

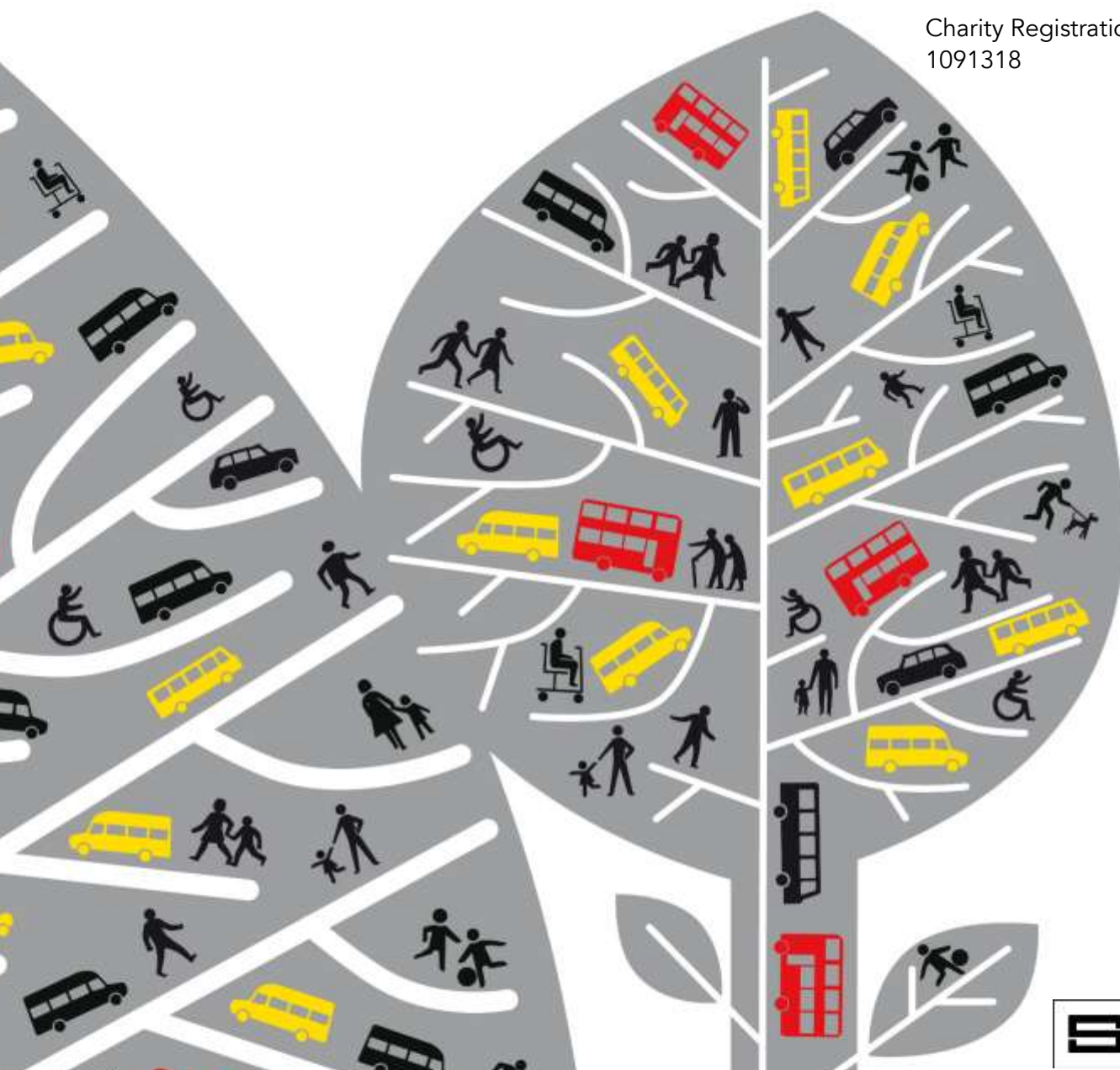
1 April 2018

HCT Group

annual report and financial statements

Company Limited by Guarantee
01747483 (England and Wales)

Charity Registration Number
1091318



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

Trustees	Sir V Cable (Chair) P Brennan C Hewitt A Levitt A Ross OBE E Siegel R Sewell J Winter
Chief Executive Officer	D Powell OBE
Secretary	J Smart
Registered office	1 st Floor 141 Curtain Road London EC2A 3BX
Company registration number	01747483 (England and Wales)
Charity registration number	1091318
Auditor	Buzzacott LLP 130 Wood Street London EC2V 6DL
Bankers	HSBC Canada Place Canary Wharf London E14 5AH
Solicitors	Bates Wells & Braithwaite LLP 10 Queen Street Place London EC4R 1BE

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chair's report
chief executive's report

Chair's report 1 April 2018



HCT Group is a social enterprise in the transport industry, safely providing over 30 million passenger trips on our buses every year. We provide a wide range of services – from London red buses to social services transport, from school transport to whole bus networks, from community transport to education and training.

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

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

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

Each year, we not only pursue our social mission in the present, but also look to the future – building the organisation's ability to make a difference in years to come. In June 2018, HCT Group successfully completed a new landmark fundraising round, raising a £17.8m investment to finance the next phase of our growth. The deal not only provides the working

capital needed to enable growth, but also supports a bolder set of options.

Building on our extensive track record of mergers with Community Transport operators, HCT Group is currently actively pursuing acquisitions of commercial bus operators – buying bus companies with a view to turning them into social enterprises. This will enable us to move beyond the confines of organic growth for the first time, quickening our rate of growth.

Our focus on continued growth comes at a time of expanding opportunities. With the Bus Services Act passed into law, commissioners have a much broader set of options to improve services for public benefit. Manchester is setting the pace in terms of bus franchising – and during 2017/18, Manchester Community Transport joined HCT Group, placing us in a good strategic position. However, we are also seeing early signs of other authorities now emboldened to look at the kind of partnerships at which HCT Group excels.

We have now completed the first phase of our Social Impact Bond for Travel Training, with programmes running in three authorities and are already at work on phase two - exploring participation with a number of authorities. With each authority that signs up, this confirms our contention that our approach is high impact, entirely scalable and financially sustainable for our commissioners, our social investors and ourselves.

Chair's report 1 April 2018

As we combine strong current growth with excellent future prospects, we believe that we can continue to expand our enterprise – and with it our social impact.

I would like to thank the Board of Directors, the management team and staff across the organisation for their work over the last year and the success that they have achieved.

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

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

A handwritten signature in dark ink, appearing to read 'Vince Cable', is positioned above the printed name.

Sir Vince Cable
HCT Group Chair

Chief executive's report 1 April 2018



At HCT Group, we understand that all of our social impact is made possible by being a vibrant, successful business – the ‘enterprise’ part of social enterprise.

HCT Group has seen dynamic growth in 2017/18, with turnover increasing from £49.57m in 2016/17 to £62.88m, growth of 26.9% - expansion by over a quarter in the past year. This growth has been driven by the full-year impact of new Transport for London (TfL) red bus routes – Routes W11, W16, and 397, the full-year impact of our SEN transport contract for the London Borough of Wandsworth, the start of our SEN transport contract in the London Borough of Hammersmith, the part year impact of our merger with Manchester Community Transport (MCT) and growth in our operations in both Yorkshire and Bristol.

HCT Group can report a very good year, with the accounts showing a strong growth in profit of 54.3% when compared on a like-for-like basis with last year.

In a highly positive development, our growth in profit is close to double the rate of our increase in turnover. This is due to increasing the effectiveness of our operations and the emerging benefits of our growth – increasing economies of scale.

We have again posted a very strong business development performance in 2017/18 that will yield significant, profitable growth in 2018/19.

In a genuinely exciting development, we have been named as the operator of the m1 route on Bristol’s new Metrobus network, operating the service as a subcontractor to First West of England from January 2019. This is a significant development beyond the security it provides for our Bristol operation – this type of subcontract is a landmark agreement for the bus industry, highlighting the Group’s ability to work effectively in partnership.

We have also successfully tendered for three additional TfL red bus routes – Routes D6, N550 and N551. Each contract starts in September 2018 and runs for up to seven years, providing a strong platform for future growth.

We will also see the impact of our community transport mergers – in both financial and social mission terms. This includes the full-year impact of the MCT merger in October 2017 and the impact of our merger with CT4TC (now Derbyshire Community Transport) in the first days of the 2018/19 financial year.

Chief executive's report 1 April 2018

HCT Group exists to have a positive social impact – helping to break down the barriers to access for the most vulnerable in our society. In 2017/18 our high-social impact services have made a real contribution to our communities.

Individual transport: We live in a world where the more vulnerable you are, the greater barriers to access you face. A disabled person travels just over half (57%) the distance per person per year when compared to a non-disabled person¹. HCT Group provides a range of individual transport services to help older and disabled people to get out and about. In 2017/18 these services provided a total of 224,993 passenger trips. The services directly seek to reduce social isolation – and close to 6 out of 10 (59%) of these service users said that they felt less lonely as a consequence.

Group Transport: HCT Group support a wonderfully diverse range of community groups by providing Group Transport – the subsidised, accessible minibuses we have operated since our inception in 1982. The social impact of community groups is extraordinary and each has a story to tell. By providing transport we are a part of that story, acting as a critical enabler for the social impact of others. In 2017/18, these services provided a total of 97,332 passenger trips. Close to one third (31%) of our Group Transport users said that their ability to get out and about had improved as a consequence.

Learning Centre: Our Learning Centre's primary goal is to support people who are unemployed in building the skills and confidence to move into sustainable employment, creating a step change in their life chances. Working with some of the hardest to reach groups in education, the Learning Centre supported 506 long-term unemployed learners on either bite sized programmes or full qualifications, with 35% (178) gaining jobs as a consequence.

Taking our commercial performance alongside our social impact, I am tremendously proud of what HCT Group has achieved in 2017/18 – and I am genuinely excited for the Group's prospects in 2018/19.



Dai Powell OBE
Chief Executive





**trustees' report
strategic report
independent auditor's
report**

Trustees' report 1 April 2018

The trustees, who are directors of the charity, present their report together with the consolidated financial statements for the year ended 1 April 2018. This trustees' 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 charity'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 charity, is a social enterprise with a strong commitment to equal opportunities that operates community transport, other types of passenger transport and other related services.

The objects of HCT Group are for such purposes as may be charitable in law but in particular:

- a. to provide community transport services for people who are in need of such services because of age, sickness, disability (mental or physical) or poverty or because of a lack of availability of adequate and safe public transport; and

- b. the relief of unemployment for public benefit through the provision of training programmes.

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

Structure, governance and management

HCT Group is a registered charity and is incorporated as a company limited by guarantee and governed by its Memorandum and Articles of Association. It is managed by its Board of Trustees who are the trustees and directors of the charity. New trustees and directors are selected and appointed for a fixed term of office by the Board.

Board members are proposed by HCT Group's Governance Committee which seeks to ensure that the Board of Trustees has a broad range of appropriate skills and experience. The board meets at least six times a year

New trustees are provided with an induction to the charity, which includes an induction pack introducing the organisation and its activities, and outlines 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 Code of Conduct 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.

Trustees' report 1 April 2018

Structure, governance and management (continued)

Following a governance review it was decided that the Regional Advisory Committees could be replaced with a different arrangement to more effectively engage with communities. 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 which meets twice a year and the Social Impact Advisory Committee, which meets twice a year to review our social impact.

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

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

Trustees

The trustees in office during the year were as follows:

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

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

Trustees' report 1 April 2018

Structure, governance and management (continued)

Key management personnel

The key management personnel have been classified as the board of trustees and three Chief Officers who served during the year. They are ably supported by the Senior Management Team which comprises of the three Regional Directors and heads of service from Community Transport, Business Development, Communications, Engineering, Training and Education, Finance, HR and Innovation.

The board of trustees are unremunerated. 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 objectives 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 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.

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

Statement of trustees' responsibilities

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

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and the group and of the income and expenditure of the group for that period.

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard 102;
- make judgements and estimates that are reasonable and prudent;

Trustees' report 1 April 2018

Statement of trustees' responsibilities (continued)

- 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.

Employees

HCT Group is committed to equal opportunities in its employment practices and encourages the employment of people with disabilities.

Signed on behalf of the board of trustees:



Sir Vince Cable, Trustee

Approved by the board on: 4 July 2018

Strategic report – Year to 1 April 2018

Statement of public benefit

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

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

Achievements and performance

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

Financial review

In the year to 1 April 2018, there was net income of £838,028 (2017 – £756,680) before net actuarial gains (2017 – losses) on final salary pension schemes. After the actuarial gain on the defined benefit pension schemes of £53,000 (2017 – loss of £26,000) the total net movement of funds was a surplus of £891,028 (2017 – £730,680). This includes income of £287,604 in respect of the merger with Manchester Community Transport (2017 - £299,955 in respect of the merger with Social Access Limited). For the period from acquisition to 1 April 2018 MCT had a trading loss of £287,604. This loss was incurred due to restructuring the business such that it is now trading profitably. The combined impact of the donation and the post-acquisition losses is zero demonstrating the

underlying strength of the core business profitability. The results are set out in the consolidated statement of financial activities and the notes thereto.

Reserves

The charity has four reserves funds.

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

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

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

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

Reserves policy

At 1 April 2018 the balance of the charity's reserves was £5.5m (2017 – £4.6m). None of these reserves were held for restricted purposes (2017 - £nil).

The balance on the charity's pension reserve as at 1 April 2018 was a deficit of £94,000 (2017 – deficit of £259,000). The charity maintains a designated fund representing all the general funds that have been invested in tangible fixed assets and therefore are not readily available for working capital purposes. The balance on the designated fund at 1 April 2018 was £2.6m (2017 - £2.2m).

Strategic report – Year to 1 April 2018

Financial review (continued)

Reserves policy (continued)

After deducting the funds mentioned above, the balance on the charity's general reserves as at 1 April 2018 was £3.0m (2017 - £2.6m). The group had net current assets as at 1 April 2018 of £2,009,636 (2017 – net current assets of £2,071,261). Following the year end, the group completed a refinancing exercise including £10m of fixed rate cash loans, which more than adequately meet the group's working capital requirements going forward.

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

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

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

Based on these calculations, the trustees estimate that a total of £3.9m (2017 - £3.8m) is required representing approximately 3 weeks of budgeted spend for the year 2018/19. The charity's reserves are therefore broadly

in line with the requirement identified by the trustees.

The trustees will continue to build the reserves in order to accommodate expansion of the charity, by improving the profitability of commercial contracts which it operates through its subsidiaries and retaining those profits in the charity.

Plans for the future

The group's business plan identifies the need to grow in order to deliver increased social impact. The conclusion of the loan financing in 2018/19 gave the group the financial footing to achieve that growth.

Risk management

The trustees have made an assessment of the risks to which the charity and its subsidiaries are exposed, particularly with respect to finance, staff, premises and governance. The major risks to which the charity 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:

Strategic report – Year to 1 April 2018

Risk management (continued)

Risk	Procedures to mitigate risk
The group is unable to meet its budget due to cost increases or reduction in income.	We have invested in management capacity and capability to ensure both delivery and financial monitoring are robust.
Substantial loss of contracted or commissioned income and failure to win tenders for existing or new work, resulting in failure to continue to deliver key impact services in regions.	We have strengthened our Business Development Unit bidding team and continue to develop closer working relationships with existing procurers to add value to existing contracts. We prioritise new contracts in existing areas to reduce reliance on one source of contractual income in a region. The Business Development Strategy identifies clear priorities for future development.
Failure to develop and maintain a sufficiently skilled management workforce to discharge core functions across the group.	Succession planning and management development programme is part of our HR Strategy, which is being rolled out over the next 3 years.
The high standards of safety expected by our passengers is not achieved.	We carry out regular health and safety checks on our vehicles and premises, the results of which are considered regularly by the Board of Trustees. We also ensure that all our staff are trained to the highest relevant standard.
That current systems are inadequate as the group expands	<p>During the year we have implemented a new ERP system. This will give us a strong platform for controlling and monitoring the group as it continues to grow. The system went live in February 2018. We are currently implementing a new budgeting and forecasting tool which will link directly with the ERP system and further improve our capabilities in this area.</p> <p>We are also rolling out a new Transport Management System which will be a unified platform for delivering all of the group's non-fixed schedule bus services</p>

Strategic report – Year to 1 April 2018

Risk management (continued)

Financial instruments

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

Liquidity risk

The charity manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the charity 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.

Signed on behalf of the board of trustees:

A handwritten signature in black ink, appearing to read 'Vince Cable', is written over a faint, light blue circular stamp.

Sir Vince Cable, Trustee

Approved by the board on: 4 July 2018

Independent auditor's report 1 April 2018

Independent auditor's report to the members of HCT Group

Opinion

We have audited the consolidated financial statements of HCT Group (the 'charitable parent company') and its subsidiaries (the 'group') for the year ended 1 April 2018 which comprise the group statement of financial activities, group and charitable parent company balance sheets and 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, 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 1 April 2018 and of the group's income and expenditure for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the charitable parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent auditor's report 1 April 2018

Other information

The trustees are responsible for the other information. The other information comprises the information included in the annual report and financial statements, 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. 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 including the strategic report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the trustees' report including 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.

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:

- proper and 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 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

Independent auditor's report 1 April 2018

enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

This description forms part of our auditor's report.

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 and to the charity's trustees as a body, in accordance with Section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Edward Finch, Senior Statutory Auditor
for and on behalf of Buzzacott LLP,
Statutory Auditor

130 Wood Street
London
EC2V 6DL

Date: 17 July 2018

Buzzacott LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006.



financial statements

Consolidated statement of financial activities Year to 1 April 2018

	Notes	Total 2018 funds £	Total 2017 funds £
Income from:			
Donations	1	825,835	571,134
Charitable activities			
- <i>Income from transport services</i>	2	62,361,912	49,333,798
Total income		63,187,747	49,904,932
Expenditure on:			
Charitable activities			
- <i>Community transport</i>	3	2,858,890	2,638,682
- <i>Public sector contracts</i>	3	58,414,905	45,391,770
- <i>Training programmes</i>	3	1,075,924	1,086,691
Other			
- <i>Loss on disposal of tangible fixed assets</i>		—	31,109
Total expenditure		62,349,719	49,148,252
Net income for the year	5	838,028	756,680
Other recognised (losses) gains:			
Actuarial (losses) gains on pension schemes	14	53,000	(26,000)
Net movement in funds		891,028	730,680
Total funds brought forward at 1 April 2017		4,583,481	3,852,801
Total funds carried forward at 1 April 2018		5,474,509	4,583,481

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

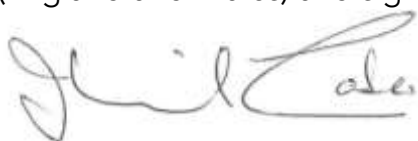
Included within income from donations is £287,604 (2017 - £299,955) in respect of the net assets acquired upon merger with Manchester Community Transport (2017: Social Access Limited) (see note 22). For the period from acquisition to 1 April 2018 MCT had a trading loss of £287,604. This loss was incurred due to restructuring the business such that it is now trading profitably. The combined impact of the donation and the post-acquisition losses is zero demonstrating the underlying strength of the core business profitability.

Included within income from donations are restricted grants totalling £18,500 (2017 - £15,072) which were fully expended during the year (see note 16). All other income is unrestricted.

Group and charity balance sheets 1 April 2018

		Group		Charity	
	Notes	2018 £	2017 £	2018 £	2017 £
Fixed assets					
Tangible fixed assets	6	14,691,156	12,705,940	5,751,158	5,384,596
Current assets					
Stock		772,674	604,626	262	469
Debtors	7	7,122,494	6,466,409	6,795,569	7,689,128
Cash at bank and in hand		298,051	1,170,773	—	445,514
Total current assets		8,193,219	8,241,808	6,795,831	8,135,111
Liabilities					
Creditors: amounts falling due within one year	8	(6,183,583)	(6,170,547)	(3,560,373)	(5,543,736)
Net current assets		2,009,636	2,071,261	3,235,458	2,591,375
Total assets less current liabilities		16,700,792	14,777,201	8,986,616	7,975,971
Creditors: amounts falling due after more than one year	9	(10,849,918)	9,759,582)	(7,086,732)	(6,156,027)
Provisions for liabilities	13	(282,365)	(175,138)	(28,958)	—
Net assets excluding pension liabilities		5,568,509	4,842,481	1,870,926	1,819,944
Net pension liabilities	14	(94,000)	(259,000)	—	—
Net assets including pension liabilities		5,474,509	4,583,481	1,870,926	1,819,944
The funds of the group:					
Restricted funds	16	—	—	—	—
Unrestricted funds:					
- Designated fund	17	2,574,912	2,574,912	—	—
- General fund		2,993,597	2,600,040	1,870,926	1,819,944
- Pension reserve	14	(94,000)	(259,000)	—	—
Total group funds		5,474,509	4,583,481	1,870,926	1,819,944

Approved by the directors of HCT Group, Company Registration Number 01747483 (England and Wales) and signed on their behalf by:



Sir Vince Cable, Trustee

Approved by the board on: 4 July 2018:

Consolidated Statement of cash flows Year to 1 April 2018

	Notes	2018 £	2017 £
Cash flows from operating activities:			
Net cash provided by operating activities	A	2,442,797	889,128
Cash flows from investing activities:			
Proceeds from the disposal of tangible fixed assets		61,740	480,314
Proceeds from sale of investment property		—	260,000
Purchase of tangible fixed assets		(1,695,761)	(2,342,732)
Net cash used in investing activities		(1,634,021)	(1,602,418)
Cash flows from financing activities:			
Repayments of borrowing		(1,521,161)	(403,930)
Interest paid		(1,068,243)	(593,012)
Cash inflows from new borrowing		906,706	—
Net cash used in financing activities		(1,682,698)	(996,942)
Change in cash and cash equivalents in the year		(873,922)	(1,710,232)
Cash received on merger		1,200	289,810
Cash and cash equivalents at 1 April 2017	B	1,170,773	2,591,195
Cash and cash equivalents at 1 April 2018	B	298,051	1,170,773

Notes to the statement of cash flows for the year to 1 April 2018

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

	2018 £	2017 £
Net income (as per the statement of financial activities)	838,028	756,680
Adjustments for:		
Depreciation charge	1,563,651	1,785,509
Mergers	(287,604)	(299,955)
Transfer of pension scheme	(133,000)	—
Pension charge	19,000	69,000
Net interest from pension scheme	2,000	8,000
Disposal of tangible fixed assets	(107,281)	31,109
Interest payable	1,068,243	593,012
Increase in stocks	(168,048)	(103,922)
Increase in debtors	(656,085)	(2,456,351)
Increase (decrease) in provisions	107,227	(6,316)
Increase in creditors	196,666	512,362
Net cash provided by operating activities	2,442,797	889,128

Consolidated Statement of cash flows Year to 1 April 2018

Notes to the statement of cash flows for the year to 1 April 2018 (continued)

B Analysis of cash and cash equivalents

	2018 £	2017 £
Cash at bank and in hand	298,051	1,170,773
Total cash and cash equivalents	298,051	1,170,773





**accounting policies
notes to the financial
statements**

Principal accounting policies Year to 1 April 2018

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

Basis of preparation

These accounts have been prepared for the year to 1 April 2018.

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

The accounts have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS 102) (Charities SORP FRS 102) issued on 16 July 2014, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006.

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

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

Critical accounting estimates and areas of judgement

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

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

- the useful economic lives attributed to tangible fixed assets used to determine the annual depreciation charge;
- the provision against doubtful and bad debts in respect to income from charitable activities;
- the allocation of overheads and governance costs between charitable expenditure categories;
- estimates in respect to accrued expenditure;
- estimating any provision for slow moving and/or obsolete stock;
- 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 to a period of one year from the date of approval of these accounts.

Principal accounting policies Year to 1 April 2018

The trustees of the charity have concluded that there are no material uncertainties related to events or conditions that may cast significant doubt on the ability of the charity to continue as a going concern. The trustees are of the opinion that the charity will have sufficient resources to meet its liabilities as they fall due. The most significant areas of judgement that affect items in the accounts are detailed above. With regard to the next accounting period, the year ending 31 March 2019, the most significant area that affects the level of reserves held by the charity is the performance on transport services contracts (see the risk management section of the trustees' report for more information).

Basis of consolidation

The consolidated statement of financial activities and group balance sheet consolidate the financial statements of HCT Group and its subsidiaries, Transport Co-ordination Centre Hackney Limited, CT Plus Community Interest Company, CT Plus (Yorkshire) Community Interest Company, Knowsley Community Transport, Lambeth and Southwark Community Transport, Leeds Alternative Travel Limited, Bristol Community Transport, CT Plus Guernsey Limited, Social Access Limited, Manchester Community Transport and CT Plus Jersey Limited 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 45.

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 or 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 paragraph 24.36 of SORP 2015.

Parent charity information

The parent charity HCT Group had total income of £6,124,265 (2017 – £7,263,461) and net income of £50,982 for the year ended 31 March 2018 (2017 – net expenditure of £1,915,208). The parent company has taken advantage of the exemption from preparing a separate income statement and statement of cash flows.

Principal accounting policies Year to 1 April 2018

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
- 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.

- b.** Indirect costs are apportioned on a basis which reflects the overall activity of head office.
- c.** Office costs and property related costs are allocated in the same proportion as directly attributable staff costs.

Governance costs include those incurred in the governance of the charity and its assets and are primarily associated with constitutional and statutory requirements. They are apportioned between charitable activities categories based on the proportion of direct costs.

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.

Principal accounting policies Year to 1 April 2018

Pensions

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

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

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

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

Debtors

Debtors are recognised at their settlement amount, less any provision

for non-recoverability. Prepayments are valued at the amount prepaid. 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 turnover are treated as basic financial instruments as

Principal accounting policies Year to 1 April 2018

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.

Subsidiary acquisitions

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

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 1 April 2018 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 during the year to the parent charity.

Notes to the Financial Statements Year to 1 April 2018

1. Donations

Group	2018 Total funds £	2017 Total funds £
Community Transport Grants		
- <i>Big Lottery Fund grant (note 16)</i>	18,500	15,072
- <i>Travel training grant</i>	—	90,000
- <i>Bristol City Council – grant</i>	519,731	166,107
- <i>Transfer of net assets from Manchester Community Transport**</i>	287,604	—
- <i>Transfer of net assets from Social Access Limited*</i>	—	299,955
2017 Total funds	571,134	527,030

**On 4 October 2017, HCT Group merged with Manchester Community Transport, a Manchester-based community transport charitable company. Further details of the merger are included in note 22.

*On 13 March 2017, HCT Group merged with Social Access Limited, a Bristol-based community transport charitable company. Further details of the merger are included in note 23.

2. Income from transport services

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

Group	2018 Total funds £	2017 Total funds £
Public Sector Contracts		
- <i>Bus Operations</i>	51,438,850	39,856,222
- <i>Home to School Transport</i>	6,910,000	5,857,593
Community Transport		
- <i>Contracts</i>	424,112	421,600
- <i>Group Transport</i>	1,598,093	1,349,325
- <i>ScootAbility</i>	141,000	141,000
Other	505,576	655,081
Training Programmes	1,344,281	1,052,977
2018 Total funds	62,361,912	49,333,798

Notes to the Financial Statements Year to 1 April 2018

3. Expenditure on charitable activities

	Basis of allocation	Community transport £	Public sector contracts £	Training programmes £	Total 2018 £	Total 2017 £
Costs directly allocated to activities						
Provision of transport services						
- <i>Bus operations</i>	Direct	—	48,340,323	—	48,340,323	34,952,779
- <i>Home to school transport</i>	Direct	—	6,426,000	—	6,426,000	7,043,881
- <i>Community Transport Contracts</i>	Direct	285,205	—	—	285,205	258,276
- <i>Group transport</i>	Direct	1,709,795	—	—	1,709,795	1,712,957
- <i>ScootAbility</i>	Direct	104,718	—	—	104,718	112,934
- <i>Community Bus Service</i>	Direct	367,653	—	—	367,653	125,338
- <i>Other</i>	Direct	250,733	—	—	250,733	309,375
Training Programmes						
- <i>Driver training programmes</i>	Direct	—	—	992,884	992,884	1,010,141
Support costs allocated to activities						
Governance costs (Turnover	2,226	57,684	1,313	61,223	85,243
Other staff	Turnover	19,849	514,411	11,708	545,968	879,633
Management	Turnover	50,200	1,300,961	29,609	1,380,770	916,102
Premises costs	Turnover	11,026	285,754	6,504	303,284	345,176
Office costs	Turnover	4,683	121,369	2,762	128,814	172,289
Other costs	Turnover	28,779	745,837	16,975	791,591	646,092
Legal and professional fees	Turnover	15,135	392,234	8,927	416,296	362,768
Depreciation	Turnover	8,888	230,332	5,242	244,462	184,159
2018 Total funds		2,858,890	58,414,905	1,075,924	62,349,719	49,117,143

Notes to the Financial Statements Year to 1 April 2018

4. Staff costs

	2018 £	2017 £
Wages and salaries	32,628,219	25,609,469
Social security	2,774,024	2,154,047
Pension costs	861,265	773,844
Redundancy costs	—	44,223
	36,263,508	28,581,583
Agency staff	1,129,090	1,727,929
	37,392,598	30,309,512

There were no redundancy costs paid during for the period (2017 – £44,223 paid to two people). HCT Group accounts for redundancy payments on an accruals basis.

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

	2018 Number	2017 Number
£60,001 - £70,000	5	4
£70,001 - £80,000	2	2
£80,001 - £90,000	2	2
£90,001 - £100,000	1	—
£100,001 - £110,000	1	—
£110,001 - £120,000	2	2
£140,001 - £150,000	1	1
	14	11

The total remuneration paid to the key management personnel in the year was £444,098 (2017 - £439,049).

The trustees received no remuneration for their services during the year (2017 – none). One trustee (2017 – 1) was reimbursed for travel expenses of £137 during the year (2017 – £147).

Charity and charity trustees' indemnity insurance has been purchased to protect the charity from the neglect or defaults of its trustees, employees and agents and to indemnify the trustees or other officers against the consequences of any neglect or default on their part. The insurance premium paid by the charity for the year totalled £2,072 (2017 – £2,035) and provides cover of up to a maximum of £2,000,000 (2017 – £2,000,000).

Notes to the Financial Statements Year to 1 April 2018

4. Staff costs (continued)

The average number of employees during the year was 1,457 (2017 – 1,170):

	2018 Number	2017 Number
Operations	1,339	1,077
Engineering (infrastructure)	54	38
Transport unit	10	7
Management and finance	42	38
Training	12	10
	1,457	1,170

5. Net income

This is stated after charging:

Group	2018 £	2017 £
Depreciation	1,563,651	1,785,509
(Gain) / loss on disposal of tangible fixed assets	(107,281)	31,109
Auditor's remuneration		
- <i>Audit fees</i>	59,000	52,520
- <i>Other services</i>	10,150	13,232
Other auditor's remuneration	—	5,000
Interest payable in respect of finance leases	547,491	376,662
Interest payable in respect of loans	520,752	216,350

Notes to the Financial Statements Year to 1 April 2018

6. Fixed assets

Group	Leasehold improve- ments £	IT and office equipment £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Modular buildings £	Freehold land £	Total £
Opening cost	325,962	826,166	203,427	1,238,960	17,200,771	668,501	4,392,779	24,856,566
Additions	81,046	1,788	122,547	130,452	1,185,400	43,466	435,222	1,999,921
Reclassifications	—	—	2,048	100,160	—	2,210,475	(2,312,683)	—
Acquired on merger	14,279	6,922	—	34,355	1,699,759	—	—	1,755,315
Disposals	—	—	—	—	(707,096)	—	—	(707,096)
Closing cost	421,287	834,876	328,022	1,503,927	19,378,834	2,922,442	2,515,318	27,904,706
Opening depreciation	184,722	750,754	153,611	721,369	9,951,043	341,692	47,435	12,150,626
Depreciation on disposals	—	—	—	—	(500,727)	—	—	(500,727)
Charge for the year	55,880	—	13,383	197,586	1,197,416	146,821	(47,435)	1,563,651
Closing depreciation	240,602	750,754	166,994	918,955	10,647,732	488,513	—	13,213,550
Net book value 2018	180,685	84,122	161,028	584,972	8,731,102	2,433,929	2,515,318	14,691,156
Net book value 2017	141,240	75,411	49,816	517,591	7,249,728	326,809	4,345,344	12,705,940

Notes to the Financial Statements Year to 1 April 2018

6. Fixed assets (continued)

Charity	Leasehold improve- ments £	IT and office equipment £	Fixtures and fittings £	Plant and equipment £	Motor vehicles £	Modular buildings £	Freehold land £	Total £
Opening cost	182,632	569,688	128,478	134,356	2,048,956	564,467	4,392,779	8,021,356
Additions	—	591	52,657	79,706	212,306	43,466	435,222	823,948
Reclassifications	—	—	2,047	100,160	—	2,210,476	(2,312,683)	—
Disposals	—	(10,551)	—	—	(815,751)	—	—	(826,302)
Closing cost	182,632	559,728	183,182	314,222	1,445,511	2,818,409	2,515,318	8,019,002
Opening depreciation	124,536	506,925	109,280	105,532	1,419,044	324,008	47,435	2,636,760
Reclassifications	—	—	—	—	—	47,435	(47,435)	—
Charge for the year	29,651	37,403	1,501	50,931	120,829	88,983	—	329,298
Eliminated on disposal	—	(10,551)	—	—	(687,663)	—	—	(698,214)
Closing depreciation	154,187	533,777	110,781	156,463	852,210	460,426	—	2,267,844
Net book value 2018	28,445	25,951	72,401	157,759	593,301	2,357,983	2,515,318	5,751,158
Net book value 2017	58,096	62,763	19,198	28,824	629,912	240,459	4,345,344	5,384,596

Notes to the Financial Statements Year to 1 April 2018

6. Fixed assets (continued)

Finance Leases

The net book value of tangible fixed assets of the group includes an amount of £3,701,768 (2017 - £3,830,836) in respect of assets held under finance leases on which the depreciation charge for the year was £660,423 (2017 - £605,891).

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 overdraft and borrowing facilities.

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

Esmee Fairbairn Foundation, Bridge House Estates, Big Issue Invest Social Enterprise Investment Fund II LP, Big Issue Invest Limited, Social and Sustainable Capital LLP, The Phone Co-op Limited and FSE Social Impact Accelerator 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.

7. Debtors

	Group		Charity	
	2018	2017	2018	2017
	£	£	£	£
Trade debtors	3,603,520	3,098,051	276,067	267,916
Amounts due from subsidiary entities	—	—	5,707,364	6,097,777
Prepayments	776,343	1,510,064	—	713,666
Other debtors	2,742,631	1,858,294	812,138	609,769
	7,122,494	6,466,409	6,795,569	7,689,128

Notes to the Financial Statements Year to 1 April 2018

8. Creditors: amounts falling due within one year

	Group		Charity	
	2018	2017	2018	2017
	£	£	£	£
Trade creditors	385,965	1,601,064	275,534	730,719
Amounts due to subsidiary undertakings	—	—	2,013,393	4,049,506
Taxation and social security	1,039,704	813,053	133,743	102,735
Other creditors	1,555,322	2,127,124	401,896	155,625
Obligations under finance leases (note 11)	1,207,938	659,756	227,811	63,886
Accruals	1,936,266	925,392	449,608	397,107
Loans (note 10)	58,388	44,158	58,388	44,158
	6,183,583	6,170,547	3,560,373	5,543,736

Details of the security for the loans are set out in note 10.

9. Creditors: amounts falling after more than one year

	Group		Charity	
	2018	2017	2018	2017
	£	£	£	£
Obligations under finance leases (note 11)	3,763,186	3,831,738	—	228,181
Loans (note 10)	7,086,732	5,927,844	7,086,732	5,927,846
	10,849,918	9,759,582	7,086,732	6,156,027

Details of the security for the loans are set out in note 10.

10. Loan commitments

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

	Group		Charity	
	2018	2017	2018	2017
	£	£	£	£
Within one year	58,388	44,158	58,388	44,158
Between two and five years	5,264,437	5,099,040	5,264,437	5,099,040
Over five years	1,822,295	828,807	1,822,295	828,807
	7,145,120	5,972,005	7,145,120	5,972,005

£5,250,000 of the loans are secured (see note 6) and either have a fixed rate of interest (4.75%) or have a rate of interest that varies depending on the turnover of the business. £1,113,060 of the loans are secured by a fixed charge on the property at Walthamstow. Interest rates are variable at 2% above base rate with a minimum of 2.5%. Loans are held at amortised cost and all other financial instruments at cost.

Notes to the Financial Statements Year to 1 April 2018

11. Finance lease commitments

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

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Within one year	1,207,938	659,756	227,811	63,886
Between two and five years	3,763,186	1,928,444	—	228,181
Over five years	—	1,903,294	—	—
	4,971,124	4,491,494	227,811	292,067

12. Operating lease commitments

At 1 April 2018 the group had the following total future commitments under non-cancellable operating leases:

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Motor vehicles				
Operating lease payments which fall due:				
Within one year	4,305,653	3,551,969	—	—
Between two and five years	11,378,069	8,848,782	—	—
After five years	2,624,307	3,851,462	—	—
	18,308,029	16,252,213	—	—
Land and buildings				
Operating lease payments which fall due:				
Within one year	243,225	240,817	140,949	140,949
Between two and five years	588,536	797,927	543,453	684,401
	831,761	1,038,744	684,402	825,350
Equipment				
Operating lease payments which fall due:				
Within one year	6,828	20,484	—	—
Between two and five years	—	6,828	—	—
	6,828	27,312	—	—

Notes to the Financial Statements Year to 1 April 2018

13. Self-insurance provision

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Provision at the beginning of the year	175,138	181,454	—	—
Utilised during the year	(115,407)	(256,329)	—	—
New provision for 2017/18	222,634	250,013	28,958	—
Provision carried forward	282,365	175,138	28,958	—

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

14. Pension commitments

	2018 £	2017 £
Group pension liabilities		
a) The London Borough of Waltham Forest Pension Scheme	(94,000)	(126,000)
b) Avon Pension Fund	—	(133,000)
	(94,000)	(259,000)

a. The London Borough of Waltham Forest Pension Scheme

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

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

Contributions payable by CT Plus Community Interest Company are determined on the basis of triennial valuations carried out by a qualified actuary using the projected unit method. The employer contributions for the year were £26,000 (2017: £30,000).

Notes to the Financial Statements Year to 1 April 2018

14. Pension commitments (continued)

a. The London Borough of Waltham Forest Pension Scheme (continued)

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

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

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

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

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

	At 1 April 2018 % pa	At 31 March 2017 % pa
Inflation	2.2	2.3
Discount rate	2.7	2.5
Rate of increase in salaries	3.7	3.8
Rate of increase for pensions in payment	2.3	2.3

The mortality assumptions used were as follows:

	2018 years	2017 years
Longevity at age 65 for current pensioners		
- <i>Men</i>	22.5	22.4
- <i>Women</i>	25.5	25.4
Longevity at age 65 for future pensioners		
- <i>Men</i>	24.7	24.6
- <i>Women</i>	27.9	27.7

Notes to the Financial Statements Year to 1 April 2018

14. Pension commitments (continued)

a. The London Borough of Waltham Forest Pension Scheme (continued)

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

	Value at 1 April 2018 £'000	Value at 31 March 2017 £'000
Property	99	100
Equities	802	853
Other bonds	136	175
Cash	49	(13)
Other	148	138
Total market value of assets	1,234	1,253
Present value of Scheme liabilities	(1,328)	(1,379)
Surplus (deficit) in the Scheme	(94)	(126)

Total expenditure recognised in the Statement of Financial Activities

	2018 £'000	2017 £'000
Current service cost	44	43
Interest cost	2	3
Expected return on scheme assets	(53)	(33)
Total expenditure recognised in SOFA	7	13

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

	2018 £'000	2017 £'000
Scheme liabilities at 1 April 2017	1,379	1,418
Current service cost	44	43
Interest cost	33	53
Contributions by scheme participants	8	11
Actuarial losses (gains)	(60)	(134)
Benefits/Transfers paid	(76)	(12)
Scheme liabilities at 1 April 2018	1,328	1,379

Notes to the Financial Statements Year to 1 April 2018

14. Pension commitments (continued)

a. The London Borough of Waltham Forest Pension Scheme (continued)

Contributions

The total contributions made by the employer in the year have been £26,000 (2017: £30,000).

The best estimate of contributions to be paid by the employer to the scheme for the year beginning after 1 April 2018 is £17,000.

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

	2018	2017
	£'000	£'000
Fair value of scheme assets at 1 April 2017	1,253	1,343
Expected return on scheme assets	31	50
Actuarial (losses) gains	(7)	(167)
Administration expenses	(1)	(2)
Contributions by employer	26	30
Contributions by scheme participants	8	11
Benefits/Transfers paid	(76)	(12)
Fair value of scheme assets at 1 April 2018	1,234	1,253

b. Avon Pension Fund

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

Latest actuarial valuation	31 March 2016
Actuarial method	Ongoing
Investment returns per annum	4.4%
Average inflation per annum (CPI)	2.2%
Salary increases per annum – long term	3.7%
Market value of assets at date of last valuation	£3,737m
Proportion of members' accrued benefits covered by the actuarial value of the assets	86%

The information above is provided as for the Avon Pension Fund as a whole. As at 1 July 2012 the relevant employees were transferred to a separate section of the Avon Pension Fund. At 1 July 2012 the proportion of members' accrued benefits covered by the actuarial value of the assets was 100%.

Notes to the Financial Statements Year to 1 April 2018

14. Pension commitments (continued)

b. Avon Pension Fund (continued)

The employer has contributed at a rate of 17.6% of pensionable salaries for the period from 1 July 2012 to date. Members have paid contributions in line with the rates outlined in Scheme documentation.

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

	At 1 April 2018 % pa	At 31 March 2017 % pa
Inflation	n/a	2.3
Discount rate	n/a	2.5
Rate of increase in salaries	n/a	3.8
Rate of increase for pensions in payment	n/a	2.0

The mortality assumptions used were as follows:

	2017 years	2016 years
Longevity at age 65 for current pensioners		
- <i>Men</i>	n/a	23.5
- <i>Women</i>	n/a	26.0
Longevity at age 65 for future pensioners		
- <i>Men</i>	n/a	26.0
- <i>Women</i>	n/a	28.7

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

	Value at 1 April 2018 £'000	Value at 31 March 2017 £'000
Property	—	67
Equities	—	404
Government bonds	—	93
Other bonds	—	61
Cash	—	9
Other	—	141
Total market value of assets	—	775
Present value of Scheme liabilities	—	(908)
Deficit in the Scheme	—	(133)

Notes to the Financial Statements Year to 1 April 2018

14. Pension commitments (continued)

b. Avon Pension Fund (continued)

Total expenditure recognised in the Statement of Financial Activities:

	2018 £'000	2017 £'000
Current service cost	—	26
Interest cost	—	27
Expected return on scheme assets	—	(24)
Total expenditure recognised in SOFA	—	29

Reconciliation of opening and closing balances of the present value of the CT Plus Community Interest Company's share of scheme liabilities.

	2018 £'000	2017 £'000
Scheme liabilities at 1 April 2016	908	815
Transferred	(908)	—
Current service cost	—	26
Interest cost	—	27
Contributions by scheme participants	—	5
Actuarial losses	—	69
Benefits / Transfers paid	—	(34)
Scheme liabilities at 1 April 2018	—	908

Contributions

The total contributions made by the employer for the year to 1 April 2018 have been £nil (2017: £nil).

The best estimate of contributions to be paid by the employer to the scheme for the year beginning after 1 April 2018 is £nil.

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

	2017 £'000	2016 £'000
Fair value of scheme assets at 1 April 2016	775	704
Expected return on scheme assets	(775)	24
Actuarial gains (losses)	—	76
Contributions by employer	—	—
Contributions by scheme participants	—	5
Benefits / transfers paid	—	(34)
Fair value of scheme assets at 31 March 2017	—	775

Notes to the Financial Statements Year to 1 April 2018

15. 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, CT Plus Community Interest Company, CT Plus (Yorkshire) Community Interest Company, Knowsley Community Transport, Transport Co-ordination Centre Hackney Limited, Social Access Enterprises Limited and Bristol Community Transport donate their taxable profits, if any, to HCT Group each year.

16. Restricted funds

	At 1 April 2017 £	Income £	Expenditure £	At 1 April 2018 £
Group and charity				
Big Lottery Fund	—	18,500	(18,500)	—
	—	18,500	(18,500)	—

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

17. Unrestricted funds

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Designated fund	2,574,912	2,242,441	—	—
General fund	2,993,597	2,600,040	1,870,926	1,819,944
Pension reserve	(94,000)	(259,000)	—	—
	5,474,509	4,583,481	1,870,926	1,819,944

The 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

18. Status

HCT Group is registered in England and Wales, limited by guarantee and has no share capital. The liability of the members is limited to £1 each. HCT Group is registered with the Charity Commission for England and Wales (Charity Registration Number 1091318 and Company Registration number 01747483).

Notes to the Financial Statements Year to 1 April 2018

18. Status (continued)

CT Plus Community Interest Company (CTP) is registered in England and Wales (Company Registration Number 04137890). It has Authorised Share Capital of 1,000 £1 shares, of which HCT Group owns the single allotted, called up and fully paid issued share.

CT Plus (Yorkshire) Community Interest Company (CTPY) is registered in England and Wales (Company Registration Number 05629152). It has Authorised Share Capital of 1,000 £1 shares, of which CT Plus Community Interest Company owns the single allotted, called up and fully paid issued share.

Knowsley Community Transport (KCT) is registered in England and Wales (Company Registration Number 08964168) and is a wholly owned subsidiary of HCT Group. There were no transactions during the year and it is intended that the company now be closed down.

Lambeth and Southwark Community Transport (LASCOT) is registered in England and Wales, limited by guarantee and has no share capital. The liability of the members is limited to £1. Lambeth and Southwark Community Transport is registered with the Charity Commission for England and Wales (Charity Registration Number 1091621 and Company Registration Number 04352550).

Transport Co-ordination Centre Hackney Limited (TCCH) is registered in England and Wales, limited by guarantee and has no share capital (Company Registration Number 03689127).

Leeds Alternative Travel Limited (LAT) is an Industrial and Provident Society (Industrial and Provident Society Registration Number IP28657R) with three allotted, called up and fully paid issued shares that are owned by HCT Group, CT Plus Community Interest Company and CT Plus (Yorkshire) Community Interest Company.

Bristol Community Transport (BCT) is registered in England and Wales, limited by guarantee and has no share capital (Company Registration Number 04749030). CT Plus Jersey Limited (CTPJ) is registered in Jersey limited by guarantee and has no share capital (Company registration number 110804). It is registered as a charity in Jersey.

CT Plus Guernsey Limited (CTPG) is registered in Guernsey (Company registration number 54761) It has a share capital of £1 owned by HCT Charity.

Social Access Limited (SAL) is registered in England and Wales, limited by guarantee and has no share capital (Company Registration Number 06802970)

Manchester Community Transport (MCT) is registered in England and Wales as an Industrial and Provident Society (Company Registration Number IP23540R)

A summary of those subsidiaries whose results for the year ended 1 April 2018 have had a material impact on the consolidated financial statements is as follows:

Notes to the Financial Statements Year to 1 April 2018

18. Status (continued)

	CTP £	CTPY £	LAS £	BCT £	MCT £	CTPJ £	CTPG £
Income	37,310,687	4,754,047	882,573	465,863	2,043,332	9,871,858	4,870,562
Expenditure	(35,961,681)	(4,662,412)	(883,699)	(326,504)	(2,330,936)	(8,792,074)	(4,653,752)
Operating surplus (deficit)	1,349,006	91,635	(1,126)	139,359	(287,604)	1,079,784	216,810
Interest payable	(193,071)	—	—	—	—	—	—
Gift aid	(1,541,604)	(70,702)	—	(132,766)	—	(344,465)	(113,109)
Net result	(385,669)	20,933	(1,126)	6,593	(287,604)	735,319	103,701
Other gains	186,000	—	—	—	—	—	—
Net surplus / deficit	(199,669)	20,933	(1,126)	6,593	(287,604)	735,319	103,701
Retained funds at 1 April 2017	213,452	3,656	1,126	376,334	287,604	2,029,151	106,526
Retained funds at 1 April 2018	13,783	24,589	—	382,927	—	2,764,470	210,227
Called up share capital	1	1	—	—	—	—	—
At 1 April 2018	13,784	24,590	—	382,927	—	2,764,470	210,227

Notes to the Financial Statements Year to 1 April 2018

19. Related party transactions

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

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

HCT Group has representation on the board of SEN Travel Training LLP, but is not considered to have control. SEN Travel Training LLP is a wholly owned subsidiary of Bridges Ventures and A Ross, a trustee, is on the Board of Bridges Ventures. During the year HCT Group received payments of £115,000 to finance a new travel training scheme (2017 - £100,000). No amounts were owed to or from the LLP at 1 April 2018.

20. Manchester Community Transport

On 4 October 2017, Manchester Community Transport (MCT), a Manchester-based community transport organisation (Industrial and Provident Society number IP23540R), joined HCT Group. The rationale for the merger was to ensure HCT Group could position itself within the Manchester area, expand its contract services and develop the community transport already offered by MCT. We have successfully won a number of additional routes from Transport for Greater Manchester. A turnaround plan has been implemented since the acquisition and this is returning MCT to profitability.

The identifiable assets and liabilities transferred comprised:

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

Notes to the Financial Statements Year to 1 April 2018

21. Social Access Limited

On 13 March 2017, HCT Group merged with Social Access Limited, a Bristol-based community transport organisation (company no: 6834538, registered charity no: 1128593). Social Access Limited has a wholly-owned subsidiary, Social Access Enterprises Limited (company no: 06802970). The merger will allow the combined operations of Social Access and Bristol Community Transport to provide a more cohesive and cost effective service for the people of Bristol and the surrounding communities.

The identifiable assets and liabilities transferred comprised:

	2017 £
Tangible fixed assets	129,099
Debtors	42,313
Cash at bank and in hand	289,810
Creditors: amounts falling due within one year	(161,266)
Total income recognised in SOFA	299,955

22. Analysis of net assets between funds

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

Notes to the Financial Statements Year to 1 April 2018

22. Analysis of net assets between funds (continued)

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

23. Post balance sheet events

In April 2018, Community Transport for Town and County joined the HCT Group, with the Group becoming its sole member. Subsequent to the merger we have rebranded the business as Derbyshire Community Transport. The business provides community and demand responsive transport for the people of Derbyshire and will be an important acquisition for the HCT Group.

In June 2018 the group completed a refinancing exercise that secured £10m of fixed rate cash loans and £5.5m of bank facilities. This is in addition to the mortgage facility already in place which is secured on the Walthamstow depot. This funding provides the liquidity to meet the Group's working capital needs and will be used to fund our expansion plans.

24. Social Investment

The Group has received a number of investments from social investors as set out in note 10. These investments take the form of either fixed rate loan notes or variable rate investments where the coupon is determined by various performance aspects of the group. The latter category of investment is akin more to an equity instrument. Under current accounting standards we are required to categorise these investments as loans. However, if they were classified as equity then the balance sheet would be as set out on the following page:

Notes to the Financial Statements Year to 1 April 2018

24. Social Investment (continued)

	Group		Charity	
	2018	2017	2018	2017
	£	£	£	£
Fixed assets				
Tangible fixed assets	14,691,156	12,705,940	5,751,158	5,384,596
Current assets				
Stock	772,674	604,626	262	469
Debtors	7,122,494	6,466,409	6,795,569	7,689,128
Cash at bank and in hand	298,051	1,170,773	—	445,514
	8,193,219	8,241,808	6,795,831	8,135,111
Creditors: amounts falling due within one year	(6,183,583)	(6,170,547)	(3,560,373)	(5,543,736)
Net current assets	2,009,636	2,071,261	3,235,458	2,591,375
Total assets less current liabilities	16,700,792	14,777,201	8,986,616	7,975,971
Creditors: amounts falling due after more than one year	(7,449,918)	(6,359,582)	(3,686,732)	(2,756,027)
Self-insurance provision	(282,365)	(175,138)	(28,958)	—
Net assets excluding pension liabilities	8,968,509	8,242,481	5,219,944	5,219,944
Net pension liabilities	(94,000)	(259,000)	—	—
Net assets including pension assets	8,874,509	7,983,481	5,270,926	5,219,944
Reserves				
Social Investment	3,400,000	3,400,000	3,400,000	3,400,000
Restricted funds	—	—	—	—
Unrestricted funds:				
- Designated fund	2,574,912	2,242,441	—	—
- General fund	2,993,597	2,341,040	1,870,926	1,819,944
- Pension reserve	(94,000)	(259,000)	—	—
Total funds	8,874,509	7,983,481	5,270,926	5,219,944

about HCT Group

HCT Group is a social enterprise in the transport industry, safely providing over 30 million passenger trips on our buses every year. We deliver a range of transport services – from London red buses to social services transport, from school transport to whole bus networks, from community transport to education and training.

We reinvest the profits from our commercial work into high social impact transport services or projects in the communities we serve, and into providing training opportunities for people who are long-term unemployed – making a real difference to people's lives.

For more information, please see **www.hctgroup.org**

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HCT Group is a company registered in England and Wales. Company number 1747483. Registered charity number 1091318. VAT number 805311274. Our registered and main correspondence address is: 1st floor, 141 Curtain Road, London EC2A 3BX

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