773,520)	—	—	(2,773,520)
Acquired through acquisitions and merger	18,898	72,090	37,415	264,284	5,104,738	—	—	5,497,425
Charge for the year	66,478	46,971	39,898	208,591	1,950,834	169,655	—	2,482,427
Closing depreciation	325,978	869,815	244,307	1,391,830	14,929,784	658,168	—	18,419,882
Net book value 2019	132,406	71,384	178,535	736,110	15,205,029	3,250,333	2,698,772	22,272,569
Net book value 2018	180,685	84,122	161,028	584,972	8,731,102	2,433,929	2,515,318	14,691,156

Charity	Leasehold improve- ments £	IT and office equipment £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Modular buildings £	Freehold land £	Total £
Opening cost	182,632	559,728	183,182	314,222	1,445,511	2,818,409	2,515,318	8,019,002
Additions	—	—	9,661	—	—	—	163,529	173,190
Disposals	—	—	—	—	(159,976)	—	—	(159,976)
Closing cost	182,632	559,728	192,843	314,222	1,285,535	2,818,409	2,678,847	8,032,216
Opening depreciation	154,187	533,777	110,781	156,463	852,210	460,426	—	2,267,844
Charge for the year	23,788	18,929	17,983	22,503	140,338	151,612	—	375,153
Eliminated on disposal	—	—	—	—	—	—	—	—
Closing depreciation	177,975	552,706	128,764	178,966	992,548	612,038	—	2,642,997
Net book value 2019	4,657	7,022	64,079	135,256	292,987	2,206,371	2,678,847	5,389,219
Net book value 2018	28,445	25,951	72,401	157,759	593,301	2,357,983	2,515,318	5,751,158

Finance Leases

The net book value of tangible fixed assets of the group includes an amount of £11,194,539 (2018 - £3,701,768) in respect of assets held under finance leases on which the depreciation charge for the year was £689,886 (2018 - £660,423).

Borrowings

HSBC Bank plc has a floating charge over all current and future assets of HCT Group, CT Plus Community Interest Company, CT Plus (Yorkshire) Community Interest Company, CT Plus Guernsey Limited and CT Plus Jersey Limited with respect to its borrowing facilities.

7 Fixed assets (continued)

Triodos Bank N.V. has a 1st legal charge over the freehold property at Walthamstow Avenue, Walthamstow, London.

The Trustees of the Esmée Fairbairn Foundation, The Mayor and Commonality and Citizens of the City of London as Trustees of Bridge House Estates, Big Issue Social Investments Limited acting in capacity as general partner of Big Issue Invest Social Enterprise Investment Fund LP, Big Issue Social Investments Limited acting in capacity as general partner of Big Issue Invest Social Enterprise Investment Fund II LP, The Third Sector Investment Fund LLP (acting through its general partner Social and Sustainable Capital LLP), The Phone Co-op Limited, TP Leasing Limited, Treebeard Trust, MFS Impact Development Portfolio, a series of MFS Development Funds LLC, Stephen and Melissa Murdoch, Jonathan Adams, Yasmin Howard-Spink and Frank Knowles have a floating charge over all current and future assets of HCT Group, CT Plus Community Interest Company, CT Plus (Yorkshire) Community Interest Company, CT Plus Guernsey Limited and CT Plus Jersey Limited.

8 Debtors

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Trade debtors	4,979,166	3,603,520	212,637	276,067
Amounts due from subsidiary entities	—	—	9,272,554	5,707,364
Prepayments and accrued income	1,467,756	776,343	41,389	—
Other debtors	3,637,249	2,742,631	2,138,246	812,138
	10,084,171	7,122,494	11,664,826	6,795,569

9 Creditors: amounts falling due within one year

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Trade creditors	2,513,713	385,965	—	275,534
Amounts due to subsidiary undertakings	—	—	3,841,798	2,013,393
Taxation and social security	1,302,791	1,039,704	137,912	133,743
Other creditors	3,543,153	1,555,322	980,375	401,896
Obligations under finance leases (note 12)	880,411	1,207,938	63,990	227,811
Accruals and deferred income	1,241,789	1,936,266	255,095	449,608
Loans (note 11)	1,558,388	58,388	1,558,388	58,388
	11,040,245	6,183,583	6,837,558	3,560,373

Details of the security for the loans and finance leases are set out in note 11.

10 Creditors: amounts falling after more than one year

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Obligations under finance leases (note 11)	9,337,353	3,763,186	101,679	—
Loans (note 10)	11,738,776	7,086,732	11,259,301	7,086,732
	21,076,129	10,849,918	11,360,980	7,086,732

Details of the security for the loans are set out in note 11.

11 Loan commitments

The future loan obligations to which the group is committed are as follows:

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Within one year	1,558,388	58,388	1,558,388	58,388
Between two and five years	5,254,983	5,264,437	5,254,983	5,264,437
Over five years	6,483,793	1,822,295	6,105,997	1,822,295
	13,297,164	7,145,120	12,919,368	7,145,120

£5,000,000 of the loans are secured (see note 7) and have a fixed rate of interest 4.25%. A further £5,000,000 of the loans are secured (see note 7) and have a fixed rate of interest 7.5%.

A short term bank facility of £1,500,000 is was repaid in April 2019 and had an interest rate of 2.9%.

£1,875,495 of the loans are secured by a fixed charge on the property at Walthamstow. Interest rates are variable at 2% above base rate with a minimum of 2.5%.

Loans are held at amortised cost and all other financial instruments at cost.

12 Finance lease commitments

The future finance lease obligations to which the group is committed are as follows:

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Within one year	880,411	1,207,938	63,990	227,811
Between two and five years	6,390,340	3,763,186	101,679	—
Over five years	2,947,013	—	—	—
	10,217,764	4,971,124	165,669	227,811

13 Operating lease commitments

At 31 March 2019 the group had the following total future commitments under non-cancellable operating leases:

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Motor vehicles				
Operating lease payments which fall due:				
Within one year	8,561,771	4,305,653	—	—
Between two and five years	8,672,812	11,378,069	—	—
After five years	390,024	2,624,307	—	—
	17,624,607	18,308,029	—	—
Land and buildings				
Operating lease payments which fall due:				
Within one year	470,412	243,225	137,400	140,949
Between two and five years	1,199,964	588,536	398,153	543,453
	1,670,376	831,761	535,553	684,402
Equipment				
Operating lease payments which fall due:				
Within one year	76,252	6,828	—	—
Between two and five years	195,452	—	—	—
	271,704	6,828	—	—

14 Self-insurance provision

	Group		Charity	
	2019 £	2018 £	2019 £	2018 £
Provision at the beginning of the year	282,365	175,138	28,958	—
Utilised during the year	(143,066)	(115,407)	—	—
New provision for year	306,905	222,634	15,662	28,958
Provision carried forward	446,204	282,365	44,620	28,958

Self-insurance provisions are made to meet the costs of ongoing claims where a small proportion of the liability falls upon HCT Group. The majority of these claims relate to the current year and are expected to be settled within the next year.

15 Pension commitments

	2019 £	2018
Group pension liabilities		
The London Borough of Waltham Forest Pension Scheme	(100,000)	(94,000)

The London Borough of Waltham Forest Pension Scheme

The London Borough of Waltham Forest pension fund is a defined benefit scheme.

Certain employees of CT Plus CIC were transferred under Transfer of Undertakings (Protection of Employment) Regulations from the London Borough of Waltham Forest on 1 May 2004. Up until 31 August 2011 CT Plus CIC's liability as an admitted employer under the scheme was capped. CT Plus CIC won another seven year contract with the London Borough of Waltham Forest and became fully liable for the defined benefit scheme for the relevant employees as from 1 September 2011.

Contributions payable by CT Plus Community Interest Company are determined on the basis of triennial valuations carried out by a qualified actuary using the projected unit method. The employer contributions for the year were £12,000 (2018: £26,000).

The assumptions and other data that have the most significant effect on the determination of the contribution levels are as follows:

Latest actuarial valuation	31 March 2016
Actuarial method	Ongoing
Investment returns per annum	6.5%
Average inflation per annum	2.2%
Salary increases per annum	3.7%
Market value of assets of Whole Scheme at date of last valuation	£716m
Proportion of members' accrued benefits covered by the actuarial value of the assets	70%

The information above is provided as for the London Borough of Waltham Forest Pension Fund as a whole. As at 1 September 2011 the proportion of members' accrued benefits covered by the actuarial value of the assets was 100%.

The employer has contributed at a rate of 16%. Members have paid contributions in line with the rates outlined in Scheme documentation.

15 Pension commitments (continued)

The London Borough of Waltham Forest Pension Scheme (continued)

The financial assumptions used to calculate Scheme liabilities under FRS 102, Section 28 are as follows:

	2019 % pa	2018 % pa
Inflation	2.2	2.2
Discount rate	2.4	2.7
Rate of increase in salaries	3.7	3.7
Rate of increase for pensions in payment	2.3	2.3

The mortality assumptions used were as follows:

	2019 years	2018 years
Longevity at age 65 for current pensioners		
. Men	22.6	22.5
. Women	25.7	25.5
Longevity at age 65 for future pensioners		
. Men	24.8	24.7
. Women	28.0	27.9

The assets in the scheme and the expected rate of return.

	Value at 31 March 2019 £'000	Value at 2 April 2018 £'000
Property	119	99
Equities	875	802
Other bonds	146	136
Cash	40	49
Other	146	148
Total market value of assets	1,326	1,234
Present value of Scheme liabilities	(1,426)	(1,328)
Surplus (deficit) in the Scheme	(100)	(94)

15 Pension commitments (continued)

The London Borough of Waltham Forest Pension Scheme (continued)

Total expenditure recognised in the Statement of Financial Activities

	2019 £'000	2018 £'000
Current service cost	17	18
Interest cost	4	3
Total expenditure recognised in SOFA	21	21

Reconciliation of opening and closing balances of the present value of the charity's share of scheme liabilities

	2019 £'000	2018 £'000
Scheme liabilities at 2 April 2018	1,328	1,379
Current service cost	29	44
Interest cost	36	33
Contributions by scheme participants	7	8
Actuarial losses (gains)	66	(60)
Benefits/Transfers paid	(40)	(76)
Scheme liabilities at 31 March 2019	1,426	1,328

Contributions

The total contributions made by the employer in the year have been £12,000 (2018: £26,000).

The best estimate of contributions to be paid by the employer to the scheme for the year beginning after 31 March 2019 is £9,000.

Reconciliation of opening and closing balances of the fair value of the charity's share of the scheme assets:

	2019 £'000	2018 £'000
Fair value of scheme assets at 2 April 2018	1,234	1,253
Expected return on scheme assets	33	31
Actuarial gains (losses)	81	(7)
Administration expenses	(1)	(1)
Contributions by employer	12	26
Contributions by scheme participants	7	8
Benefits/Transfers paid	(40)	(76)
Fair value of scheme assets at 31 March 2019	1,326	1,234

16 Taxation

No provision has been made in these financial statements for corporation tax because the charitable activities of HCT Group qualify for exemption under Section 505 of ICTA 1986. Islington Community Transport, West Hull Community Transport, Social Access Limited and Lambeth and Southwark Community Transport, as registered charities, and Leeds Alternative Travel Limited, as an exempt charity, also qualify for exemption under Section 505 of ICTA 1986. Subsidiaries pay any taxable profits to HCT Group within nine months of the year end.

17 Restricted funds

Group	At 2 April 2018 £	Income £	Expenditure £	Gains, Losses & Transfers £	At 31 March 2019 £
South Gloucestershire Council	—	1,695,945	—	(1,695,945)	—
Bristol City Council	—	460,410	(460,410)	—	—
Big Lottery Fund	—	24,108	(24,108)	—	—
State of Jersey	—	125,000	—	(125,000)	—
Other	—	121,736	(121,736)	—	—
	—	2,427,199	(606,254)	(1,820,945)	—

Group	At 1 April 2017 £	Income £	Expenditure £	Gains, Losses & Transfers £	At 1 April 2018 £
Big Lottery Fund	—	18,500	(18,500)	—	—
	—	18,500	(18,500)	—	—

The charity did not have any restricted funds at 31 March 2019 or 1 April 2018.

South Gloucestershire Council – This was part of an award by DfT for the support in the purchase and development of a Bio Gas Station in south Bristol and some funds towards 21 Bio Gas Double Deck vehicles.

Bristol City Council – This was a grant from their Impact Fund to support Community Transport in Bristol.

Big Lottery Fund – A grant was awarded to assist with the start-up cost of a travel training programme.

State of Jersey – A grant was awarded to assist with the implementation of a contactless ticketing system across the buses used in Jersey.

Notes to the Financial Statements Year to 31 March 2019

18 Unrestricted funds

Group	At 2 April 2018 £	Income £	Expenditure £	Gains, Losses & Transfers £	At 31 March 2019 £
Designated fund	2,574,912	—	(1,137,372)	1,820,945	3,258,485
General fund	2,993,597	74,295,422	(76,528,187)	—	760,832
Pension reserve	(94,000)	—	(21,000)	15,000	(100,000)
	5,474,509	74,295,422	(77,686,559)	1,835,945	3,919,317

Group	At 1 April 2017 £	Income £	Expenditure £	Gains, Losses & Transfers £	At 1 April 2018 £
Designated fund	2,242,441	—	332,471	—	2,574,912
General fund	2,600,040	63,169,247	(62,775,690)	—	2,993,597
Pension reserve	(259,000)	—	112,000	53,000	(94,000)
	4,583,481	63,169,247	(62,331,219)	53,000	5,474,509

The designated fixed assets fund represents the net book value of those assets held at the balance sheet date that are not readily realisable into liquid funds less the related finance lease and loan obligations.

The transfers between funds relate to the release of restriction once the associated assets had been purchased and then entered into general use by the Group.

Charity	At 2 April 2018 £	Income £	Expenditure £	Gains, Losses & Transfers £	At 31 March 2019 £
General fund	1,870,926	10,402,207	(10,918,720)	—	1,354,413
	1,870,926	10,402,207	(10,918,720)	—	1,354,413

Charity	At 1 April 2017 £	Income £	Expenditure £	Gains, Losses & Transfers £	At 1 April 2018 £
General fund	1,819,944	2,601,764	(2,550,782)	—	1,870,926
	1,819,944	2,601,764	(2,550,782)	—	1,870,926

18 Status

At the year end, HCT Group controls the following subsidiary entities (all of which are consolidated in these financial statements unless otherwise stated):

Name	Status	Registration number
HCT Group Operations Community Interest Company (‘CTP’) (formerly CT Plus Community Interest Company)	Company limited by shares (England & Wales)	Company 04137890
CT Plus (Yorkshire) Community Interest Company (‘CTPY’) *	Company limited by shares (England & Wales)	Company 05629152
Knowsley Community Transport (‘KCT’)	Company limited by guarantee (England & Wales)	Company 08964168
Lambeth and Southwark Community Transport (‘LASCOT’)	Company limited by guarantee (England & Wales)	Company 04352550 Charity 1091621
Transport Co-ordination Centre Hackney Limited (‘TCC’)	Company limited by guarantee (England & Wales)	Company 03689127
Leeds Alternative Travel Limited (‘LAT’) **	Industrial and Provident Society	Industrial and Provident Society IP28657R
Bristol Community Transport (‘BCT’)	Company limited by guarantee (England & Wales)	Company 04749030
CT Plus Jersey Limited (‘CTPJ’)	Company limited by guarantee (Jersey)	Company 110804
CT Plus Guernsey Limited (‘CTPG’)	Company limited by shares (Guernsey)	Company 54761
Social Access Limited (‘SAL’)	Company limited by guarantee (England & Wales)	Company 06802970
Manchester Community Transport (‘MCT’)	Industrial and Provident Society	Industrial and Provident Society IP23540R
Community Transport for Town and County (‘CT4TC’)	Charity (England & Wales)	Charity 1060048

Notes to the Financial Statements Year to 31 March 2019

18 Status (continued)

Name	Status	Registration number
The Impact Group Limited ('IMP')	Company limited by shares (England & Wales)	Company 04464220
Powells Bus Company Limited ('PBC')	Company limited by shares (England & Wales)	Company 03190618
John Powell Travel Limited ('JPT')	Company limited by shares (England & Wales)	Company 05621425

* Held indirectly via HCT Group Operations Community Interest Company.

** Called up and fully paid issued shares that are owned by HCT Group, CT Plus Community Interest Company and CT Plus (Yorkshire) Community Interest Company.

In all cases, HCT Group owned 100% of the issued share capital or was the sole member where the entity is limited by guarantee or is an Industrial and Provident Society.

A summary of those subsidiaries whose results for the year ended 31 March 2019 have had a material impact on the consolidated financial statements is as follows:

Notes to the Financial Statements Year to 31 March 2019

19 Status (continued)

	CTP £	CTPY £	LAS £	BCT £	MCT £	CTPJ £	CTPG £	CTT £	PBC £	IMP £
Income	40,809,660	5,509,977	915,190	453,949	4,685,625	10,568,759	5,160,809	1,542,979	1,239,012	4,480,559
Expenditure	(39,877,113)	(5,456,792)	(915,190)	(533,620)	(5,809,042)	(10,139,842)	(4,833,487)	(1,790,675)	(1,152,379)	(6,417,262)
Operating surplus (deficit)	932,547	53,185	—	(79,671)	(1,123,417)	428,917	327,322	(247,696)	86,633	(1,936,703)
Interest receivable	—	—	—	—	—	—	—	25	—	9,206
Interest payable	(214,034)	—	—	—	(68,082)	—	—	—	—	(2,673)
Gift aid	(994,669)	(77,775)	—	-17,207	—	(1,100,452)	(135,044)	—	—	—
Net result	(276,156)	(24,590)	—	-96,878	(1,191,499)	(671,535)	192,278	(247,671)	86,633	(1,930,170)
Other gains	15,000	—	—	—	—	—	—	—	—	—
Net surplus / deficit	(261,156)	(24,590)	—	-96,878	(1,191,499)	(671,535)	192,278	(247,671)	86,633	(1,930,170)
Retained funds at 2 April 2018	261,155	24,589	—	382,927	—	2,764,468	210,226	18,527	(49,545)	2,131,847
Retained funds at 31 March 2019	(1)	(1)	—	286,049	(1,191,499)	2,092,933	402,504	(229,144)	37,088	201,677
Called up share capital At 31 March 2019	1	1	—	—	—	—	—	—	125	250,000
	—	—	—	286,049	(1,191,499)	2,092,933	402,504	(229,144)	37,213	451,677

20 Related party transactions

Transactions between the charity and its wholly controlled subsidiaries are not disclosed, as permitted by the exemptions set out in Section 33 of FRS 102 (*Related Party Disclosures*).

HCT Group appoints one trustee as a representative of the investors. E Siegel was the Managing Director of Big Issue Invest, which provides loan finance to HCT Group. E Siegel does not take part in any of the trustee meeting discussions surrounding financing decisions and all of the loans have been arranged on an arm's length basis.

HCT Group has representation on the board of SEN Travel Training LLP, but is not considered to have control. SEN Travel Training LLP is a wholly owned subsidiary of Bridges Ventures and A Ross, a trustee, is on the Board of Bridges Ventures. During the year HCT Group received payments of £282,431 to finance a new travel training scheme (2018 - £115,000). At 31 March 2019 £158,665 was owed to the LLP (2018 - £nil).

21 Entities joining HCT Group

	2019 £	2018 £
Community Transport for Town and County	18,527	—
Manchester Community Transport	—	287,604
Fair value of assets acquired from entities joining HCT Group	18,527	287,604

Community Transport for Town and County (CT4TC)

On 3 April 2018, CT4TC, a Derbyshire-based community transport organisation (Charity Registration Number 1060048), joined HCT Group. The rationale for the merger was that the level of social impact delivered by CT4TC is very high and this alone made it an attractive addition to the group portfolio. There was also a significant amount of demand responsive travel being delivered, which is a line of business which the group is looking to expand.

The identifiable assets and liabilities transferred comprised:

	2019 £
Tangible fixed assets	20,649
Debtors	154,946
Cash at bank and in hand	981
Creditors: amounts falling due within one year	(148,520)
Creditors: amounts falling due in more than one year	(9,529)
Total income recognised in SOFA	18,527

21 Entities joining HCT Group (continued)

Manchester Community Transport

On 4 October 2017, Manchester Community Transport (MCT), a Manchester-based community transport organisation (Industrial and Provident Society number IP23540R), joined HCT Group. The rationale for the merger was to ensure HCT Group could position itself within the Manchester area, expand its contract services and develop the community transport already offered by MCT.

The identifiable assets and liabilities transferred comprised:

	2018 £
Tangible fixed assets	1,755,315
Stocks	35,000
Debtors	183,374
Cash at bank and in hand	1,200
Creditors: amounts falling due within one year	(828,872)
Creditors: amounts falling due in more than one year	(858,413)
Total income recognised in SOFA	287,604

22 Business combinations

The Impact Group Limited

On 10 August 2018, HCT Group acquired The Impact Group, a London-based transport organisation (company no: 04464220). Whilst Impact is a commercial business a large proportion of its work was SEN contracts so the fit with HCT Group was strong. The depot in Perivale also gives us the ability to bid for TfL routes in West London as there is spare capacity in the yard. That the consideration was below the net asset value was also an attraction.

The identifiable assets and liabilities transferred comprised:

	Book value £	Fair value adjustment £	Fair value acquired £
Tangible fixed assets	1,623,980	—	1,623,980
Investments	100	—	100
Stocks	13,440	—	13,440
Debtors	1,550,527	—	1,550,527
Cash at bank and in hand	36,600	—	36,600
Creditors: amounts falling due within one year	(2,020,556)	118,585	(1,901,971)
Total fair value of assets and liabilities acquired	1,204,091	118,585	1,322,676
Purchase price	698,500	—	698,500
Negative goodwill acquired	(505,591)	(118,585)	(624,176)

The Impact Group Limited had provided for deferred tax which will not become payable under the accounting and operating policies of the Group.

22 Business combinations (continued)

Powells Bus Company Limited and John Powell Travel Limited

On 24 July 2018, HCT Group acquired Powells Bus Company and John Powell Travel, two South Yorkshire based transport organisations (company numbers: 03190618 and 05621425).

These long established, owner managed businesses were set up in South Yorkshire and were being sold due to the retirement of the owners. Our existing Yorkshire business was focussed on West Yorkshire with only a handful of services from the Wakefield depot venturing across the border to South Yorkshire. The acquisition of these businesses gave the group a depot in Rotherham from which we can expand our South Yorkshire operation.

The identifiable assets and liabilities transferred comprised:

Group	Powells Bus Company £	John Powell Travel £	2019 Total £
Tangible fixed assets	126,210	247,846	374,056
Stocks	8,200	—	8,200
Debtors	119,342	18,934	138,276
Cash at bank and in hand	9,028	55	9,083
Creditors: amounts falling due within one year	(297,832)	(178,932)	(476,764)
Creditors: amounts falling due after more than one year	(14,308)	(7,524)	(21,832)
Total fair value of assets and liabilities acquired	<u>(49,360)</u>	<u>80,379</u>	31,019
Purchase price			486,558
Goodwill acquired			455,539

On acquisition, no fair value adjustments were required as the book values were materially equal to the independently determined fair values.

Both acquisitions are examples of turning shareholder owned businesses into social businesses, which is something new in our sector.

23 Analysis of net assets between funds

Group	Designated fund £	General fund £	2019 Total £
Fund balances at 31 March 2019 are represented by:			
Tangible fixed assets	22,272,569	—	22,272,569
Intangible fixed assets	(131,115)	—	(131,115)
Stock	—	788,703	788,703
Debtors	—	10,084,171	10,084,171
Cash at bank and in hand	—	3,567,567	3,567,567
Creditors: amounts falling due within one year	(2,438,799)	(8,601,446)	(11,040,245)
Creditors: amounts falling due after one year	(16,444,170)	(4,631,959)	(21,076,129)
Provisions for liabilities	—	(446,204)	(446,204)
Pension liability	—	(100,000)	(100,000)
	3,258,485	660,832	3,919,317

Group	Designated fund £	General fund £	2018 Total £
Fund balances at 2 April 2018 are represented by:			
Tangible fixed assets	14,691,156	—	14,691,156
Stock	—	772,674	772,674
Debtors	—	7,122,494	7,122,494
Cash at bank and in hand	—	298,051	298,051
Creditors: amounts falling due within one year	(1,266,326)	(4,917,257)	(6,183,583)
Creditors: amounts falling due after one year	(10,849,918)	—	(10,849,918)
Provisions for liabilities	—	(282,365)	(282,365)
Pension liability	—	(94,000)	(94,000)
	2,574,912	2,899,597	5,474,509

Charity	Designated fund £	General fund £	2019 Total £
Fund balances at 31 March 2019 are represented by:			
Tangible fixed assets	5,389,219	—	5,389,219
Investments	1,185,058	—	1,185,058
Stock	—	332	332
Debtors	—	11,664,826	11,664,826
Cash at bank and in hand	—	1,358,136	1,358,136
Creditors: amounts falling due within one year	(1,622,378)	(5,215,180)	(6,837,558)
Creditors: amounts falling due after one year	(4,951,899)	(6,409,081)	(11,360,980)
Provisions for liabilities	—	(44,620)	(44,620)
	—	1,354,413	1,354,413

Notes to the Financial Statements Year to 31 March 2019

23 Analysis of net assets between funds (continued)

<i>Charity</i>	<i>Designated fund £</i>	<i>General fund £</i>	<i>2018 Total £</i>
<i>Fund balances at 2 April 2018 are represented by:</i>			
<i>Tangible fixed assets</i>	5,751,158	—	5,751,158
<i>Stock</i>	—	262	262
<i>Debtors</i>	—	6,795,569	6,795,569
<i>Cash at bank and in hand</i>	—	—	—
<i>Creditors: amounts falling due within one year</i>	(286,199)	(3,274,174)	(3,560,373)
<i>Creditors: amounts falling due after one year</i>	(5,464,959)	(1,621,773)	(7,086,732)
<i>Provisions for liabilities</i>	—	(28,958)	(28,958)
	<u>—</u>	<u>1,870,926</u>	<u>1,870,926</u>

24 Post balance sheet events

Other than the developments described in the assessment of going concern section of the principal accounting policies, there have been no material post balance sheet events that require disclosure.