

**Charity Registration No. 1010721**

**Company Registration No. 02704407 (England and Wales)**

**HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD  
ANNUAL REPORT AND UNAUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 28 FEBRUARY 2017**

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## LEGAL AND ADMINISTRATIVE INFORMATION

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<b>Trustees</b>	Nigel Jefferies Margaret Jones Cliff Penny David Penny John Pritchard Caroline Jones Keith Welch	(Appointed 19 July 2016) (Appointed 9 August 2017) (Appointed 9 August 2017)
<b>Secretary</b>	Dr C Buffery	
<b>Charity number</b>	1010721	
<b>Company number</b>	02704407	
<b>Registered office</b>	The Wharf House Horseshoe Drive Over Gloucester GL2 8DB	
<b>Independent examiner</b>	Griffiths Marshall Beaumont House 172 Southgate Street Gloucester GL1 2EZ	

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# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## CONTENTS

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	<b>Page</b>
Trustees' report	1 - 4
Independent examiner's report	5
Statement of financial activities	6
Balance sheet	7 - 8
Statement of cash flows	9
Notes to the accounts	10 - 21

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# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT)

**FOR THE YEAR ENDED 28 FEBRUARY 2017**

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The Trustees present their report and accounts for the year ended 28 February 2017.

### **Structure, governance and management**

#### **Governing document**

The charity is constituted as a limited company, limited by guarantee as defined in the Companies Act 2006, and as such is governed by its Memorandum and Articles of Association.

#### **Organisational structure**

The charity is run by a team of volunteers who pay an annual membership subscription. It is managed by the council of management made up of the Trustees who meet every two months and are supported by regionally based restoration groups and committees responsible for finance, sales and The Wharf House. The Articles of Association allow up to 18 Trustees to be appointed. One third of the Trustees shall stand down annually in rotation, but can apply for re-election. Potential new Trustees are elected at the AGM or co-opted onto the council of management for a minimum of six months before they become a Trustee. When new Trustees are appointed they are given an induction to the work of H&G CT and provided with the information they need to fulfil their roles, which includes information about the role of Trustees and charity law.

#### **Risk management**

The Trustees have a duty to identify and review the risks to which the charity is exposed and to ensure appropriate controls are in place to reduce risk of fraud, error or unsafe acts.

#### **The Trustees, who are also the directors for the purpose of company law, and who served during the year were:**

John Hammond (Resigned December 2016, Treasurer to 28 February 2017)

Nigel Jefferies

Margaret Jones

Wilf Jones

Janet Moulton (Retired October 2016)

Carolyn Pascall (Resigned December 2016)

Cliff Penny

David Penny

John Pritchard

#### **Objectives and activities**

In setting out objectives and planning activities the Trustees have given careful consideration to the Charity Commission's general guidance on public benefit and believe they have considered this guidance fully in their actions and in their plans drawn up for future action. Members and the general public are encouraged to visit sites when restoration has progressed to the stage where it is safe for visits to take place, by means of posters, signs, the website and regular information e-mails to which anyone is able to subscribe whether or not they are a member. This accords with the aim to bring economic and environmental benefits as well as recreational opportunities for local people and visitors. Access has been improved for visitors at Aylestone Park, Oxenhall, Newent, Vineyard Hill and Over. Work at Dymock has resulted in opening a stretch of canal to the general public. The vision is of a financially sustainable and navigable waterway with towpath, a green corridor reconnecting the rural communities between the cities of Hereford and Gloucester.

H&G CT espouses the following core values:

- restoring, enhancing and protecting the canal for all;
- integrating the canal corridor, as a sustainable resource, into the life of the communities along it;
- endeavoring to work in partnership with all other interested parties;
- carrying out the above in a professional manner.

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)

**FOR THE YEAR ENDED 28 FEBRUARY 2017**

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### **Voluntary help and gifts in kind**

Volunteers and members are generous with donations, both money and equipment, as well as their time and skills in many and varied ways: writing for, editing or delivering The Wharfinger, getting dirty doing restoration, planning projects, promoting the Trust and publicising its achievements, organising open days, running stalls at events, giving talks, leading walks. Several external bodies also donate professional support. This year our volunteers very kindly donated some £188k of volunteer time (at HLF values). In addition, external organisations provided professional services without charge, of estimated value £15k in total.

The volunteers form a critical part of the trust not just restoring the canal but also maintaining those sections that have been restored and its wider promotion through both local and national events. All these aspects have continued through the year in question and are set to expand considerably

### **Risks to the Charity**

The L&PDT, financed by TWH, continues to negotiate various new sites with developers and landowners at various sites along the line of the canal including Hereford, Ledbury and elsewhere. Like the recent announcements at Malswick and Newent these can take years to conclude but we continue with an ongoing diverse portfolio of negotiations so that a flow of announcements can realistically be expected over the coming years. Looking forward it is the intent to provide a level of central support to new sites from L&PDT staff (and this has been delivered for the Malswick team in the current year).

### **Internal and external factors**

Council of Management continues to monitor how H&G CT operates to ensure it is structured in the best way and has the appropriate controls and processes to fulfill its objectives. The Legal and Project Development Team continues to work on land acquisition, as well as focusing on acquiring grant aid and other funding, and on building partnerships with external bodies which can support restoration. There has been significant progress on land acquisition and delivering the objective of a 5 year volunteer landbank

The overall performance of The Wharf House Company Limited has improved from 2016, however a net trading loss was generated again this year, albeit a much smaller one from 2016. This is however after TWH met the cost of the Over site, historic boats and L&PDT and therefore the core business traded at a profit directly delivering on the objective of the Trust.

The Wharf House currently has net liabilities. However the Trustees and directors of the company believe that the property currently owned by The Wharf House and Trust holds significantly more value than is currently being shown in the accounts. Therefore H&GCT believe there is no impairment to their investment and that they should receive the full amount back to them.

### **Financial review, Achievements and Performance**

The year saw consolidation of all sites with the objective of closing off outstanding works in preparation for resources being required for new sites. This saw the overflow weir at Over have its spillweir completed and major progress on the the 'great wall' as well as continuing works to the historic boats and the normal maintenance works. Dymock site saw finishing works undertaken and the borehole come into operation with the canal rising to its final level during 2016/2017. Oxenall saw ongoing maintenance and the renewal of the track to the cottage whilst Newent saw ongoing investigative works on the Station which will prepare for future grant aid bids. Herefordshire and Moat sites saw ongoing maintenance to keep them in good order, with further canal restoration at Moat, and major works to improve our Llanthony site access and parking.

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)

**FOR THE YEAR ENDED 28 FEBRUARY 2017**

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The year saw the Trust trading arm continue to invest in the Over site (which it pays all the costs of); boats and both commercial premises. For the 7th year running The Wharf House secured an AA Red Rosette for culinary excellence placing it in the top 10% of restaurants in the UK. Trading was the best year to date (with 2017/18 seeing ongoing growth). With the rooms delivering both increased occupancy and higher rates per night and regularly at capacity. The Wharf House itself ended the year with minimal debt having delivered a site worth over £750k over its last 14 years of trading. It continues to invest to deliver an ever better product and growth and to support the delivery of Malswick House.

Malswick House had to fight against the expectation it would not succeed both from the community and those within the Trust following from its poor history prior to our operation of it of closing every year for a decade or more. Following ongoing investment and restructuring in the year in question and beyond, the latter half of 2017 saw it break this trend and build a stable and growing reputation in a difficult market. Like The Wharf House operation it was acquired for the long term benefits to the Trust. Malswick House was also acquired to ensure that it was retained as a pub (and not lost to residential) as the last surviving waterside pub on the Canal, a critical feature in the long term operational attractiveness of the Canal. We look forward to ongoing growth of this business and the acquisition of the adjoining Malswick site and delivery of roadside canal that can be directly accessed from the pub car park is part of our wider delivery and growth strategy. In the short term we will focus on growing the business. Both businesses essentially started with no initial liquidity and have had to primarily finance their own completion/refurbishment and growth from turnover. Whilst initially the Trust underwrote TWH loans the case is today reversed where TWH now guarantees the Trust loans for Dymock etc. It is the intent to replicate the success that we have delivered with The Wharf House at Malswick but realistically this takes time, especially with the history we have inherited and limited finance, but the changes in 2017 are positive and head us in the right direction

2016/17 proved tight financially with individuals supporting the Trust at the peak of our expenditure on the Dymock site. This saw rapid change in the latter part of the year with the Trust's finances rebounding rapidly and strongly, especially once the bulk of the £75k Dymock ESCROW had been repaid. During the financial year the installation of a borehole at Dymock was complete and supplied the canal with water.

The Trust's long term strategy of delivering a sustainably self sufficient waterway through the work of the L&PDT continued. The year saw continuing strong income from our properties at Dymock and land holdings elsewhere and whilst Llanthony income was reduced due to refurbishments this rebounded after the year in question. It continued to see a diversified income stream from land and other interests as well as the generosity of its Members through donations and bequests.

The Trust continues to be ranked in the top 3 Canal Trust in the UK due to its ongoing vision and delivery of long term financial independence from diversified sources.

### **Reserves Policy**

The charity aims to hold projected funds that at least cover the normal operating costs of the Charity for 12 months.

### **Investment Policy**

The Trustees choose to invest in property such as Llanthony, The Wharf House, Malswick House and Dymock to provide income streams which facilitate canal restoration and maintenance. A key element is to engage with the public and promote knowledge of H&G CT's actions, aims and objectives.

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## TRUSTEES' REPORT (CONTINUED)(INCLUDING DIRECTORS' REPORT)

**FOR THE YEAR ENDED 28 FEBRUARY 2017**

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The £100k shares showing in the books were never purchased and sadly came about due to what now proves to be incorrect advice secured by a former Director. These shares were never subject to a 'consideration' being received. A few years ago we sought to correct this and the then CofM sent the then Treasurer to discuss how we resolved this with our then accountants - the advice received was leave it as it was due to the complications of correcting it. I would suggest that we are far to far through the process this year to deal with this historic issue in these accounts. However it is the objective of the Board that these errors will be corrected in the 2017/18 accounts.

In the wider context of the Companies subsidiary:- The Wharf House group serves as one of the Trust's primary points of contact with the wider community and is a significant recruiter of both members and volunteers. It creates awareness of the Trust's wider objectives as well as meeting the running costs of the Over site and Historic Boat fleet and the Legal & Project Development Team. It has built a considerable asset base with The Wharf House and Malswick House combine worth in excess of £1m and leading directly to the creation of jobs and training in the local community, therefore both fulfilling both primary objectives of the Charity and delivering key outputs upon which the Charity is viewed by Funders and Local Authorities etc.

### **Going Concern**

The Legal & Project Development Team pursued a number of land acquisitions for the Trust resulting in some 200 acres coming under contract or Conditional Contract or Options from a range of different landowners in the year in question or concluding shortly after. This was a key part of the agreed strategy developed some 4 years ago of developing a 5 year Landbank for volunteer work so that the Trust can efficiently plan an ongoing work programme and all the related facilitating works of grant aid bids and design. Some of these transfers took place in the year in question with others following in the subsequent year, leading to the new Malswick site commencing in 2017. Significant funds need to be raised within a tight window and this will be challenging.

In addition to maintenance of current sites, H&G CT seeks opportunities for new sites.

- At Aylestone the Canal will be tidied up and widened by some 2m.
- At Newent, preparation for rebuilding the Station and constructing the embankment will continue.
- At Over, the retaining wall and bicycle shelter will be completed, and a start made on Mill Barn.
- At Malswick, the new section of the canal and related works will be delivered.
- New land acquisitions will continue to be announced at the earliest opportunity.

### **Plans for Future Periods**

Looking forward the Trust is focused on land acquisition with the objective of delivering sufficient land in the Trust's ownership to be able to produce a 5 year restoration program. The intent is that this is a rolling program and that although the exact forward supply will vary year on year that on average the Trust will move to maintaining approximately a 5 year land supply.

**David Penny**

Chairman

Dated: 16 November 2017

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## INDEPENDENT EXAMINER'S REPORT

### TO THE TRUSTEES OF HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

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I report on the accounts of the H&G CT for the year ended 28 February 2017, which are set out on pages 6 to 21.

#### **Respective responsibilities of Trustees and examiner**

The Trustees, who are also the directors of Herefordshire & Gloucestershire Canal Trust Ltd for the purposes of company law, are responsible for the preparation of the accounts. The Trustees consider that an audit is not required for this year under section 144(2) of the Charities Act 2011 (the 2011 Act) and that an independent examination is needed.

Having satisfied myself that the charity is not subject to audit under company law and is eligible for independent examination, it is my responsibility to:

- (i) examine the accounts under section 145 of the 2011 Act;
- (ii) to follow the procedures laid down in the general Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act; and
- (iii) to state whether particular matters have come to my attention.

#### **Basis of independent examiner's report**

My examination was carried out in accordance with the general Directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts, and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the next statement.

Under Part 16 of the Companies Act 2006 the charity is taking advantage of its exception from have an audit.

#### **Independent examiner's statement**

In connection with my examination, no other matter except that referred to in the previous paragraph has come to my attention:

- (a) which gives me reasonable cause to believe that in any material respect the requirements:
  - (i) to keep accounting records in accordance with section 386 of the Companies Act 2006; and
  - (ii) to prepare accounts which accord with the accounting records, comply with the accounting requirements of 396 of the Companies Act 2006 and with the methods and principles of the Statement of Recommended Practice: Accounting and Reporting by Charities;have not been met or
- (b) to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

Griffiths Marshall

Greg Lewis ACA  
Beaumont House  
172 Southgate Street  
Gloucester  
GL1 2EZ

Dated: 16 November 2017

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT

FOR THE YEAR ENDED 28 FEBRUARY 2017

	Notes	Unrestricted funds £	Restricted funds £	Total 2017 £	Total 2016 £
<b><u>Income from:</u></b>					
Donations and legacies	3	119,865	5,705	125,570	82,206
Other trading activities	4	53,004	-	53,004	34,820
Investments	5	95	-	95	32
<b>Total income</b>		<u>172,964</u>	<u>5,705</u>	<u>178,669</u>	<u>117,058</u>
<b><u>Expenditure on:</u></b>					
Raising funds	6	20,767	-	20,767	23,464
Charitable activities	7	39,309	7,144	46,453	105,725
<b>Total resources expended</b>		<u>60,076</u>	<u>7,144</u>	<u>67,220</u>	<u>129,189</u>
<b>Net incoming/(outgoing) resources before transfers</b>		112,888	(1,439)	111,449	(12,131)
Gross transfers between funds		8,372	(8,372)	-	-
<b>Net income/(expenditure) for the year/ Net movement in funds</b>		121,260	(9,811)	111,449	(12,131)
Fund balances at 1 March 2016		654,080	10,811	664,891	677,021
<b>Fund balances at 28 February 2017</b>		<u><u>775,340</u></u>	<u><u>1,000</u></u>	<u><u>776,340</u></u>	<u><u>664,890</u></u>

The statement of financial activities also complies with the requirements for an income and expenditure account under the Companies Act 2006.

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## BALANCE SHEET

AS AT 28 FEBRUARY 2017

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	Notes	2017		2016	
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	11		451,245		415,545
Investments	12		100,000		100,000
			<u>551,245</u>		<u>515,545</u>
<b>Current assets</b>					
Stocks	14	1,165		1,795	
Debtors	15	380,552		390,011	
Cash at bank and in hand		98,656		35,796	
		<u>480,373</u>		<u>427,602</u>	
<b>Creditors: amounts falling due within one year</b>	17	(15,861)		(22,930)	
Net current assets			464,512		404,672
<b>Total assets less current liabilities</b>			<u>1,015,757</u>		<u>920,217</u>
<b>Creditors: amounts falling due after more than one year</b>	18		(239,417)		(255,327)
<b>Net assets</b>			<u>776,340</u>		<u>664,890</u>
<b>Income funds</b>					
Restricted funds	19	1,000		10,811	
Unrestricted funds		775,340		654,079	
		<u>776,340</u>		<u>664,890</u>	

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# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## BALANCE SHEET (CONTINUED)

*AS AT 28 FEBRUARY 2017*

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The company is entitled to the exemption from the audit requirement contained in section 477 of the Companies Act 2006, for the year ended 28 February 2017. No member of the company has deposited a notice, pursuant to section 476, requiring an audit of these accounts.

The Trustees' responsibilities for ensuring that the charity keeps accounting records which comply with section 386 of the Act and for preparing accounts which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its incoming resources and application of resources, including its income and expenditure, for the financial year in accordance with the requirements of sections 394 and 395 and which otherwise comply with the requirements of the Companies Act 2006 relating to accounts, so far as applicable to the company.

These accounts have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The accounts were approved by the Trustees on 16 November 2017

David Penny  
**Trustee**

**Company Registration No. 02704407**

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 28 FEBRUARY 2017

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	Notes	2017 £	£	2016 £	£
<b>Cash flows from operating activities</b>					
Cash generated from/(absorbed by) operations	23		119,578		(343,064)
<b>Investing activities</b>					
Purchase of tangible fixed assets		(41,900)		(138,695)	
Interest received		95		32	
		<hr/>		<hr/>	
<b>Net cash used in investing activities</b>			(41,805)		(138,663)
<b>Financing activities</b>					
Repayment of bank loans		(14,913)		223,791	
		<hr/>		<hr/>	
<b>Net cash (used in)/generated from financing activities</b>			(14,913)		223,791
			<hr/>		<hr/>
<b>Net increase/(decrease) in cash and cash equivalents</b>			62,860		(257,936)
Cash and cash equivalents at beginning of year			35,796		293,732
			<hr/>		<hr/>
<b>Cash and cash equivalents at end of year</b>			98,656		35,796
			<hr/> <hr/>		<hr/> <hr/>

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS

*FOR THE YEAR ENDED 28 FEBRUARY 2017*

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### 1 Accounting policies

#### Company information

Herefordshire & Gloucestershire Canal Trust Ltd is a private company limited by guarantee incorporated in England and Wales. The registered office is The Wharf House, Horseshoe Drive, Over, Gloucester, GL2 8DB.

#### 1.1 Accounting convention

These accounts have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102"), "Accounting and Reporting by Charities" the Statement of Recommended Practice for charities applying FRS 102, the Companies Act 2006 and UK Generally Accepted Accounting Practice as it applies from 1 January 2015. The H&G CT is a Public Benefit Entity as defined by FRS 102.

The accounts are prepared in sterling, which is the functional currency of the H&G CT. Monetary amounts in these financial statements are rounded to the nearest £.

The accounts have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

These accounts for the year ended 28 February 2017 are the first accounts of Herefordshire & Gloucestershire Canal Trust Ltd prepared in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. The date of transition to FRS 102 was 1 March 2015. The reported financial position and financial performance for the previous period are not affected by the transition to FRS 102.

#### 1.2 Going concern

At the time of approving the accounts, the Trustees have a reasonable expectation that the H&G CT has adequate resources to continue in operational existence for the foreseeable future. Thus the Trustees' continue to adopt the going concern basis of accounting in preparing the accounts.

#### 1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the Trustees in furtherance of their charitable objectives unless the funds have been designated for other purposes.

Restricted funds are subject to specific conditions by donors as to how they may be used. The purposes and uses of the restricted funds are set out in the notes to the accounts.

Endowment funds are subject to specific conditions by donors that the capital must be maintained by the H&G CT.

#### 1.4 Incoming resources

Income is recognised when the H&G CT is legally entitled to it after any performance conditions have been met, the amounts can be measured reliably, and it is probable that income will be received.

Cash donations are recognised on receipt. Other donations are recognised once the H&G CT has been notified of the donation, unless performance conditions require deferral of the amount. Income tax recoverable in relation to donations received under Gift Aid or deeds of covenant is recognised at the time of the donation.

Legacies are recognised on receipt or otherwise if the H&G CT has been notified of an impending distribution, the amount is known, and receipt is expected. If the amount is not known, the legacy is treated as a contingent asset.

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2017

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### 1 Accounting policies

(Continued)

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

#### 1.5 Resources expended

Expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all cost related to the category. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with the use of resources.

#### 1.6 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Land and buildings	Nil
Plant and machinery	20% on cost
Fixtures, fittings & equipment	10% on cost

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is recognised in net income/(expenditure) for the year.

#### 1.7 Fixed asset investments

Fixed asset investments are initially measured at transaction price excluding transaction costs, and are subsequently measured at fair value at each reporting date. Changes in fair value are recognised in net income/(expenditure) for the year. Transaction costs are expensed as incurred.

A subsidiary is an entity controlled by the H&G CT. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

#### 1.8 Impairment of fixed assets

At each reporting end date, the H&G CT reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2017

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### 1 Accounting policies

(Continued)

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in income/ (expenditure for the year, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Recognised impairment losses are reversed if, and only if, the reasons for the impairment loss have ceased to apply. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately, unless the relevant asset is carried in at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### 1.9 Stocks

Stocks are stated at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition. Items held for distribution at no or nominal consideration are measured at cost.

Net realisable value is the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

#### 1.10 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

#### 1.11 Financial instruments

The H&G CT has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the H&G CT's balance sheet when the H&G CT becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

##### **Basic financial assets**

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2017

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### 1 Accounting policies

(Continued)

#### ***Basic financial liabilities***

Basic financial liabilities, including creditors and bank loans are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

#### ***Derecognition of financial liabilities***

Financial liabilities are derecognised when the H&G CT's contractual obligations expire or are discharged or cancelled.

### 2 Critical accounting estimates and judgements

In the application of the H&G CT's accounting policies, the Trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2017

### 3 Donations and legacies

	Unrestricted funds	Restricted funds	Total 2017	Total 2016
	£	£	£	£
Membership Subscriptions	9,719	-	9,719	10,139
Donations - Cash at Events	461	-	461	-
Donations - General	61,948	-	61,948	1,382
Grant - Leadon Hydro	-	-	-	20,000
Tax on Gift Aid Reclaimed	11,814	-	11,814	-
Legacies	-	-	-	2,000
Oxenhall Covenants	-	645	645	633
Dymock Covenants	1,272	-	1,272	-
Dymock Initial 1.5% Payments	23,979	-	23,979	-
Hereford Covenants	3,721	-	3,721	2,333
TWH Co Ltd Loan Interest	4,251	-	4,251	7,451
Donations -Braunston Marina	200	-	200	200
Donations - Land Fund	-	1,275	1,275	12,147
Donations - Mill Barn	-	3,285	3,285	15,125
Donations - IWA for Mill Barn	-	500	500	375
Donations - 225 Appeal	2,500	-	2,500	2,000
Donations - Eastnor Event Costs	-	-	-	8,422
	<u>119,865</u>	<u>5,705</u>	<u>125,570</u>	<u>82,206</u>
<b>For the year ended 29 February 2016</b>	<u>34,301</u>	<u>47,905</u>		<u>82,206</u>

### 4 Other trading activities

	2017	2016
	£	£
Social events, talks & walks	1,155	794
Income from sites	4,451	5,117
Rental income (Llanthony)	14,674	6,534
Rental income (Dymock)	9,382	-
Rental income (Newton site)	8,583	8,500
Over festival	4,336	4,297
Advertisement signs	1,398	1,350
Advertising - Wharfinger	3,132	1,730
Sales	3,469	4,648
Draws	2,424	1,850
<b>Total for the year ended 28 February 2017</b>	<u>53,004</u>	<u>34,820</u>

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED 28 FEBRUARY 2017

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### 5 Investments

	2017	2016
	£	£
Interest receivable	95	32
	<u>95</u>	<u>32</u>

### 6 Raising funds

	2017	2016
	£	£
<u>Fundraising and publicity</u>		
Seeking donations, grants and legacies	6,247	7,360
Staging fundraising events	9,574	15,417
Support costs	4,946	687
	<u>20,767</u>	<u>23,464</u>
Fundraising and publicity	20,767	23,464
	<u>20,767</u>	<u>23,464</u>

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2017

### 7 Charitable activities

	2017 £	2016 £
Hereford Sites	59	1,755
Kymin (Withington) Site	74	20,955
Yarkhill Site	363	693
Dymock Site	5,414	596
Oxenhall/Newent Site	3,909	3,344
Moat Farm Site	424	4,158
Over Site	840	392
Mill Barn	3,785	23,200
Bicycle Provision	-	5,900
Leadon Hydro	-	20,000
Llanthony Site	-	1,954
Health, Safety & Welfare	1,050	2,873
Legal Fees	3,407	8,017
RBS Loan Interest	6,055	-
	<hr/>	<hr/>
	25,380	93,837
Share of support costs (see note 8)	18,223	10,754
Share of governance costs (see note 8)	2,850	1,134
	<hr/>	<hr/>
	46,453	105,725
	<hr/> <hr/>	<hr/> <hr/>
<b>Analysis by fund</b>		
Unrestricted funds	39,309	38,933
Restricted funds	7,144	66,792
	<hr/>	<hr/>
	46,453	105,725
	<hr/> <hr/>	<hr/> <hr/>

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2017

### 8 Support costs

	Support costs	Governance costs	2017	2016	Basis of allocation
	£	£	£	£	
Depreciation	6,201	-	6,201	6,439	
Insurance	8,230	-	8,230	3,978	
Administration	8,738	-	8,738	1,024	
Audit fees	-	1,400	1,400	-	Governance
Companies House Fee	-	13	13	-	Usage
Trustees Indemnity Insurance	-	1,091	1,091	1,087	Usage
Support Costs	-	346	346	33	Usage
Bank Audit Fees	-	-	-	14	Usage
	<u>23,169</u>	<u>2,850</u>	<u>26,019</u>	<u>12,575</u>	
Analysed between					
Fundraising	4,946	-	4,946	687	
Charitable activities	18,223	2,850	21,073	11,888	
	<u>23,169</u>	<u>2,850</u>	<u>26,019</u>	<u>12,575</u>	

### 9 Trustees

None of the Trustees (or any persons connected with them) received any remuneration or benefits from the H&G CT during the year. Expenses are reimbursed to Trustees and officers as appropriate and when requested but the amounts involved are not material.

### 10 Employees

There were no employees during the year.

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2017

### 11 Tangible fixed assets

	Land and buildings	Plant and machinery	Fixtures, fittings & equipment	Total
	£	£	£	£
<b>Cost</b>				
At 1 March 2016	403,655	42,006	7,456	453,117
Additions	41,900	-	-	41,900
At 28 February 2017	445,555	42,006	7,456	495,017
<b>Depreciation and impairment</b>				
At 1 March 2016	-	31,346	6,226	37,572
Depreciation charged in the year	-	5,805	395	6,200
At 28 February 2017	-	37,151	6,621	43,772
<b>Carrying amount</b>				
At 28 February 2017	445,555	4,855	835	451,245
At 29 February 2016	403,655	10,660	1,230	415,545

### 12 Fixed asset investments

	Notes	2017 £	2016 £
Investments in subsidiaries	22	100,000	100,000

#### Movements in fixed asset investments

	Shares £
<b>Cost or valuation</b>	
At 1 March 2015 & 28 February 2016	100,000
<b>Carrying amount</b>	
At 28 February 2017	100,000
At 29 February 2016	100,000

### 13 Financial instruments

	2017 £	2016 £
<b>Carrying amount of financial assets</b>		
Debt instruments measured at amortised cost	375,434	385,827
<b>Carrying amount of financial liabilities</b>		
Measured at amortised cost	255,278	278,257

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2017

<b>14</b>	<b>Stocks</b>		<b>2017</b>	<b>2016</b>
			£	£
	Raw materials and consumables		1,165	1,795
			<u>          </u>	<u>          </u>
<b>15</b>	<b>Debtors</b>		<b>2017</b>	<b>2016</b>
			£	£
	<b>Amounts falling due within one year:</b>			
	Amounts due from fellow group undertakings		43,682	28,235
	Other debtors		306	11,521
	Prepayments and accrued income		5,118	4,184
			<u>          </u>	<u>          </u>
			49,106	43,940
			<u>          </u>	<u>          </u>
	<b>Amounts falling due after one year:</b>			
	Amounts due from subsidiary undertakings		331,446	346,071
			<u>          </u>	<u>          </u>
	<b>Total debtors</b>		<b>380,552</b>	<b>390,011</b>
			<u>          </u>	<u>          </u>
<b>16</b>	<b>Loans and overdrafts</b>		<b>2017</b>	<b>2016</b>
			£	£
	Bank loans		208,878	223,791
			<u>          </u>	<u>          </u>
	Payable within one year		14,461	13,464
	Payable after one year		194,417	210,327
			<u>          </u>	<u>          </u>
	The long-term loans are secured by fixed charges over the land and property. There are also floating charges held over all of the charity assets.			
<b>17</b>	<b>Creditors: amounts falling due within one year</b>		<b>2017</b>	<b>2016</b>
			£	£
		<b>Notes</b>		
	Loans and overdrafts	<b>16</b>	14,461	13,464
	Accruals and deferred income		1,400	9,466
			<u>          </u>	<u>          </u>
			15,861	22,930
			<u>          </u>	<u>          </u>

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2017

### 18 Creditors: amounts falling due after more than one year

	Notes	2017 £	2016 £
Loans and overdrafts	16	194,417	210,327
Other creditors		45,000	45,000
		<u>239,417</u>	<u>255,327</u>

### 19 Restricted funds

The income funds of the charity include restricted funds comprising the following unexpended balances of donations and grants held on trust for specific purposes:

	Balance at 1 March 2016	Movement in funds Incoming resources	Resources expended	Balance at 28 February 2017
	£	£	£	£
Land Fund	7,097	1,275	(8,372)	-
Mill Barn Construction Fund	-	3,785	(3,785)	-
Oxenhall/Newent Project Fund	2,714	645	(3,359)	-
Mr Simpson Fund	1,000	-	-	1,000
	<u>10,811</u>	<u>5,705</u>	<u>(15,516)</u>	<u>1,000</u>

### 20 Analysis of net assets between funds

	Unrestricted £	Restricted £	Total £
Fund balances at 28 February 2017 are represented by:			
Tangible assets	451,245	-	451,245
Investments	100,000	-	100,000
Current assets/(liabilities)	463,512	1,000	464,512
Non current liabilities	(239,417)	-	(239,417)
	<u>775,340</u>	<u>1,000</u>	<u>776,340</u>

### 21 Related party transactions

As at 28 February 2017 the charity is owed £375,128 (2016 - £374,307) from The Wharf House Company Limited as an intercompany loan.

H&G CT Ltd owns The Wharf House (TWH) Co Ltd which takes responsibility for: repaying loans for purchase of Malswick House (MH); H&G CT work between Over and Barber's Bridge (Leadon Valley project) and adjacent to MH; funding of H&G CT's Legal & Project Development Team (L&PDT). Inter-company transactions in 2016-17 include: MH loan interest (£4,251.10) and repayment (£3,428.24); transfer of income for tasks falling to TWH Co Ltd for action (Mill Barn £3,785).

# HEREFORDSHIRE & GLOUCESTERSHIRE CANAL TRUST LTD

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 28 FEBRUARY 2017

### 22 Subsidiaries

These financial statements are separate H&G CT financial statements at 28 February 2017.

Details of the H&G CT's subsidiaries at 28 February 2017 are as follows:

Name of undertaking and country of incorporation or residency	Nature of business	Class of shareholding	% Held	
			Direct	Indirect
The Wharf House Co Ltd	Restaurant	Ordinary £1	100.00	

The aggregate capital and reserves and the result for the year of subsidiaries excluded from consolidation was as follows:

Name of undertaking	Profit/(Loss)	Capital and Reserves
	£	£
The Wharf House Co Ltd	(1,538)	(137,874)

### 23 Cash generated from operations

	2017 £	2016 £
Surplus/(deficit) for the year	111,449	(12,131)
Adjustments for:		
Investment income recognised in profit or loss	(95)	(32)
Depreciation and impairment of tangible fixed assets	6,201	6,439
Movements in working capital:		
Decrease/(increase) in stocks	630	(1,795)
Decrease/(increase) in debtors	9,459	(390,011)
(Decrease)/increase in creditors	(8,066)	54,466
<b>Cash generated from/(absorbed by) operations</b>	<b>119,578</b>	<b>(343,064)</b>