

# **HCT Group**

## **Annual Report and Financial Statements**

Period ended 28 September 2020

Company Limited by Guarantee  
01747483 (England and Wales)

Charity Registration Number 1091318

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

<b>Trustees</b>	A Ross OBE (Interim Chair from 06 July 2020) Sir V Cable (Chair until 27 January 2020, then trustee)  A Levitt E Siegel R Sewell  J Winter  C Hewitt-Dyer  P Brennan
<b>Chief Executive Officer</b>	L McClelland
<b>Registered office</b>	CAN Mezzanine 49-51 East Road London N1 6AH
<b>Company registration number</b>	01747483 (England and Wales)
<b>Charity registration number</b>	1091318 (England and Wales)
<b>Auditor</b>	Buzzacott LLP 130 Wood Street London EC2V 6DL
<b>Bankers</b>	HSBC Canada Place Canary Wharf London E14 5AH
<b>Solicitors</b>	Womble Bond Dickinson

## Contents

### Reports

Chair and Chief Executive's report	3
Trustees' report	9
Strategic report	19
Independent auditor's report	25

### Financial statements

Consolidated statement of financial activities	29
Group and charity balance sheets	30
Consolidated statement of cash flows	31
Principal accounting policies	34
Notes to the financial statements	41

## **Chair Report**

HCT Group is an award-winning social enterprise in the transport industry, providing over 30 million passenger trips every year. We deliver a range of contracted services from London red buses to social services transport, and from school transport to whole bus networks and community transport. We also reinvest any surpluses from our service contracts into highly impactful transport services or projects in the communities we serve.

Our mission is:

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

The 18-month period in this report covers a period of major organisational change as well as the impact of COVID 19. We have brought together and empowered a new leadership team for the future. We have restructured and reformed our operations to better meet the needs of customers and communities. We have taken tough decisions to exit two operations. We have invested deeply in the technology and infrastructure we need to work on a sustainable footing.

In April 2020 we welcomed Lynn McClelland as our new CEO Designate, becoming CEO on Dai Powell's retirement in September 2020. Lynn brings extensive senior leadership specialising in transformation and change management in several sectors, including transport, logistics, food and financial services. Neil Stockton joined as CFO, with a background in retail and transport, and Mark Owen joined us from Arriva to take on the role of Operations & Engineering Director.

Under Lynn, the Leadership team has been redefined, with new faces from inside and outside HCT Group taking up new roles. It has been exciting to see how our leaders have already created fresh momentum in the organisation, despite the challenges of working remotely for much of the year.

As with any organisation providing public transport, the pandemic has had a major impact on our operations and also hampered our ability to provide our core high-impact services.

Taking vulnerable people out and about would have been not just impossible, but irresponsible. Our teams responded by quickly coming together to find an impactful response; we repurposed services from 'taking vulnerable people to things' to 'taking things to vulnerable people'. From food boxes to medicines to laptops for home-schooling children, we put ourselves at the service of our communities during lockdown.

As frontline workers, many of our colleagues worked all through the lockdown periods performing a vital public service with quiet courage. Despite every possible precaution, many became ill with COVID. One colleague, Nadir Nur, a well-liked driver on route 394 in London, sadly died and will be remembered by all.

The planned restructuring of the business was always going to make 2019/20 a difficult period for the Group. The closure and de-merger of operations in Manchester and Derby, and the need to drive operational improvement across the group, have inevitably resulted in significant restructuring costs. These have been exacerbated by the effects of COVID 19 and we have taken the decision to extend our financial year 2019/20 to 18 months, allowing us to place the majority of the impact of the restructuring and the pandemic into one accounting period.

I would like to thank the Board of Directors, the management team and our staff across the organisation for their work over the last 18 months. Much has been achieved, often in the face of challenging circumstances. A particular thank you must go to Dai Powell, HCT Group's Chief Executive of 27 years', who retired in September 2020 after many years leading HCT Group and building one of the UK's leading social enterprises. I would also like to thank the outgoing chair, Sir Vince Cable, for his support over his three-year term.

And finally, I would like to thank our partners in commissioning authorities and the other stakeholders we work with who support the delivery of our services and the development of new transport solutions to improve people's lives. HCT Group is an organisation built around its values and these values are shared by many of the organisations we work with.

The companion piece to our published accounts is our Social Impact: Special Report. The report explores in depth how we have adapted our services to support our communities during the pandemic. I would urge all readers of these accounts to also review the companion document.

As we emerge from the pandemic, the Board is confident that HCT Group is in a robust position with a strategy that is fit for the future. We have clear priorities for all parts of our organisation, a firm base on which to build and many opportunities to continue to further our mission to bring people and communities together.

Antony Ross

Interim HCT Group Chair (from 6 July 2020)

### **Chief Executive's report**

2020 will forever be defined by the COVID 19 outbreak, and the impact of the pandemic has meant unprecedented disruption, deep uncertainty and personal loss on a scale that is still difficult to comprehend. We have seen truly remarkable contributions from many people, both humbling and inspiring, including key workers, scientists, and volunteers. Charities played a critical role, flexing to offer services wherever needed in imaginative and compassionate ways. I am very proud that HCT Group played a part in that, as we used our deep understanding and connections with the vulnerable communities we serve to pivot the way in which we looked after them during the pandemic, with an impact both at the community and individual level.

Our teams were selfless in prioritising our clients' needs and continued to deliver a vital public service in the face of risks to their own health. We took extensive precautions but many of our colleagues became ill, and we lost one of our drivers in London to the virus. Our thoughts and sympathies are with his family, as well as the thousands of other families affected by the loss of their loved ones.

Our results for the period to September 2020 clearly reflect the challenges of operating transport services in the pandemic, as well as some changes to our business we had started in early 2020. From the very outset of the first lockdown we have been focused on ensuring that HCT Group emerges from the pandemic in as strong a position as possible. HCT Group exists to make a positive difference in our communities and this is underpinned by our performance as a social enterprise.

Starting a new leadership role during the first lockdown has been both challenging and rewarding. I have seen our teams continue to deliver services in the most difficult of circumstances, with quiet courage and exceptional commitment. It is a privilege to lead HCT Group, and as an executive team we are utterly focussed on delivering the right platform for growth to support the work our front-line teams do every day. We have a talented and experienced executive team, drawn from both within HCT & outside and with a mix of industry experience. Neil Stockton is an experienced CFO who joins us with a wide range of transformation experience, and we have benefitted from significant sector experience by appointing Phil Stockley as Commercial Director, Mark Owen as Operations and Engineering Director, and Karen Fuller as People and Safety Director. I am confident we now have the skills and experience in place to lead the organisation in the next stage of its development and growth.

### **A difficult financial period**

HCT Group has seen a deficit for the extended financial year 1 April 2019 to 28 September 2020 of £10.3m (2018/19 £1.56m). Total income for the 18-months to 28th September 2020 was £123.7m compared to £76.7m for the previous 12-month period. During the period the charity breached the covenants in the loan facilities and all lenders provided a waiver. The financial results also include a significant level of one-off and non-recurring losses.

The business was experiencing significant challenges when COVID began in March 2020, and the Board had already begun to make fundamental changes to restructure and strengthen the business to ensure the right platform for the next phase for the HCT Group. Two acquisitions from 2017 and 2018 were in need of significant operational improvements when they joined the Group and the Group could not address the ongoing losses or mitigate by performance elsewhere, particularly as a cyber-attack in May 2019 led to significant, permanent data loss, hampering our ability to run our business for a period of time.

The pandemic significantly affected our business, as patronage fell by up to 80%. This has been particularly true in our areas of work where we rely heavily on passenger fares for revenue – most notably in Jersey, but also in Yorkshire and, to a lesser extent, Bristol. The many commissioning authorities have been very supportive of contracts during the pandemic, and we have worked closely with them to make savings wherever possible to protect public funds, while continuing to run vital services.

To help mitigate the impact of COVID-19, we have made the best and most appropriate use of Government support schemes, including but not limited to the furlough scheme and Government-backed transport sector schemes.

### **Responding to challenges**

As the commercial challenges for the Group intensified, so did our response. Working with our Trustees, social investors and other stakeholders, we have implemented a significant restructuring programme to remove costs, and a major programme of change to drive efficiencies and build capability. We came to the difficult decision to withdraw support from Manchester Community Transport, which entered into liquidation in April 2020, and Derbyshire Community Transport also left the Group in January 2020.

A major programme of change is a significant investment, with the costs reflected in the results for the period. HCT Group growth in previous years had outstripped the infrastructure, capability and systems available and significant change was needed. The change programme has allowed us to bring in a new leadership team with the skills and experience required, and to invest in the technology and infrastructure needed to manage our business well. The hard work and effort invested in change by our teams is beginning to show positive results in terms of both revenue generation and cost base, and our trading position for the 12 months to September 2021 shows very material improvement.

### **Post balance sheet events**

**Learning Centre:** After 25 years working in our communities, constantly changing funding structures in the world of post-16 education and training meant that it was no longer possible to sustain our Learning Centre, which closed in November 2020. We hope that, in the future, the circumstances are right for us to look again at providing these programmes.

**Independent Travel Training:** Our programme to train young people with Special Educational Needs to travel independently on public transport was heavily affected by the pandemic – most of the trainees were forced to shield. As a payment by results service, it was no longer possible to continue the programme.

Community transport: A lack of affordable depot space forced the closure of our community transport operation in south London (LaSCoT) and ongoing funding challenges meant we had no alternative but to close Leeds Alternative Travel (LAT) in January 2020. We remain hopeful of finding ways to support the communities affected in the future.

Red bus contract renewals: In July 2021, HCT Group successfully re-tendered to retain London red bus routes 397 and W16 for a further 5 years. Together with our current contracts operated for TfL, this secures for the long term a significant part of our business, and we are confident of further growth in this area as we progress delivery of electrification.

Insurance renewal: HCT Group was able to secure a competitive 3-year insurance arrangement in April 2021, providing a stable platform for continuing operations.

### **Non-recurring costs**

Taken together, around 75% of the losses included in these accounts are non-recurring. Fare income losses in Jersey (£1.6m) are a direct result of the pandemic but are now abating. We have exited from loss-making operations – notably Manchester Community Transport (£2.2m), Derbyshire Community Transport (£0.4m) and the Learning Centre (£0.6m). We have also turned around loss-making operations in both London West (£1.2m) and Powell's (£0.2m) and have seen a variety of other non-recurring costs and balance sheet adjustments (£1.2m).

### **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.

The impact of COVID-19 on our communities cannot be overstated – and neither can the strength of our response. With their service users shielding for their own safety, we could no longer provide many of our community services. Faced with the fact that we could no longer take vulnerable people to things, services adapted overnight – to take things to vulnerable people. In each area of our operation, teams found innovative ways to continue serving the most vulnerable in our communities – genuine social entrepreneurship.

In Leeds, the Access Bus service was quickly repurposed to deliver emergency food parcels and packages to vulnerable people. Over the course of the first lockdown in 2020, they made over 750 deliveries. They also provided over 700 journeys for the patients of NHS anti-coagulant clinics to ensure that they could safely attend.

The team at Bristol Community Transport could no longer take out their vulnerable service users, so changed the way they tackled social isolation. Working with Age UK and the Marmalade Trust to identify at-risk residents, they teamed up with Fareshare, the leading foodbank, to box-up and deliver 11.6 tonnes of food (the equivalent of more than 27,000 meals) during lockdown.



In London, lockdown meant there was no Adult Social Care transport required and a limited role for Special Educational Needs transport or Community Transport. In response, our London teams placed themselves in the service of the community, delivering everything from food parcels to laptops for home-schooling children, from medicines to 'meal at home' vouchers, helping thousands of individuals.

These new solutions – some ad-hoc, some more long term – sprung up to meet emerging and immediate needs. As lockdown abates, our attention is turning to how we support vulnerable people to regain the independence lost to long periods of isolation in lockdown. We are also conducting a major project to redevelop how we measure and report impact in a post-COVID world.

### **Looking to the future**

At the time of publication, we can see that the UK vaccination programme has already allowed for a relaxation of controls, and it is possible to see a path to more normal life going forward with increased mobility for people. We believe that it also marks a turning point for the Group.

As we enter the next period, we see opportunities to grow our business substantially and further develop relationships with our strategic clients. In the medium term, we believe that the new UK Bus Strategy has the potential to grow our addressable market across the UK as more cities adopt a franchising model and we are in early conversations with authorities seeking to make this transition. We are making speedy progress in our aim of introducing electrification to our London operations – necessary for success in the TfL marketplace and delivering on our zero emissions goals as a social enterprise.

We also believe there are still significant efficiencies to be found in our operations and our new leadership team is delivering projects to achieve these, while also building a new platform for growth and scale. The change program has already begun to deliver results and our trading position has materially improved in the 12 months to September 2021.

Throughout the challenging period we have been supported by our lender community. Over the course of the past 18 months they have been active, engaged and flexible in their approach, and patient in the face of difficulty. Our trustees have been supportive and challenging in equal measure, giving generously of their time to provide support and continuity to a new team. We would also like to thank our commissioning authorities, most of whom have taken steps to preserve services in the face of great uncertainty.

Even in challenging times, HCT Group is making a real difference in our communities and delivering on its social mission. As we emerge from lockdown, we believe that all is in place to maintain stability, grow sustainably and increase our social impact.

Lynn McClelland

Chief Executive

## **Trustees' Report**

The trustees, who are directors of the charity, present their report together with the consolidated financial statements for the 18-months ended 28th September 2020. 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 objectives 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 objectives 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 2020 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, individuals are subject to an interview and 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 monthly.

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 three sub-committees of the Board, the Governance and Remuneration Committee which meets once a year, the Audit Committee and the Finance Committee which both meet quarterly or more frequently to serve the needs of the business.

During the period, the core of the senior management team included:

Chief Executive	Dai Powell (retired September 2020) Lynn McClelland (CEO Designate - April 2020, CEO – from September 2020)
Chief Finance Officer	John Smart (retired July 2019) Margaret Ashworth (from July 2019)
Chief Operations Officer	Jane Desmond (retired July 2020)

**Structure, governance and management** (continued)

At the time of publication, the core of the senior management team is

Lynn McClelland, Chief Executive Officer

Neil Stockton, Chief Finance Officer

Mark Owen, Operations & Engineering Director

Phil Stockley, Commercial Director

Karen Fuller, People and Safety Director

Gayle Twigg, Business Change Lead (interim)

Vanessa Ginn, Business Change Lead (interim)

These post holders are known as the Executive Team and they form 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 Executive Team of HCT Group, delegated to other staff members, as appropriate.

**Trustees**

The trustees in office during the period were as follows:

Sir V Cable

P Brennan (resigned 31 March 2021)

C Hewitt-Dyer (stepped down July 2020)

E Siegel

R Sewell

A Levitt

A Ross OBE

J Winter (resigned 31 March 2021)

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

### **Key management personnel**

The key management personnel have been classified as the three Chief Officers who served during the period. They are ably supported by the Senior Management Team which comprises of 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**

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. 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.

### **Streamlined Energy & Carbon Reporting Compliance**

Our streamlined energy and carbon reporting figures include energy consumption and carbon emissions for the group for the period 01 April 2019 – 30 September 2020.

Energy consumption is reported as kWh. Carbon emissions are reported as kilograms of carbon dioxide equivalent (kgCO<sub>2</sub>e). The consumption is an extrapolation of the 2018-2019 financial year data.

Scope 1 emissions are direct emissions from activities controlled by the group that release emissions into the atmosphere, whilst scope 2 emissions are indirect emissions associated with group consumption of purchased energy. Scope 3 emissions are those that are a consequence of the group business activities, but which occur at sources not owned or within the control of the group, and do not meet scope 2 classification.

All material sources of Scope 1 and 2 emissions are included on an extrapolation basis. Scope 3 sources represent such a small proportion of total emissions, the group does not report them. The group uses turnover as the intensity ratio.

A detailed review of the groups streamlined energy and carbon reporting impact is to be performed in the next financial period. The group continues to review measures to improve energy efficiency. The impact of the Covid 19 pandemic may have reduced the numbers disclosed however this is not included in the extrapolation.

**Streamlined Energy & Carbon Reporting Compliance** (continued)

**1 April 2019  
- 30 September 2020**

<b>Energy consumption used to calculate emissions (kWh)</b>	<b>32,723,472</b>
Energy consumption breakdown:	
Gas	2,547,084
Electricity	2,595,016
Transport	27,581,372
<b>Scope 1 emissions in kg CO<sub>2</sub>e</b>	<b>29,096,892</b>
Gas Consumption	804,921
Owned Transport	28,291,971
<b>Scope 2 emissions in kg CO<sub>2</sub>e</b>	<b>1,180,943</b>
Purchased electricity	1,180,943
<b>Scope 3 emissions in kg CO<sub>2</sub>e</b>	<b>-</b>
Business travel in employee owned vehicles	-
<b>TOTAL GROSS EMISSIONS IN kg CO<sub>2</sub>e</b>	<b>30,277,834</b>
<b>Intensity Ratio</b>	
KgCO <sub>2</sub> e/turnover	<b>25%</b>

HCT Group continues to introduce measures aimed at reducing our carbon intensity. In the period, we began a Group-wide rollout of a telematics system focussed on reducing harsh braking, harsh acceleration and engine idling, each of which contribute to fuel use. Using this system - and associated driver education - we have targeted a reduction in fuel consumption of 5% over the next year.

This period also saw the first full-year effect of our fleet of 21 biogas-powered vehicles in Bristol. The vehicles, which operate the m1 Metrobus service, run on carbon-neutral gas produced from post-consumer waste. HCT Group was also awarded its first contract to operate electric vehicles during the period (commenced operation April 2021). This service will enable us to learn more about the operation and maintenance of electric vehicles as we take steps to electrify our London red bus operation.

### **Section 172 of the Companies Act 2006**

Trustees have a duty to promote the success of the Charity and, in doing so, are required by section 172 of the Companies Act 2006 to have regard to various specific factors including:

- Likely consequences of any decision in the long term
- The interests of employees
- The need to build and sustain the Charity's business relationships with suppliers, customers, and others
- The impact of the Charity's operations on the community and environment
- The desirability of the Charity maintaining a reputation for high standards and business conduct

Day to day management is delegated to the Chief Executive and Executive management team who are required to act in furtherance of the Charity's strategy and to ensure that the Charity's activities are carried out in compliance with policies approved by the Board of Trustees. The Trustees meet on a monthly basis and regularly review strategy to assess progress and identify areas of focus for the future month and the following year. The Trustees receive updates on the Charity's performance at each meeting, while its committees review performance and plans with regards to the particular activities overseen by the Committee concerned. By monitoring that management is acting in accordance with the strategy and in compliance with specific policies, the Trustees obtain assurance that in promoting the success of the Charity, due regard is given to the factors set out in section 172.

Engagement with the main stakeholder groups, including our staff, supporters, our lender group, key commercial customers, regulators, and other key stakeholders is reported to the Trustees on a regular basis by the Chief Executive including relationships, engagement activities, current issues and relevant feedback received from the interaction with stakeholders.

#### ***The impact of the Charity's operations on the community and environment***

Pre COVID-19/pre-crisis, our impact report was a coherent attempt to measure the social change we had achieved as a charity in line with our charitable objects. It was considered a leading example of impact reporting in the social sector. With COVID -19 many of our service users had to shield for their own safety, and we could no longer provide many of our community services. For the same reason, nor could we carry out our research on how services had previously helped. Reporting in our normal way was not possible. We hope to return to more rigorous reporting in the future. Further details can be found in the report: Global crisis, local impact social impact in the time of COVID-19, available at [www.HCTgroup.org](http://www.HCTgroup.org)

We monitor the environmental impact of our activities and report on energy usage, see pages 13 and 14.



**Section 172 of the Companies Act 2006** (continued)

***Likely consequences of any decision in the long term***

The Charity's strategy is based on securing, delivering, and retaining public transport contracts and reinvest any surpluses into more impactful social transport services or projects in the communities we serve. The 18-month period in this report covers a period of major organisational change as well as the impact of COVID 19. Under the new leadership we have restructured and reformed our operations to better meet the needs of customers and communities, we have taken tough decisions to exit two operations, and we have invested deeply in the technology and infrastructure we need to work on a sustainable footing. As with any organisation providing public transport, the pandemic has had a major impact on our operations and hampered our ability to provide our core high-impact services.

As we emerge from the pandemic, the Board is confident that HCT Group has a strategy that is fit for the future. We see opportunities to grow our business substantially and further develop relationships with our strategic clients. In the medium term, we believe that the new UK Bus Strategy has the potential to grow our addressable market across the UK as more cities adopt a franchising model and we are in early conversations with authorities seeking to make this transition. We are making good progress in our aim of introducing electrification to our London operations and delivering on our zero emissions goals as a social enterprise. We have clear priorities for all parts of our organisation, a firm base on which to build and many opportunities to continue to further our mission to bring people and communities together.

The Trustees keep under review the Charity's principal risks and its risk appetite at each meeting and further details on risk management are set out at pages 20 and 21.

***The need to build and sustain the Charity's business relationships with suppliers, customers, and others***

Through regular engagement with key stakeholders, we maintain an understanding of their needs that informs how we define our organisational objectives, policies, and strategy. We continue to work closely with leaders in local government, Transport for London, and the wider social impact community to help shape and inform policy to meet our objectives as a social enterprise.

Our executive team conducts a periodic review of staff engagement and assesses outcomes and actions. The Chief Executive holds regular staff briefings to update on business issues and performance, alongside information on matters of concern for them as employees through various channels of communication and regular updates from members of the executive team.

**Section 172 of the companies Act 2006** (continued)

***The need to build and sustain the Charity's business relationships with suppliers, customers, and others*** (continued)

We follow best practice guidance and standards issued by regulators such as the Charity Commission and the Traffic Commissioner. We adhere to the Charity Commission reporting requirements in respect of serious incidents and we make sure that we file the necessary returns annually with the Charity Commission and with Companies House. We work with a broad range of suppliers from small independent business to larger organisations. Our sourcing processes are currently being redesigned to enable the Charity to be flexible and vary according to the supply base within the sector. We operate policies to ensure that the Charity achieves best value from suppliers while protecting its reputation and assets. Controls are in place to ensure that our money is spent on agreed objectives and is safe from inappropriate or fraudulent use.

***The desirability of the Charity maintaining a reputation for high standards and business conduct***

The Board of Trustees together with the executive leadership team set the Charity's culture, values, and standards and ensure its obligations to stakeholders are met. The Charity has a number of policies in place promoting corporate responsibility and ethical behaviour. Areas covered include safeguarding, health and safety, whistleblowing, and conflicts of interest. Regular training takes place for both new and existing staff on safeguarding skills and the Charity actively engages with stakeholders in schools, adult education centres and local authorities to review the safe execution of our services. Safeguarding issues are raised on a weekly basis at the executive team level and monthly with the Board of Trustees. It is essential that the public trust in the Charity is maintained and not damaged because of inadequate safeguarding.

**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.

**Statement of trustees' responsibilities** (continued)

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.

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:

Antony Ross

Approved by the board on 29 September 2021

### **Statement of public benefit**

When setting the objectives and planning the work of the Group for the period 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 period are set out in the Chair's report and the Chief Executive's report.

### **Financial review**

In the period ended 28 September 2020, there was net expenditure of £10,037,456 (year to 31 March 2019 - net expenditure £1,570,192) before net actuarial losses (year to 31 March 2019 - gains) on final salary pension schemes. After the actuarial loss on the defined benefit pension schemes of £268,000 (year to 31 March 2019 £15,000) the total net movement of funds was a deficit of £10,305,456 (year to 31 March 2019 - deficit of £1,555,192).

### **Reserves**

The Group has three reserves funds.

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 28 September 2020 the balance of the Group's total funds was negative £6.4m (2019 – £3.9m).

None of these reserves were held for restricted purposes (2019 - £nil).

### **Reserves policy** (continued)

The balance on the Group's pension reserve as at 28 September 2020 was a deficit of £418,000 (2019 – deficit of £100,000). 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 as at 28 September 2020 was £2.7m (2019 - £3.3m).

After deducting the funds mentioned above, the balance on the Group's general reserves as at 28 September 2020 was negative £8.9m (2019 - £0.8m). The Group had net current liabilities as at 28 September 2020 of £154,320 (net current assets 2019 – £3,400,196).

The Group is reliant on a number of income streams and is also subject to fluctuations in the cost of its activities.

In previous years, the Trustees have estimated that a total of £4.9m, representing approximately three weeks of expenditure, was the stated requirement in reserves. In the last two financial periods the reserves were below this required level and have declined further in 2020 due to the significant challenges the Charity has faced. The Trustees are aware that charities are required to publish a reserves policy to explain to all stakeholders why they are setting money aside rather than spending it on their principal aims. Going forward the intention is to review the reserves the charity holds and why they are held as part of the ongoing financial planning throughout the year. A new reserves policy is to be developed that meets the needs of the charity and its recovery.

### **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.

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

**Risk management (continued)**

Risk	Procedures to mitigate risk
The Group is in breach of its loan covenants.	The Group invested in a number of acquisitions in the previous financial period to ensure continuity of social impact, however both were in a state of commercial distress incurring losses and combined with the impact of the Covid-19 pandemic, led the Group to be in breach of its covenants. The Lender Group have been kept up to date on a continual basis as to the financial performance of the business and have been very supportive in continuing to provide a waiver of covenants.
The Group fails to achieve its budgeted profit	As noted above, the COVID-19 pandemic and its significant commercial effects, alongside realised losses from the disposal/closure of acquisitions and other challenges in trading performance acquisitions to secure continuity of social impact have resulted in in-year losses. During the first half of the year Lynn McClelland, CEO led a strategic review of our business, presenting a new strategy and business plan for HCT. The Board was closely involved in this review, and over several months discussed business evolution and its implications for HCT's portfolio and strategy for the future. It has been a year of significant management change. In addition to a new CEO, a new senior leadership team has been appointed to lead a recovery and turnaround, and from very outset of the first lockdown the team have been focused on ensuring that the business emerges from the pandemic in as strong a position as possible.
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.
Systems continue to be inadequate to support the Group's business	The Group is in the process of implementing a full redevelopment of our IT infrastructure including modernisation of equipment, migration of services to the cloud and integrating different systems.  A new HR and payroll system has been commissioned in addition to a management dashboard to report on key performance indicators.
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 loans, leasing agreements and letters of credit of various forms, the main purpose of which is to provide 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, 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**

To make this assessment in relation to the preparation of the financial statements of HCT Group for the year ended 28th September 2020, the Trustees have considered the following evidence:

Financial projections for a period of 24-months from the 1st October 2021 which included forward projection of funding, costs and cash flow, including details of headroom and borrowing available along with an assessment of the certainty with which these are made.

An Independent Business Review of the financial projections prepared by BDO LLP, which set out in detail and confirmed management's trading assumptions, new business opportunities and detailed risks & sensitivities around these assumptions and provided different scenarios including a summary of best- and worst-case scenarios and potential impact on cash flows which have been taken into consideration.

The Trustees consider that the charity's process and controls are now sufficiently robust for them to make informed decisions as to its current financial position, and its ability to react to possible adverse funding situations. A monthly risk register is presented to the board which sets out specific risks to future income streams and any risks to liquidity and mitigation plans. A short-term cash forecast is prepared weekly and reviewed by the senior leadership team. The Group operates budget and expenditure commitment controls, reports weekly on trade debtors, and there are no systemic trends in non-payment.

### **Going concern** (continued)

HCT has made considerable progress in the 12-months to September 2021, as referenced elsewhere in this report, at improving its underlying financial performance and the 2-year financial projections indicate a continued improvement in operating performance and a return to profitability and positive cash flow. However, the Group must pay accumulated arrears to HMRC and the Department for Transport which were incurred in 2020 and relate to the Covid-19 pandemic. The Group was not able to access the Coronavirus Business Interruption Loan Scheme (CBIL) and took benefit of the relaxation to pay PAYE for a period in 2020. A time to pay arrangement has been agreed with HMRC and this has been included in the financial projections considered by the Trustees. As at the time of writing, a time to pay arrangement is being discussed but has not been agreed with the Department for Transport. The projections and range of outcomes considered indicate that the Group will be making arrears payments over the next two to three years and that further funding may need to be raised in the next 12–24-month period to support continued growth and time to pay arrangements. Options for funding are currently being progressed, however at the present time there is a degree of uncertainty on the event.

### **Covid-19**

In making their assessment of going concern, the Trustees have considered the range of possible outcomes, as well as mitigating actions which could be taken by the charity in relation to the Covid-19 pandemic. At the time of writing the Covid-19 pandemic is still in progress and whilst many of the initial impacts on the charity have become clear the extent of further disruption in Winter 2021/22 to income, whether by delay or permanent loss of opportunity, to expenses and assets is not possible to reliably gauge. The projections, forecasts, sensitivity analysis and action plans set out above incorporate Trustees' and management's current expectations, but it is inherent in the current situation that the range of probable outcomes is significantly greater and the degree of certainty that can be applied to any assumptions is significantly lower than would usually be the case.

The Trustees have considered the requirement that the financial statements should be prepared on a going concern basis unless they intend to liquidate the charity or cease operations or have no realistic alternative but to do so. Based on the range of possible outcomes identified, and notwithstanding the possibility of such an outcome in the worst-case scenarios, it is appropriate that the financial statements should be prepared on a going concern basis.

In making this assessment, the Trustees have considered whether there is a material uncertainty that the charity can continue as a going concern and how this should be presented in the financial statements.



**Going concern** (continued)

Based on these considerations, the Trustees have concluded that:

The degree of uncertainty described above constitutes a material uncertainty related to going concern, however the financial statements of HCT Group for the year ended 28th September 2020, should be prepared on the going concern basis

Signed on behalf of the board of trustees:

Antony Ross

Approved by the board on 29 September 2021

## **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 period ended 28 September 2020 which comprise the consolidated statement of financial activities, the group and charitable parent company balance sheets, the consolidated 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 28 September 2020 and of the group's income and expenditure for the period 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**

#### *Comparative information*

As reported in the previous financial statements HCT Group acquired a 100% interest in Powell's Bus Company Limited and John Powell Limited on 25 July 2018. During our audit for the year ended 31 March 2019, 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 for the year ended 31 March 2019 was free from material misstatement. Our opinion on the current period's financial statements is modified because of the possible effects of this matter on the comparability of the current period's figures and the corresponding figures. 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. As set out in those accounting policies, the trustees have concluded 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

The trustees' conclusion is that the financial statements should be prepared on the going concern basis notwithstanding these uncertainties.

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 for the year ended 31 March 2019 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 period 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](http://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.

**Independent auditor's report** Period ended 28 September 2020

Signed by:

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

Date: 30.9.2021

**Consolidated statement of financial activities** Period ended 28 September 2020

				Period ended 28 September 2020			Year to 31 March 2019
	Notes	Unrestricted funds £	Restricted funds £	Total funds £	Unrestricted funds £	Restricted funds £	Total funds £
<b>Incorporating income and expenditure account</b>							
<b>Income from:</b>							
Donations	1	211,617	—	211,617	18,527	2,427,199	2,445,726
Charitable activities							
. Income from transport services	2	120,269,826	—	120,269,826	74,266,704	—	74,266,704
Furlough income		1,048,609	—	1,048,609	—	—	—
Investments		56	—	56	10,191	—	10,191
Other Income		2,176,721	—	2,176,721	—	—	—
<b>Total income</b>		<b>123,706,829</b>	<b>—</b>	<b>123,706,829</b>	<b>74,295,422</b>	<b>2,427,199</b>	<b>76,722,621</b>
<b>Expenditure on:</b>							
Charitable activities							
. Community transport	3	6,180,040	—	6,180,040	5,254,390	606,254	5,860,644
. Public sector contracts	3	124,185,103	—	124,185,103	70,953,538	—	70,953,538
. Training programmes	3	2,498,887	—	2,498,887	1,478,631	—	1,478,631
. Disposal of subsidiaries	19	880,255	—	880,255	—	—	—
<b>Total expenditure</b>		<b>133,744,285</b>	<b>—</b>	<b>133,744,285</b>	<b>77,686,559</b>	<b>606,254</b>	<b>79,292,813</b>
<b>Net (expenditure) income for the period</b>		<b>(10,037,456)</b>	<b>—</b>	<b>(10,037,456)</b>	<b>(3,391,137)</b>	<b>1,820,945</b>	<b>(1,570,192)</b>
<b>Transfers between funds</b>	18	—	—	—	1,820,945	(1,820,945)	—
<b>Net (expenditure) after transfers</b>		<b>(10,037,456)</b>	<b>—</b>	<b>(10,037,456)</b>	<b>(1,570,192)</b>	<b>—</b>	<b>(1,570,192)</b>
<b>Other recognised (losses) / gains:</b>							
Actuarial (losses) / gains on pension schemes	18	(268,000)	—	(268,000)	15,000	—	15,000
<b>Net movement in funds</b>		<b>(10,305,456)</b>	<b>—</b>	<b>(10,305,456)</b>	<b>(1,555,192)</b>	<b>—</b>	<b>(1,555,192)</b>
<b>Total funds brought forward at 1 April 2019</b>		<b>3,919,317</b>	<b>—</b>	<b>3,919,317</b>	<b>5,474,509</b>	<b>—</b>	<b>5,474,509</b>
<b>Total funds carried forward at 28 September 2020</b>		<b>(6,386,139)</b>	<b>—</b>	<b>(6,386,139)</b>	<b>3,919,317</b>	<b>—</b>	<b>3,919,317</b>

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

Group and charity balance sheets 28 September 2020

	Notes	Group		Charity	
		28 September 2020 £	31 March 2019 £	28 September 2020 £	31 March 2019 £
<b>Fixed assets</b>					
Tangible fixed assets	7	13,244,633	22,272,569	1,280,341	5,389,219
Investment in subsidiary undertakings	20	—	—	1,185,059	1,185,058
Goodwill	6	—	354,355	—	—
Negative goodwill	6	—	(485,470)	—	—
<b>Total fixed assets</b>		<b>13,244,633</b>	<b>22,141,454</b>	<b>2,465,400</b>	<b>6,574,277</b>
<b>Current assets</b>					
Stock		708,473	788,703	337	332
Debtors	8	10,540,613	10,084,171	4,150,314	11,664,826
Cash at bank and in hand		5,370,078	3,567,567	1,785,733	1,358,136
<b>Total current assets</b>		<b>16,619,164</b>	<b>14,440,441</b>	<b>5,936,384</b>	<b>13,023,294</b>
<b>Liabilities</b>					
Creditors: amounts falling due within one year	9	(16,773,484)	(11,040,245)	(5,935,317)	(6,837,558)
<b>Net current (liabilities)/assets</b>		<b>(154,320)</b>	<b>3,400,196</b>	<b>1,067</b>	<b>6,185,736</b>
<b>Total asset less current liabilities</b>		<b>13,090,313</b>	<b>25,541,650</b>	<b>2,466,467</b>	<b>12,760,013</b>
Creditors: amounts falling due after more than one year	10	(18,325,377)	(21,076,129)	(10,000,000)	(11,360,980)
Provisions for liabilities	14	(733,075)	(446,204)	(46,500)	(44,620)
<b>Net (liabilities)/assets excluding pension liabilities</b>		<b>(5,968,139)</b>	<b>4,019,317</b>	<b>(10,046,500)</b>	<b>1,354,413</b>
Net pension liabilities	15	(418,000)	(100,000)	—	—
<b>Net (liabilities)/ assets including pension liabilities</b>		<b>(6,386,139)</b>	<b>3,919,317</b>	<b>(7,580,033)</b>	<b>1,354,413</b>
<b>The funds of the group:</b>					
Unrestricted funds:					
. Designated funds	18	2,712,744	3,258,485	—	—
. General fund	18	(8,680,883)	760,832	(7,580,033)	1,354,413
. Pension reserve	18	(418,000)	(100,000)	—	—
<b>Total group funds</b>		<b>(6,386,139)</b>	<b>3,919,317</b>	<b>(7,580,033)</b>	<b>1,354,413</b>

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

Antony Ross, Trustee

Approved by the board on: 29 September 2021

**Consolidated Statement of cash flows** Period ended 28 September 2020

	Notes	<b>Period ended 28 September 2020 £</b>	Year to 31 March 2019 £
<b>Cash flows from operating activities:</b>			
Net cash (used in) provided by operating activities	A	<b>(1,751,981)</b>	3,201,625
<b>Cash flows from investing activities:</b>			
Proceeds from the disposal of tangible fixed assets		<b>8,517,813</b>	319,474
Purchase of subsidiary undertaking		—	(1,185,118)
Purchase of tangible fixed assets		<b>(1,560,108)</b>	(8,353,494)
<b>Net cash provided by (used in) investing activities</b>		<b>6,957,705</b>	(9,219,138)
<b>Cash flows from financing activities:</b>			
Repayments of borrowing		<b>(2,983,040)</b>	(8,760,916)
Interest paid		<b>(420,173)</b>	(1,431,276)
Cash inflows from new borrowing		—	19,432,557
<b>Net cash (used in) provided by financing activities</b>		<b>(3,403,213)</b>	9,240,365
<b>Change in cash and cash equivalents in the year</b>		<b>1,802,511</b>	3,222,852
<b>Cash received on merger</b>		—	46,664
<b>Cash and cash equivalents at 1 April 2019</b>	B	<b>3,567,567</b>	298,051
<b>Cash and cash equivalents at 28 September 2020</b>	B	<b>5,370,078</b>	3,567,567



**Consolidated Statement of cash flows** Period ended 28 September 2020

**Notes to the statement of cash flows for the period to 28 September 2020.**

**A Reconciliation of net income to net cash flow (used in) provided by operating activities**

	<b>Period ended 28 September 2020 £</b>	Year to 31 March 2019 £
<b>Net income (as per the statement of financial activities)</b>	<b>(10,037,456)</b>	(1,570,192)
<b>Adjustments for:</b>		
Depreciation charge (Note 7)	<b>3,921,131</b>	2,482,427
Amortisation of Goodwill	<b>(131,115)</b>	(37,462)
Mergers	<b>—</b>	(18,527)
Pension charge	<b>45,000</b>	17,000
Net interest from pension scheme	<b>5,000</b>	4,000
(Profit) loss on disposal of tangible fixed assets	<b>(2,176,720)</b>	138,074
Impairments	<b>325,821</b>	—
Interest payable	<b>439,177</b>	1,431,276
Decrease in stocks	<b>80,230</b>	5,611
Increase in debtors	<b>(456,442)</b>	(1,117,928)
Increase in provisions	<b>286,871</b>	163,839
Increase in creditors	<b>5,946,522</b>	1,703,507
<b>Net cash (used in) provided by operating activities</b>	<b>(1,751,981)</b>	3,201,625

**B Analysis of cash and cash equivalents**

	<b>Period ended 28 September 2020 £</b>	Year to 31 March 2019 £
Cash at bank and in hand	<b>5,370,078</b>	3,567,567
<b>Total cash and cash equivalents</b>	<b>5,370,078</b>	3,567,567

**Consolidated Statement of cash flows** Period ended 28 September 2020

**C Analysis of changes in net debt**

	At start of period	Cashflows	Disposal of subsidiaries	New finance leases	At period end
Cash and cash equivalents	3,567,567	1,802,511	—	—	<b>5,370,078</b>
Loans falling due within one year	(1,558,388)	1,558,388	—	—	—
Loans falling due after more than one year	(11,738,776)	1,699,626	39,150	—	<b>(10,000,000)</b>
Finance lease obligations	(10,217,764)	(40,019)	—	(274,105)	<b>(10,531,888)</b>
<b>Total</b>	<b>(19,947,361)</b>	<b>5,020,506</b>	<b>39,150</b>	<b>(274,105)</b>	<b>(15,161,810)</b>

## **Principal accounting policies** Period ended 28 September 2020

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 period from 1 April 2019 to 28 September 2020. The comparative figures are for the period from 2 April 2018 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), 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;
- ◆ estimating the value of goodwill;
- ◆ 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 of income from charitable activities;
- ◆ estimates in respect of accrued expenditure;
- ◆ estimating any provision for slow moving and/or obsolete stock;
- ◆ estimating the future income and expenditure for the purposes of assessing going concern;
- ◆ estimates applied in calculating the self-insurance provision; and
- ◆ actuarial assumptions used in calculating the defined benefit pension liability.

### **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. To make this assessment in relation to the preparation of the financial statements of HCT Group for the period ended 28th September 2020, the Trustees have considered the following evidence:

- ◆ At the time of the previous financial statements the Group had prepared a detailed recovery plan and was in discussion with funders and other counter parties with a view of obtaining sufficient funding to achieve a turnaround over the next two financial years. Eighteen months on the group has made material progress with its turnaround plan and the Trustees have received renewed support from its lender group to continue supporting the group. Lenders had formally waived covenant compliance during the period to 28 September 2020 and confirmed an ongoing waiver until 30 September 2021.
- ◆ Financial projections for a period of 24-months from the 1st October 2021 which included forward projection of funding, costs and cash flow, including details of headroom and borrowing available along with an assessment of the certainty with which these are made.
- ◆ An Independent Business Review of the financial projections prepared by BDO LLP, which set out in detail management's trading assumptions, new business opportunities and detailed risks & sensitivities around these assumptions and provided different scenarios including a summary of best- and worst-case scenarios.
- ◆ The charity's process and controls are now sufficiently robust for them to make informed decisions as to its current financial position, and its ability to react to possible adverse funding situations. A monthly risk register is presented to the board which sets out specific risks to future income streams and any risks to liquidity and mitigation plans. A short-term cash forecast is prepared weekly and reviewed by the senior leadership team. The Group operates budget and expenditure commitment controls, reports weekly on trade debtors, and there are no systemic trends in non-payment.
- ◆ The two-year financial projections indicate a continued improvement in operating performance and a return to profitability and positive cash flow. However, the Group must pay accumulated arrears to HMRC and the Department for Transport which were incurred in 2020 and relate to the Covid-19 pandemic. The Group was not able to access the Coronavirus Business Interruption Loan Scheme (CBIL) and took benefit of the relaxation to pay PAYE for a period in 2020. A time to pay arrangement has been agreed with HMRC and this has been included in the financial projections. As at the time of writing, a time to pay arrangement is being discussed but has not been agreed with the Department for Transport. The continued delivery of the Group's recovery plan is dependent upon reaching agreement with the DFT.

## Principal accounting policies Period ended 28 September 2020

- ◆ The projections and range of outcomes considered indicate that the Group will be making arrears payments over the next two to three years and that further funding may need to be raised in the next 12–24-month period to support continued growth and time to pay arrangements. Options for funding are currently being progressed, however at the present time there is a degree of uncertainty on the event.
- ◆ Covid-19: At the time of writing the Covid-19 pandemic is still in progress and whilst many of the initial impacts on the charity have become clear the extent of further disruption in Winter 2021/22 to income, whether by delay or permanent loss of opportunity, to expenses and assets is not possible to reliably gauge. The projections, forecasts, sensitivity analysis and action plans set out above incorporate Trustees' and management's current expectations, but it is inherent in the current situation that the range of probable outcomes is significantly greater and the degree of certainty that can be applied to any assumptions is significantly lower than would usually be the case.

The Trustees have considered the requirement that the financial statements should be prepared on a going concern basis unless they intend to liquidate the charity or cease operations or have no realistic alternative but to do so. Based on the range of possible outcomes identified, and notwithstanding the possibility of such an outcome in the worst-case scenarios, it is appropriate that the financial statements should be prepared on a going concern basis.

In making this assessment, the Trustees have considered whether there is a material uncertainty that the charity can continue as a going concern and how this should be presented in the financial statements. Based on these considerations, the Trustees have concluded that:

The degree of uncertainty described above constitutes a material uncertainty related to going concern, however the financial statements of HCT Group for the period ended 28th September 2020, should be prepared on the 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 54.

### **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.

**Subsidiary acquisitions** (continued)

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.

**Parent charity information**

The parent charity HCT Group had total income of £3,634,310 (year to 31 March 2019 - £7,973,369) and net expenditure of £8,934,446 for the period ended 28 September 2020 (year to 31 March 2019 - net expenditure of £516,513). The parent company has taken advantage of the exemptions from preparing a separate income statement and statement of cash flows.

**Income recognition**

Income is recognised in the period in which the charity 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 charity 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.

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

**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 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

**Expenditure recognition and the basis of apportioning costs** (continued)

- ◆ 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 HCT Group Operations Community Interest Company are offered membership of the London Borough of Waltham Forest Pension Fund. The London Borough of Waltham Forest Pension Fund is a defined benefit scheme and HCT Group Operations Community Interest Company is able to identify the share of assets and liabilities of the schemes. The requirements of FRS 102 in respect of defined benefit pension schemes have been followed.

**Pensions** (continued)

The share of the scheme's 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.

**Debtors**

Debtors are recognised at their settlement amount, less any provision for non-recoverability. Prepayments are valued at the amount prepaid. They 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.

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 or deficit 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 and 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, as at 28 September 2020, 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 within nine months of the year end to the parent charity.

Notes to the Financial Statements Period ended 28 September 2020

1 Donations

Group	Period ended 28 September 2020 Unrestricted funds £	Period ended 28 September 2020 Restricted funds £	Period ended 28 September 2020 Total funds £
Community Transport Grants Bristol City Council	207,200	—	207,200
	<b>207,200</b>	<b>—</b>	<b>207,200</b>
Donations	4,417	—	4,417
<b>2020 Total funds</b>	<b>211,617</b>	<b>—</b>	<b>211,617</b>

Group	Year to 31 March 2019 Unrestricted funds £	Year to 31 March 2019 Restricted funds £	Year to 31 March 2019 Total funds £
<i>Community Transport Grants</i>			
. Big Lottery Fund grant (note 17)	—	24,108	24,108
. Bristol City Council	—	460,410	460,410
. Other	—	56,736	56,736
	—	<b>541,254</b>	<b>541,254</b>
<i>Capital grants</i>			
. South Gloucestershire Council grant	—	1,695,945	1,695,945
. Ticketing system grant	—	112,500	112,500
. Vehicle equipment grant	—	12,500	12,500
	—	<b>1,820,945</b>	<b>1,820,945</b>
Donations	—	65,000	65,000
<i>Transfer of charitable assets on merger</i>			
. Transfer of net assets from CT4TC *	18,527	—	18,527
	<b>18,527</b>	<b>—</b>	<b>18,527</b>
<b>2019 Total funds</b>	<b>18,527</b>	<b>2,427,199</b>	<b>2,445,726</b>

\*On 3 April 2018, HCT Group merged with CT4TC, a Derby-based community transport charitable company.

## 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	Period ended 28 September 2020 Unrestricted funds £	Period ended 28 September 2020 Restricted funds £	Period ended 28 September 2020 Total funds £
Public Sector Contracts			
. Bus Operations	100,648,806	—	<b>100,648,806</b>
. Home to School Transport	12,854,227	—	<b>12,854,227</b>
Community Transport			
. Contracts	3,184,256	—	<b>3,184,256</b>
. Group Transport	1,734,971	—	1,734,971
. ScootAbility	142,500	—	142,500
Other	362,290	—	362,290
Training Programmes	1,342,776	—	1,342,776
<b>2020 Total funds</b>	<b>120,269,826</b>	—	<b>120,269,826</b>

Group	Year to 31 March 2019 Unrestricted funds £	Year to 31 March 2019 Restricted funds £	Year to 31 March 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
<b>2019 Total funds</b>	<b>74,266,704</b>	—	<b>74,266,704</b>

### 3 Expenditure on charitable activities

	Basis of allocation	Community transport £	Public sector contracts £	Training programmes £	Period ended 28 September 2020 Total £
<b>Costs directly allocated to activities</b>					
Provision of transport services					
. Bus operations	Direct	—	98,784,955	—	<b>98,784,955</b>
. Home to school transport	Direct	—	14,471,420	—	<b>14,471,420</b>
. Community Transport Contracts	Direct	3,327,775	—	—	<b>3,327,775</b>
. Group transport	Direct	2,216,775	—	—	<b>2,216,775</b>
. ScootAbility	Direct	92,963	—	—	<b>92,963</b>
Training Programmes					
. Driver training programmes	Direct	—	—	2,369,520	<b>2,369,520</b>
<b>Support costs allocated to activities</b>					
Governance costs	Turnover	7,272	146,494	1,733	<b>155,499</b>
Other staff	Turnover	155,222	3,126,808	38,848	<b>3,319,043</b>
Management	Turnover	99,478	2,003,888	21,886	<b>2,127,087</b>
Premises costs	Turnover	12,114	244,031	2,889	<b>259,034</b>
Office costs	Turnover	45,926	925,135	10,951	<b>982,012</b>
Other costs	Turnover	140,130	2,822,790	33,415	<b>2,996,335</b>
Legal and professional fees	Turnover	74,634	1,503,439	17,797	<b>1,595,870</b>
Depreciation and amortisation	Turnover	7,751	156,143	1,848	<b>165,742</b>
<b>2020 Total funds</b>		<b>6,180,040</b>	<b>124,185,103</b>	<b>2,498,887</b>	<b>132,864,030</b>

	Basis of allocation	Community transport £	Public sector contracts £	Training programmes £	Year to 31 March 2019 Total £
<b>Costs directly allocated to activities</b>					
Provision of transport services					
. Bus operations	Direct	—	58,387,219	—	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
<b>Support costs allocated to activities</b>					
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
<b>2019 Total funds</b>		<b>5,860,644</b>	<b>70,953,538</b>	<b>1,478,631</b>	<b>78,292,813</b>

**4 Staff costs**

	<b>Period ended 28 September 2020 £</b>	Year to 31 March 2019 £
Wages and salaries	<b>66,168,937</b>	37,800,642
Social security	<b>5,732,892</b>	3,511,594
Pension costs	<b>2,026,719</b>	1,090,126
	<b>73,928,548</b>	42,402,362
Agency staff	<b>3,541,077</b>	1,189,379
	<b>77,469,625</b>	43,591,741

There were £146,747 redundancy costs paid during for the period (2019 - £nil). HCT Group accounts for redundancy payments on an accruals basis.

The number of employees who earned £60,000 on a pro-rata 12 month basis or more (including taxable benefits but excluding employer pension contributions) during the period was as follows:

	<b>2020 Number</b>	2019 Number
£60,001 - £70,000	<b>11</b>	12
£70,001 - £80,000	<b>5</b>	3
£80,001 - £90,000	<b>2</b>	2
£90,001 - £100,000	<b>1</b>	1
£100,001 - £110,000	<b>1</b>	1
£110,001 - £120,000	<b>2</b>	—
£120,001 - £130,000	<b>—</b>	2
£140,001 - £150,000	<b>1</b>	—
£150,001 - £160,000	<b>1</b>	1
	<b>24</b>	22

The total remuneration paid to the key management personnel in the period was £705,502 (year to 31 March 2019 - £485,224).

The trustees received no remuneration for their services during the period (year to 31 March 2019 - none). One trustee (year to 31 March 2019 – one) was reimbursed for expenses of £397 during the period (year to 31 March 2019 - £640).

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 period totalled £12,628 (year to 31 March 2019 - £7,616) and provides cover of up to a maximum of £2,000,000 (year to 31 March 2019 - £2,000,000).

**4 Staff costs** (continued)

The average number of employees during the period was 2,225 (year 2019 - 1,867):

	2020 No.	2019 No.
Operations	2,138	1,792
Transport unit	28	22
Management and finance	41	39
Training	18	14
	<b>2,225</b>	<b>1,867</b>

**5 Net income**

This is stated after charging:

Group	Period ended 28 September 2020 £	Year to 31 March 2019 £
Depreciation	3,921,131	2,275,357
Amortisation	(131,115)	(37,462)
Gain on disposal of tangible fixed assets	(2,176,720)	(226,966)
Auditor's remuneration		
. Audit fees	80,525	76,400
. Other services	18,450	28,250
Operating lease rentals	10,010,260	7,191,552
Interest payable in respect of finance leases	727,289	812,762
Interest payable in respect of loans	896,369	618,638

**6 Intangible fixed assets**

Group	Goodwill £	Negative goodwill £	Total £
Opening cost	455,599	(624,176)	(168,577)
Additions	—	—	—
<b>Closing cost</b>	<b>455,599</b>	<b>(624,176)</b>	<b>(168,577)</b>
Opening amortisation	101,244	(138,706)	(37,462)
Charge for the period	354,355	(485,470)	(131,115)
<b>Closing amortisation</b>	<b>455,599</b>	<b>(624,176)</b>	<b>(168,577)</b>
<b>Net book value 28 September 2020</b>	<b>—</b>	<b>—</b>	<b>—</b>
Net book value 01 April 2019	354,355	(485,470)	(131,115)

Notes to the Financial Statements Period ended 28 September 2020

**7 Tangible fixed assets**

Group	Leasehold improvements £	IT and office equipment £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Modular buildings £	Freehold land £	Total £
Opening cost	458,384	941,199	422,842	2,127,940	30,134,813	3,908,501	2,698,772	<b>40,692,451</b>
Additions	184,128	36,950	256,958	250,457	600,805	4,982	225,828	<b>1,560,108</b>
Reclassifications	—	692,320	—	—	—	—	(692,320)	<b>—</b>
Disposals	(52,594)	(101,373)	(93,119)	(682,746)	(5,577,203)	(2,238,349)	(2,212,357)	<b>(10,957,741)</b>
<b>Closing cost</b>	<b>589,918</b>	<b>1,569,096</b>	<b>586,681</b>	<b>1,695,651</b>	<b>25,158,415</b>	<b>1,675,134</b>	<b>19,923</b>	<b>31,294,818</b>
Opening depreciation	325,978	869,815	244,307	1,391,830	14,929,784	658,168	—	<b>18,419,882</b>
Depreciation on disposals	(42,259)	(93,356)	(117,341)	(564,883)	(3,456,067)	(342,742)	—	<b>(4,616,648)</b>
Impairments	—	—	—	—	325,820	—	—	<b>325,820</b>
Charge for the year	76,688	138,084	122,616	252,340	3,110,740	220,663	—	<b>3,921,131</b>
<b>Closing depreciation</b>	<b>360,407</b>	<b>914,543</b>	<b>249,582</b>	<b>1,079,287</b>	<b>14,910,277</b>	<b>536,089</b>	<b>—</b>	<b>18,050,185</b>
<b>Net book value 28 September 2020</b>	<b>229,511</b>	<b>654,553</b>	<b>337,099</b>	<b>616,364</b>	<b>10,248,138</b>	<b>1,139,045</b>	<b>19,923</b>	<b>13,244,633</b>
Net book value 01 April 2019	132,406	71,384	178,535	736,110	15,205,029	3,250,333	2,698,772	<b>22,272,569</b>

Charity	Leasehold improvements £	IT and office equipment £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Modular buildings £	Freehold land £	Total £
Opening cost	182,632	559,728	192,843	314,222	1,286,535	2,818,409	2,678,849	<b>8,032,218</b>
Additions	171,031	19,200	11,025	—	—	—	225,828	<b>427,084</b>
Reclassifications	—	692,320	—	—	—	—	(692,320)	<b>—</b>
Disposals	—	—	—	—	—	(2,253,941)	(2,212,357)	<b>(4,466,298)</b>
<b>Closing cost</b>	<b>353,663</b>	<b>1,271,248</b>	<b>203,868</b>	<b>314,222</b>	<b>1,286,535</b>	<b>564,468</b>	<b>—</b>	<b>3,993,004</b>
Opening depreciation	177,975	552,706	128,764	178,966	992,548	612,038	—	<b>2,642,997</b>
Charge for the year	45,919	77,783	17,385	31,888	114,131	125,302	—	<b>412,408</b>
Eliminated on disposal	—	—	—	—	—	(342,742)	—	<b>(342,742)</b>
<b>Closing depreciation</b>	<b>223,894</b>	<b>630,489</b>	<b>146,149</b>	<b>210,854</b>	<b>1,106,679</b>	<b>394,598</b>	<b>—</b>	<b>2,712,663</b>
<b>Net book value 28 September 2020</b>	<b>129,769</b>	<b>640,759</b>	<b>57,719</b>	<b>103,368</b>	<b>178,856</b>	<b>169,870</b>	<b>—</b>	<b>1,280,341</b>
Net book value 01 April 2019	4,657	7,022	64,079	135,256	292,987	2,206,371	2,678,849	<b>5,389,221</b>

7 **Tangible fixed assets** (continued)

**Finance Leases**

The net book value of tangible fixed assets of the group includes an amount of £7,393,350 (year to 31 March 2019 - £11,194,539) in respect of assets held under finance leases on which the depreciation charge for the period was £493,756 (year to 31 March 2019 - £689,886).

**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.

HCT Group 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 a net cash after paying down creditors of £2.25m. This action was taken to support the Group's working capital requirements.

The Trustees of the Esmee 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.

During the period the charity breached the covenants in the loan facilities and all lenders provided a waiver.

8 **Debtors**

	Group		Charity	
	28 September 2020 £	31 March 2019 £	28 September 2020 £	31 March 2019 £
Trade debtors	2,773,874	4,979,166	—	212,637
VAT recoverable	412,191	—	56,370	—
Amounts due from subsidiary entities	—	—	—	9,272,554
Prepayments and accrued income	3,387,882	1,467,756	1,034,356	41,389
Other debtors	3,966,666	3,637,249	3,059,588	2,138,246
	<b>10,540,613</b>	10,084,171	<b>4,150,314</b>	11,664,826



**9 Creditors: amounts falling due within one year**

	Group		Charity	
	28 September 2020 £	31 March 2019 £	28 September 2020 £	31 March 2019 £
Trade creditors	<b>3,061,986</b>	2,513,713	<b>2,178,526</b>	—
Amounts due to subsidiary undertakings	—	—	<b>1,515,994</b>	3,841,798
Taxation and social security	<b>5,281,948</b>	1,302,791	<b>865,471</b>	137,912
Other creditors	<b>2,698,177</b>	3,543,153	<b>218,588</b>	980,375
Obligations under finance leases (note 12)	<b>2,206,512</b>	880,411	<b>67,832</b>	63,990
Accruals and deferred income	<b>3,524,861</b>	1,241,789	<b>1,088,906</b>	255,095
Loans (note 11)	—	1,558,388	—	1,558,388
	<b>16,773,484</b>	11,040,245	<b>5,935,317</b>	6,837,558

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	
	28 September 2020 £	31 March 2019 £	28 September 2020 £	31 March 2019 £
Obligations under finance leases (note 12)	<b>8,325,376</b>	9,337,353	—	101,679
Loans (note 11)	<b>10,000,000</b>	11,738,776	<b>10,000,000</b>	11,259,301
	<b>18,325,376</b>	21,076,129	<b>10,000,000</b>	11,360,980

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

**11 Loan commitments**

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

	Group		Charity	
	28 September 2020 £	31 March 2019 £	28 September 2020 £	31 March 2019 £
Within one year	—	1,558,388	—	1,558,388
Between two and five years	<b>10,000,000</b>	5,254,983	<b>10,000,000</b>	5,254,983
Over five years	—	6,483,793	—	6,105,997
	<b>10,000,000</b>	13,297,164	<b>10,000,000</b>	12,919,368

£5,000,000 of the loans are secured and have a fixed rate of interest 5.25%. A further £5,000,000 of the loans are secured and have a fixed rate of interest 9.5%.

A short term bank facility of £1,500,000 was repaid in April 2019 and had an interest rate of 2.9%. Loans are held at amortised cost and all other financial instruments at cost.

**11 Loan commitments (continued)**

During the period the charity breached the covenants in the loan facilities and all lenders provided a waiver.

**12 Finance lease commitments**

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

	Group		Charity	
	28 September 2020 £	31 March 2019 £	28 September 2020 £	31 March 2019 £
Within one year	2,206,512	880,411	67,832	63,990
Between two and five years	6,031,779	6,390,340	—	101,679
Over five years	2,293,597	2,947,013	—	—
	<b>10,531,888</b>	<b>10,217,764</b>	<b>67,832</b>	<b>165,669</b>

**13 Operating lease commitments**

At 28 September 2020 the group had the following total future commitments under non-cancellable operating leases:

	Group		Charity	
	2020 £	2019 £	2020 £	2019 £
<b>Motor vehicles</b>				
Operating lease payments which fall due:				
Within one year	5,420,202	8,561,771	—	—
Between two and five years	9,266,957	8,672,812	—	—
After five years	188,664	390,024	—	—
	<b>14,875,823</b>	<b>17,624,607</b>	<b>—</b>	<b>—</b>
<b>Land and buildings</b>				
Operating lease payments which fall due:				
Within one year	1,547,921	470,412	145,440	137,400
Between two and five years	5,474,997	1,199,964	347,036	398,153
After five years	12,138,395	—	—	—
	<b>19,161,313</b>	<b>1,670,376</b>	<b>492,476</b>	<b>535,553</b>
<b>Equipment</b>				
Operating lease payments which fall due:				
Within one year	77,336	76,252	—	—
Between two and five years	137,975	195,452	—	—
After five years	20,484	—	—	—
	<b>235,795</b>	<b>271,704</b>	<b>—</b>	<b>—</b>

#### 14 Self-insurance provision

	Group		Charity	
	28 September 2020 £	31 March 2019 £	28 September 2020 £	31 March 2019 £
Provision at the beginning of the period	446,204	282,365	44,620	28,958
Utilised during the period	(642,204)	(143,066)	(18,565)	—
New provision for period	929,075	306,905	20,445	15,662
Provision carried forward	733,075	446,204	46,500	44,620

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

	2020 £	2019
Group pension liabilities		
The London Borough of Waltham Forest Pension Scheme	(418,000)	(100,000)

##### ***The London Borough of Waltham Forest Pension Scheme***

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

Certain employees of HCT Group Operations Community Interest Company 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 HCT Group Operations Community Interest Company liability as an admitted employer under the scheme was capped. HCT Group Operations Community Interest Company 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 HCT Group Operations 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 period were £12,707 (year to 31 March 2019 - £12,000).

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

**15 Pension commitments** (continued)

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.

***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:

	2020 % pa	2019 % pa
Inflation	2.3	2.2
Discount rate	1.6	2.4
Rate of increase in salaries	3.8	3.7
Rate of increase for pensions in payment	2.4	2.3

The mortality assumptions used were as follows:

	2020 years	2019 years
Longevity at age 65 for current pensioners		
. Men	22.6	22.6
. Women	25.1	25.7
Longevity at age 65 for future pensioners		
. Men	24.2	24.8
. Women	27.0	28.0

**15 Pension commitments** (continued)

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

	<b>Value at 28 September 2020 £'000</b>	Value at 31 March 2019 £'000
Property	112	119
Equities	854	875
Other bonds	—	146
Cash	76	40
Other	294	146
Total market value of assets	<b>1,336</b>	1,326
Present value of Scheme liabilities	<b>(1,754)</b>	(1,426)
(Deficit) in the Scheme	<b>(418)</b>	(100)

***The London Borough of Waltham Forest Pension Scheme*** (continued)

Total expenditure recognised in the Statement of Financial Activities

	<b>Period ended 28 September 2020 £</b>	Year to 31 March 2019 £
Current service cost	20	17
Interest cost	5	4
Past service cost	25	—
<b>Total expenditure recognised in SOFA</b>	<b>50</b>	21

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

	<b>Period ended 28 September 2020 £'000</b>	Year to 31 March 2019 £'000
Scheme liabilities at 1 April 2019	1,426	1,328
Current service cost	32	29
Past service cost	25	—
Interest cost	51	36
Contributions by scheme participants	9	7
Actuarial losses	271	66
Benefits/Transfers paid	(60)	(40)
<b>Scheme liabilities at 28 September 2020</b>	<b>1,754</b>	1,426

## 15 Pension commitments (continued)

### Contributions

The total contributions made by the employer in the period have been £12,707 (year to 31 March 2019 - £12,000). The best estimate of contributions to be paid by the employer to the scheme for the year beginning after 28 September 2020 is £7,000.

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

	2020 £'000	2019 £'000
Fair value of scheme assets at 1 April 2019	1,326	1,234
Expected return on scheme assets	46	33
Actuarial gains	3	81
Administration expenses	—	(1)
Contributions by employer	12	12
Contributions by scheme participants	9	7
Benefits/Transfers paid	(60)	(40)
<b>Fair value of scheme assets at 28 September 2020</b>	<b>1,336</b>	<b>1,326</b>

## 16 Taxation

No provision has been made in these financial statements for income or 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.

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

## 17 Restricted funds

There group had no restricted funds at 28 September 2020.

<b>Group</b>	<i>At 2 April 2018</i> £	<i>Income</i> £	<i>Expenditure</i> £	<i>Gains, Losses &amp; Transfers</i> £	<i>At 31 March 2019</i> £
<i>South Gloucestershire Council</i>	—	1,695,945	—	(1,695,942)	—
<i>Bristol City Council</i>	—	460,410	(460,410)	—	—
<i>Big Lottery Fund</i>	—	24,108	(24,108)	—	—
<i>State of Jersey</i>	—	125,000	—	(125,000)	—
<i>Other</i>	—	121,736	(121,736)	—	—
	—	<u>2,427,199</u>	<u>(606,254)</u>	<u>(1,820,945)</u>	—

The charity did not have any restricted funds at 28 September 2020 or 1 April 2019.

**18 Unrestricted funds**

<b>Group</b>	At 2 April 2019 £	Income £	Expenditure £	Gains, Losses & Transfers £	At 30 September 2020 £
Designated fund	3,258,485	—	—	(545,741)	<b>2,712,744</b>
General fund	760,832	123,706,829	(133,694,285)	545,741	<b>(8,680,883)</b>
Pension reserve	(100,000)	—	(50,000)	(268,000)	<b>(418,000)</b>
	<b>3,919,317</b>	<b>123,706,829</b>	<b>(133,744,285)</b>	<b>(268,000)</b>	<b>(6,386,139)</b>

<b>Group</b>	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)
	<b>5,474,509</b>	<b>74,295,422</b>	<b>(77,686,559)</b>	<b>1,835,945</b>	<b>3,919,317</b>

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 where used to finance fixed assets.

<b>Charity</b>	At 2 April 2019 £	Income £	Expenditure £	Gains, Losses & Transfers £	At 30 September 2020 £
General fund	<b>1,354,413</b>	<b>3,634,310</b>	<b>(12,568,756)</b>	—	<b>(7,580,033)</b>
	<b>1,354,413</b>	<b>3,634,310</b>	<b>(12,568,756)</b>	—	<b>(7,580,033)</b>

<b>Charity</b>	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
	<b>1,870,926</b>	<b>10,402,207</b>	<b>(10,918,720)</b>	—	<b>1,354,413</b>

**19 Disposal of subsidiaries**

Manchester Community Transport Limited (MCT) , Industrial and Provident Society registration number IP23540R, was assessed and deemed insolvent. The company went into liquidation on 15 May 2020. At this time MCT had Net Current Liabilities of £2,529,834, which included an intercompany liability of £3,314,312 which was written off. Resulting net cost of £784,478. The trading figures within this report for MCT are for the period 1 April 2019 to 14 May 2020 (Note 20).

Derbyshire Community Transport Limited (CTT) de-merged from the group on 24 January 2020. At this time CTT had Net Current Liabilities of £455,055, which included an intercompany liability of £550,832 which was written off. Resulting net cost of £95,777. The trading figures within this report for CTT are for the period 1 April 2019 to 23 January 2020 (Note 20).



## 20 Status

At the period 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 & 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 06834538
HCT Group Operations WL Limited ('IMP') (formerly The Impact Group Limited)	Company limited by shares (England & Wales)	Company 04464220
Powells Bus Company Limited ('PBC')	Company limited by shares (England & Wales)	Company 03190618
Derbyshire Community Transport Limited ('CTT')	Company limited by shares (England & Wales)	Company 1060048
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, HCT Group Operations 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 period ended 28 September 2020 have had a material impact on the consolidated financial statements is as follows:

Notes to the Financial Statements Period ended 28 September 2020

20 Status (continued)

	CTP £	CTPY £	LAS £	BCT £	MCT £	CTPJ £	CTPG £	CTT £	PBC £	IMP £
Income	69,816,468	9,346,422	382,642	532,734	5,197,153	14,876,969	7,632,997	1,846,557	3,573,854	5,171,070
Expenditure	(69,499,151)	(9,342,121)	(588,606)	(616,433)	(3,961,537)	(14,289,329)	(7,380,363)	(1,617,047)	(3,762,822)	(6,287,320)
Operating surplus (deficit)	317,317	4,301	(205,964)	(83,699)	1,235,616	587,640	252,634	229,510	(188,968)	(1,116,250)
Interest receivable	7	—	—	—	—	—	—	50	—	—
Interest payable	(449,740)	(4,299)	(9,405)	—	(20,997)	(432,130)	—	(416)	(2,735)	(50,422)
Gift aid	—	—	—	—	—	(482,471)	(371,247)	—	—	—
Net surplus/(deficit)	(131,416)	2	(215,369)	(83,699)	1,214,619	(326,961)	(118,612)	229,144	(191,703)	(1,166,672)
Retained funds at 1 April 2019	(1)	(1)	—	286,049	(1,214,619)	2,092,933	402,504	(229,144)	(350,001)	320,262
Retained funds at 28 September 2020	(132,417)	1	(215,369)	202,350	—	1,765,972	283,891	—	(541,704)	(846,610)
Called up share capital	1	1	—	—	—	—	—	—	125	250,000
At 28 September 2020	(132,416)	2	(215,369)	202,350	—	1,765,972	283,891	—	(541,579)	(596,410)

**21 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 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 period HCT Group received payments of £nil to finance a new travel training scheme (year to 31 March 2019 - £282,431). At 28 September 2020, £158,665 was owed to the LLP (year to 31 March 2019 - £158,665).

## 22 Analysis of net assets between funds

<b>Group</b>	Designated fund £	General fund £	<b>2020 Total £</b>
<b>Fund balances at 28 September 2020 are represented by:</b>			
Tangible fixed assets	13,244,633	—	13,244,633
Intangible fixed assets	—	—	—
Stock	—	708,473	708,473
Debtors	—	10,540,613	10,540,613
Cash at bank and in hand	—	5,370,078	5,370,078
Creditors: amounts falling due within one year	(2,206,512)	(14,566,972)	(16,773,484)
Creditors: amounts falling due after one year	(8,325,377)	(10,000,000)	(18,325,377)
Provisions for liabilities	—	(733,075)	(733,075)
Pension liability	—	(418,000)	(418,000)
	<b>2,712,744</b>	<b>(9,098,883)</b>	<b>(6,386,139)</b>

<b>Group</b>	Designated fund £	General fund £	2019 Total £
<b>Fund balances at 31 March 2019 are represented by:</b>			
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)
	<b>3,258,485</b>	<b>660,832</b>	<b>3,919,317</b>

<b>Charity</b>	Designated fund £	General fund £	<b>2020 Total £</b>
<b>Fund balances at 28 September 2020 are represented by:</b>			
Tangible fixed assets	1,280,341	—	1,280,341
Investments	1,185,059	—	1,185,059
Stock	—	337	337
Debtors	—	4,150,314	4,150,314
Cash at bank and in hand	—	1,785,733	1,785,733
Creditors: amounts falling due within one year	(67,832)	(5,867,485)	(5,935,317)
Creditors: amounts falling due after one year	(2,397,568)	(7,602,432)	(10,000,000)
Provisions for liabilities	—	(46,500)	(46,500)
	<b>—</b>	<b>(7,580,033)</b>	<b>(7,580,033)</b>

**22 Analysis of net assets between funds (continued)**

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

**23 Post balance sheet events**

Other than developments described in the Chief Executive's report there are no events that require further disclosure.