

Charity number: 800299
Company number: 1157099

South Devon Railway Trust
Trustees' report and financial statements
for the year ended 31 December 2008

South Devon Railway Trust

Annual Report for the year ended 31 December 2008

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South Devon Railway Trust

Directors, officers and advisors

Trustees	A L Taylor MCIPS AMCQI FRSA C J Stokes BA (Hons) FMAAT N Smith BSc (Hons) FSMC FBOA A R Cash M D Webb BSc FRICS D Woodward BEng MSc CEng FICE FStructE MIHT	Chairman Finance, ICT & Personnel Commercial Mechanical Engineering Vice Chairman Civil Engineering
Secretary	R J Elliott ACIB	
Company Number	1157099	
Charity Number	800299	
Registered Office	The Station Buckfastleigh Devon TQ11 0DZ	
Auditors	Spence Robert Pethick The Old Customs House Torwood Gardens Road Torquay TQ1 1EG	
Business Address	The Station Buckfastleigh Devon TQ11 0DZ	
Bankers	Lloyds TSB Bank PLC Fore Street Okehampton Devon EX20 1HJ	
Solicitors	Woollcombe Beer Watts 73 Queen Street Exeter EX4 3RX	

South Devon Railway Trust

2008 Chairman's Report - Group

In 2008 we had 99,043 visitors which is only a very small reduction from the previous record breaking year. Coupled with a turnover of £943k and a declared surplus of £170,000, both increases on previous performance, this represents an excellent result in the present economic climate. The entire team of staff and volunteers must be congratulated for all their efforts which contributed to this result.

The year has seen considerable investment in our assets. Work has continued to improve the permanent way where we have replaced the last of the wartime concrete sleepers in the main line. Further work has been carried out to improve the trackwork at Totnes and, towards the end of the year, at Buckfastleigh. At Staverton the accommodation crossing carrying the footpath to the village has been completely rebuilt generating much favourable comment from local residents. Locomotive and Carriage & Wagon work has also continued and there has been a regular flow of refurbished passenger coaches exiting the works. The highlight is probably the rebuild of 4802 from a BR standard MKI SO into a combined disabled coach and buffet. This is a superb job to an in house design and will enable us to provide catering services on both trains during the peak services from 2009.

We have continued to see a steady flow of external contract work being offered to us. The re-tyring work for other Heritage Railways has been augmented with enquiries from other commercial enterprises. As a result the decision was taken to extend and alter the workshop layout so that the wheel work could be given its own production line, segregated from the normal loco work. Due to the increasing volume of external contracts and the need to protect the core charitable business of the Trust we have formed a new company, South Devon Railway Engineering Ltd, as a wholly owned subsidiary. In future all the external work will be channelled through this entity but, as with South Devon Railway Plc, all taxable profits will be gift aided to the Trust to further our charitable objectives of operating the railway itself.

A number of ex GWR locomotives came on the market in 2008. We looked at a number of possible deals and even tested the market ourselves to see whether it might be possible to sell or part exchange 3803 for something smaller. In the end we did not get anything we felt was an acceptable offer so the locomotive has not been sold. However, we were offered 6412 by the West Somerset Railway. Not only is this locomotive ideal for the line but it was originally in Dart Valley ownership and hauled the first public train when the railway opened as a heritage line in 1969. To fund its purchase we launched an offer of loan stock which happened to coincide with plunging interest rates. As a result it was rapidly subscribed to and we had no trouble in acquiring the loco.

Due to the investments being made by South Devon Railway Plc in the Refreshment Rooms there will be no gift aid of profits this year; the money will instead fund the new scullery and toilets and provide the subsidiary with cash flow. This suits the Group finances as it removes the need for the Trust to fund the investments.

During the year we embarked upon a search for a new General Manager as Richard Elliott indicated his wish to retire. Fortunately he gave us plenty of notice but we were equally blessed with applications from many strong candidates. We went through a lengthy process of selection to arrive at a final shortlist for interview. In the end we offered the post to Dick Wood who is well known to some as one of our regular footplate volunteers. Dick has worked across the UK and the South West region in a number of senior PR and marketing positions for both central and local government organisations, he has run his own successful PR business since 1998 serving a number of businesses and tourism clients. He first volunteered here in 1972 and has also been a driver and long-serving volunteer on the West Somerset Railway, and worked for five years for the Tyne & Wear PTE and underground Metro system in and around Newcastle so his railway pedigree is without question. In addition he has had formal training in the catering industry and is therefore well placed to manage our Catering and Retail business going forward.

By the time this report reaches you Richard will have officially retired and Dick will be in the hot seat. I know he doesn't want a fuss made and we respect his wishes but I cannot let this milestone pass without recording our sincere thanks to him for what he has done for our railway in the 18 years he has been General Manager. We all wish him a very happy and lengthy retirement, it is well deserved.

Alan Taylor

Chairman

South Devon Railway Trust
Trustees' Report
for the year ended 31 December 2008

The Trustees present their report and the Group Financial Statements for the year ended 31 December 2008.

Trust Governance

The Trust is a complex organisation with a variety of mechanisms that operate to present a working railway; one that is largely staffed by volunteers.

The Trust is a limited liability company, is subject to the provisions of the Companies Act 1985 and is governed by its memorandum and articles of association. The Trust, a registered charity, is managed by an unpaid Board of Directors, acting as Trustees.

Decision making takes place through a flexible but robust structure. These structures described in more detail in later paragraphs are designed to achieve the Trusts' objectives, to ensure they remain fit for purpose, and are kept under review.

Principal Objectives and Activities

The object for which the Trust is established is to advance public education in the history and development of railway transportation systems in particular by the preservation, operation, and exhibiting of railway vehicles, systems and equipment and to foster and support heritage railway preservation.

In pursuit of this object, the principal activity of the Trust continues to be that of operating a heritage railway line. The Trust runs a train service between Buckfastleigh and Totnes (Littlehempston) which provides passengers with the opportunity to experience and learn about rail travel as it would have been. In doing so the Trust, wherever possible, follows the custom and practice of the Great Western Railway or British Railways (Western Region). There have been no material changes in the above policies since the last report. Any surplus generated by its activities is applied to charitable purposes.

Our aims continued through the year to be focused on the long-term future of the railway and planning for its future. Finances were directed accordingly.

- * Increasing turnover in real terms in order to fund developments and debt reduction.
- * Ensuring continuance of a safe operating environment through an ongoing programme of:
permanent way renewal and structural maintenance.
- * Making railway operations as interesting and as representative of the period as possible by :
continuing the use of Great Western motive power
continuing the use of Great Western rolling stock.
- * Increasing the interest and variety on the railway by supporting:
the acquisition of appropriate items
restoration and conservation projects

More detailed descriptions of the activities and achievements of the Trust in the year are set out in the Chairman's and the Finance Director's reports which review the past year and look forward to the prospects in the next year and beyond. The principal activities of the group companies are set out in the notes to the accounts.

Education Policies

The Trust has a number of strategies to advance public learning and benefit. These are both formal and informal. Apart from the visitor experience which is supported by a presentation interpretation and guide books the Trust offers:

- Free public access to its site, Museum and much of its' collection on most days
- Opportunities to learn about locomotive management and driving
- For those wishing to learn to run trains - vocational training in railway skills
- Guided tours and talks for school parties
- Practical involvement in heritage engineering skills
- Work experience placements in conjunction with local schools and colleges.

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The last generation of steam enginemen are now at least at the state age of retirement so the Trust seeks to maintain that skills base for the future. Similarly many engineering techniques and equipment are becoming scarce and the Trust is actively acquiring traditional engineering equipment making it possible to not only keep its own collection of heritage assets in operational condition but in the wider heritage movement too.

The Trust supports many local school and pre-schools by the provision of free tickets to assist in their fund raising. The Trust also has links with social care agencies and assists them in their work by providing a venue for their trainees.

In the wider context the Trust contributes both directly and through its visitors to the economy of a community with a high score on the national deprivation indices.

Policies

During the year there were changes to the regulatory environment and the Trustees were involved in the necessary responses to these. Safety management systems replaced the safety case and a variety of other policies were put in place. These included a formal drugs and alcohol policy. At the end of the year work was in progress on the junior volunteers code of practice, the fatigue policy and the child protection policy.

Trustees and their Interests

The trustees who served during the year and their interests in the company are as stated below:

	Ordinary shares		Promoter shares	
	2008	2007	2008	2007
A L Taylor MCIPS AMCQI FRSA	151	151	-	-
C J Stokes BA (Hons) FMAAT	175	175	50	50
N Smith BSc (Hons) FSMC FBOA	200	200	-	-
A R Cash	1	1	-	-
M D Webb BSc FRICS	1	1	-	-
D Woodward BEng MSc CEng FICE FStructE MIHT	-	-	-	-

The Trust is a registered charity and the memorandum and articles of association do not permit the directors to enjoy any remuneration from their office. The above were all Trustees at 20 March 2009, which is the date upon which the balance sheet was approved and signed.

The Board

The Trust Board is responsible for the strategic direction of the Trust. It determines policy and reviews policy. Ultimately the Trustees are responsible for matters such as Health & Safety and safeguarding the Trust's assets.

The Trust Board considers both Health & Safety and Finance as standing agenda items. It:

- receives the minutes of its committees
- approves principal fares
- approves the budget
- approves the accounts and the content of the reports therein (see subsequent paragraphs)
- receives the annual management letter, which is presented personally by the auditor, when members have the opportunity to discuss face to face any matters raised
- commissions advice and guidance
- approves major works

Trustees

Individual Trustees have portfolio responsibility for particular aspects of the Trust's activities. The Board receives written reports generally on an exception basis and in advance on matters requiring their attention.

South Devon Railway Trust
Trustees' Report
for the year ended 31 December 2008

Trustee

A L Taylor MCIPS AMCQI FRSA

M D Webb BSc FRICS

N Smith BSc (Hons) FSMC FBOA

A R Cash

D Woodward BEng MSc CEng FICE FStructE MIHT

C J Stokes BA (Hons) FMAAT

Portfolio

Chairman

Vice Chairman

Commercial

Mechanical Engineering

Civil Engineering

Finance, ICT & Personnel

The Board is supported by the General Manager (who is also Company Secretary) and the Chairman of the South Devon Railway Association attends main board meetings as an observer. SDR Plc directors who are not also Trustees attend as observers and contribute to discussions as required. Others may also attend at the Board's request to provide advice as required. The Board meets generally bi-monthly. At least once each year, the Trustees formally tour the railway and carry out a line inspection.

Recruitment and training of trustees

Although many decisions are consensual the Trust board operates on the principle of cabinet responsibility, thus once decisions are made all trustees are expected to publicly support the decision. Being a team player is therefore important. Also important are expertise and an understanding of governance. Equally vital is the willingness and the ability to get involved in tasks and projects. The potential Trustee must as the saying goes "bring something to the party".

The pattern of recruitment in recent times has been to invite potential Trustees (and potential Plc directors) to full board meetings as non-voting participants. This enables both Trustees and the candidate to form an opinion on each other and their ability to work in harmony. At an appropriate point, the offer of co-option is made thereby bringing the new Trustee on board until the annual meeting when formal election, in accordance with the memorandum and articles of association, takes place. Alternatively the Board Committee can be used as a proving ground.

The Trustees remain vigilant for suitable candidates and periodically the SDRA membership is canvassed. Training is appropriate to the experience and knowledge of the new Trustee. However the recruitment process also acts as an induction period. New Trustees receive the last available report and accounts together with relevant Charity Commission publications relating to the duties of trustees.

Committees

To assist in the efficient despatch of business there are a number of committees. Each has a functional role and appropriate delegated powers.

The personnel committee undertakes the annual review of staff remuneration and consists of three Trustees under the Chairmanship of the Finance Director. It is advised by the General Manager and departmental heads as appropriate. It deals with matters affecting conditions of service, discipline and some recruitment. Fitting staff, for example, are recruited by the Engineering Manager after budget approval.

The Health & Safety Committee (HasCom) meets bi-monthly and monitors the safety system and promotes safety awareness. It is chaired by the Trust's Vice-chairman and the membership includes the Finance Director and the General Manager. The Chairman of the SDRA is a member, as are a mixture of paid and volunteer staff. Departments, support groups and localities on the railway are represented. The Health & Safety Committee makes recommendations to the board and detailed decisions on the implementation of policy. HasCom does not deal with disciplinary matters; these are dealt with by the relevant local inspectors and the General Manager.

The Trust's Board Committee is drawn from main board members who are local to the railway and is supplemented by the General Manager, the Chairman of the SDRA and other members appointed by the board. In many respects, it acts as a clearing house for the main board. It makes both recommendations to the board and detailed decisions on the implementation of policy. It deals with more day to day issues and aims to draw on appropriate expertise in its deliberations.

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The current membership is:

Trustees	4
SDRA Chairman	1
Others	5

Charitable and Political Contributions

During the year the company received £110,048 from its subsidiary SDR Plc by way of Gift Aid, being profits for the year 31 December 2007.

Investment powers

The Trust may invest monies not immediately required for its purposes in or upon such investments, securities or property as may be thought fit, subject to statutory requirements, as defined in the memorandum and articles of association.

Taxation status

In the opinion of the directors, the Trust has been established for charitable purposes only, within the meaning of the Income and Corporation Taxes Act 1988. The directors are also of the opinion that the trade of operating a light railway is a primary purpose of the charity and that any trading surplus is therefore exempt from tax by virtue of section 505 (1) (e) (i) of that Act.

Organisation of the Trust

There are 11 full time and 4 part time employees (2 FTEs), including a General Manager, who are responsible for control of operational matters relating to the railway, including day to day administration, maintenance and co-ordination of a substantial volunteer work force. Further staff are employed within the group. Volunteers provide the majority of the effort relating to train crews, station and signalling staff, permanent way maintenance, restoration and conservation of locomotives and rolling stock. Volunteers also provide administrative support relating to fund raising, deeds of covenant, gift aid, sales management, marketing, financial administration and control.

Review of development

A review of the development, activities and achievements of the Trust is set out in the Chairman's and Group Finance Directors report, which have the approval of the Trustees.

Review of financial position

A review of the financial position of the Trust and the group and an explanation of the salient features of the accounts is set out in the attached Finance Director's report, which has the approval of the trustees.

Financial Control

The Board as Trustees are all responsible for the affairs of the Trust and this includes the preparation of the financial statements and the reports thereon. The detail of the preparation is delegated to the Finance Director but the Board as a whole approves all statements.

The final accounts are the audited record of our financial activity for the year but the process of financial management is cyclical. It starts in late autumn with a thorough review of activity on all budgets and an assessment of the prospects for the forthcoming year. A draft budget is compiled and presented to the Board for consideration. Decisions are taken over pricing and the budget is confirmed. Approximately 90% of budgeted operational turnover is required to run the railway. The balance is available with revenues from external hires to apply to the railway infrastructure.

The Board agrees the programme of works in accordance with its general policy. Additionally moneys raised through donations are applied to the project for which they were contributed. The day-to-day management of the budget is essentially tactical and is largely delegated to the General Manager who is responsible for railway operations.

A framework of procedures designed to provide proper financial controls is in place to ensure effective stewardship and these are kept under review. The accounting records are maintained under the direction of the Finance Director and subject to annual audit. During the year the budget is monitored on an ongoing basis by the General Manager and the Finance Director working in concert. If necessary day-to-day priorities will be adjusted.

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Within the management framework the Finance Director reports to the Board, generally on an exception basis. Otherwise as funds are generated by operations they are released to designated projects. The timing of expenditure is matched with those periods when cash flow is expected to be positive, although with railway operations extending from March until October and again at Christmas some works have to be programmed to take advantage of windows of opportunity. A balance is struck between progress and avoiding expensive borrowing.

Relationship with other charities and organisations

The Trust derives much volunteer support from members' groups for railway enthusiasts, such as South Devon Railway Association and Dumbleton Hall Preservation Society.

These groups co-ordinate and provide volunteer labour, donations and the loan of engines, rolling stock and railway equipment. The Trust also, from time to time, co-operates with other similar railway organisations and charities, including the cross hire of engines and rolling stock in order to provide a greater variety of experience and to enable significant historic items to reach a wider audience. This is in furtherance of the Trust's objectives.

Risk Management

The Trust recognises the need to identify risk to its business (both financial and non-financial) and control measures are implemented where necessary. Key areas of risk are safety, commercial and technical. Formal safety risk assessments are carried out annually and kept under constant review. Along with the operating rulebook they are an essential part of the Safety Management System which is a legal requirement for operating the railway. Commercial risks are minimised by ensuring there are adequate procedures in place and business interruption cover is maintained against the possibility of an incident affecting our ability to run a public service. Appropriate insurance policies are maintained to provide cover in a number of other areas. Commercial risk is spread by the operation of a subsidiary trading company South Devon Railway Plc. As separate legal entity it insulates the Trust against the risks of financial failure which is in accordance with the recommendations of the Charity Commissioners. Technical risk is assessed through regular inspections of all our assets and the implementation of planned maintenance programmes; where necessary independent engineering advice is obtained.

Trustees Responsibilities

Company law requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that year. In preparing these the Trustees are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Spence Robert Pethick be reappointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Board on 20 March 2009 and signed on its behalf by

R J Elliott ACIB
Secretary

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for the year ended 31 December 2008

Group Finance Director's Financial Review

Introduction

Numbers on a piece of paper alone cannot provide a real understanding of the Trust's activities. Nor is it possible to provide a hugely detailed account of every activity. This review is intended to provide readers with both a review of the financial activity on the railway and a narrative that relates to a brief selection of events on the railway to the figures that make up the statutory financial statements. This report hopefully gives a context that the numbers by themselves cannot provide and explains how the stewardship and preservation of the Trusts' assets is progressing. It is intended where possible to be complementary to the Chairman's report.

Budget management overview

Our policy is to balance expenditure against income streams and we have over the years done this with a degree of success. We continue striving to ensure that projects are not held back by a lack of resources. So far as possible we try to balance the need to effect works against the available cash. In this we have been greatly assisted by the SDRA who have provided short term winter financing for a number of years. We did this again in early 2008. This helps to tide us through the closed period between New Year and March when there is very little money coming in. As ever, we continue to take advantage of the opportunity to buy in spares and material when they become available.

South Devon Railway Engineering Ltd

We formed a new subsidiary in August 2008. This was done to take on external engineering within our capabilities for customers that are outside the heritage sector. There is a certain irony that the main line railway is still using what are to all intents and purposes heritage locomotives and rolling stock. However it all needs repairing and there is a niche market as sub-contractors. The new company provides an opportunity to tap into markets that aren't necessarily aligned to our core business and use capacity that is surplus. It is not intended that the engineering operation should detract from our main effort: running trains on the SDR.

2008 Outturn

The net surplus (171k) for 2008 is again substantial. In part this was due to the amount of work done that was a capital matter then revenue nature and does not represent cash in the business.

We continued to feel cost pressures with increases to coal and energy. As in previous years our ability to recoup this in year is limited and we have to absorb these pressures through increased passenger volumes. The investment in engineering equipment in previous years primarily to meet our own needs has seen an influx of business from the heritage sector and our turnover from heritage engineering has moved up several gears.

Overall visitor numbers fell back by about 1% and we just failed to hit the 100,000 visitor numbers, falling just short at 99,043. This was again against a backdrop of the tourism sector reporting a tough year. The early Easter having a noticeable effect.

Infrastructure

The repairs to the Riverford bridge required after a lorry struck the bridge parapet were finally completed during a road closure. These were met from the insurance money (£3k). The roof of the stationmaster's house received attention to prevent further slippage of the ridge tiles. Otherwise our main effort was the P Way.

Overall we spent £65k on P Way materials and related jobs. We plan to tackle further sections over the next 12 months. Our annual visit from the bramble bashers cost us over £3,000.

Our Matissa lightweight tamper can be seen out working and is proving to be a valuable addition. It provides a means of addressing things at times other than the visit of a line tamper and acts to deal with small problems before they become bigger. It is repaying the £10k we spent on doing it up. The line tamper visited at a cost of around £7k. The weed killer wagon also made its appearance and works well, but ideally needs an extra tank. The effect though is good.

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We employed a seasonal worker in late 2007 until about Easter 2008. This arrangement was refined at the end of 2008 and we employed two part-time workers which gives greater flexibility. The straight at Charlie's Cross was re-laid in November 2008. This with improved drainage and attention to cesses and the other niceties of PWay has the picture book look of a prize length.

Operations

It remains a fact that operation of the railway remains a volunteer affair and the railway would not be the success that it is without the efforts that go into doing the jobs that keep the wheels turning. Out thanks are due to everyone concerned. On a personal note I again record my thanks to John Keohane for his work with the covenanted income and to Mike Comben for his assistance with ICT.

The very early Easter and the split holiday did not help us. We did dip a toe in the water with railcar services and these were sufficiently successful to require us to expand the offering in 2009. The price of coal continues to rise and to give concern. We spent £ 80 k on coal and diesel up £14k on last year.

The Santa offering was well received and generated us over £65k. The various activities of the Diesel Groups - footplate experiences and the late Diesel Day - have raised a further £4k for Gronk Aid. The Gronk fund now stands at £19k.

Rolling stock

In January 2008 "B" Shop was occupied by our Fruit D. It received attention to make it weather-proof again and has been racked out to contain C & W spares. The main target for 2008 was "Graffiti Coach" no 4802, which needed lifting and was cosmetically bad. The toilets were removed and wide doors for disabled access created. This occupied the C & W department for most of the year with materials, labour (and overheads) taken together this has cost us about £57k. The vehicle originally cost us £3181 including transport to Buckfastleigh. The coach took most of the year to complete, but that is much less time than some of our earlier jobs. At year end the Duchess of York was in "B" Shop for attention. Fears over the extent of some wastage proved to be largely unfounded and at year end work was progressing to get it out-shipped before the new season, which we achieved.

Workshop

We saw a strong start to the year with a number of contract jobs ongoing. We came to the conclusion that our facilities were over-stretched and that we needed to deal with this. Primarily our problem was that we had to do either "one" or "the other" rather than both because of the layout. Our Engineering "shopping list" has been quite a long one. Various items became available and we have taken the opportunity to re-configure the works, improve and extend it. This has cost us about £150k, plus amounts for lathes and other machinery. The 8-ton overhead crane cost us about £15k, the steel to hang it from rather more. We also acquired a second-hand crane that has revolutionised carriage lifting. This has considerable reach and capacity and has already saved its cost.

Work on the works started in the early summer and ran on until November 2008, but included a complete relocation of the small machine shop to the old second road. This involved raising the floor and building a "carbuncle" to hold all the machines. However this is now a much better facility.

Along the way we have built a new mess room and given the engineering manager an office that is more "customer friendly." Considerable thought went into the revamp, which has created/released space and re-jigged the use of space so that we now have a much more efficient layout. The wiring has been upgraded and design changes made to the wheel heating hearth to make it better. The wiring was something needing to be done anyway and has been rolled into the larger project.

Apart from the specialist contractors, the workshop staff have been involved as have a variety of volunteers. "Smoker's boys" having considerable input to the carbuncle and the mess room.

Despite the hiatus of the rebuild the engineering turnover was up by 42% and the order book is looking encouraging although in future this will run through SDR Engineering

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Acquisition of the freehold

As reported last year the process of obtaining a Transport and Works Order (TWO) was grinding on. Statutory process had moved up a gear and was moving on and by year end we had incurred legal and other fees of about £10k. The formal application was due to be submitted in March 2009. We expect our costs to be in the order of £50k. All fees to date have been capitalised.

Debt management

Addressing and servicing debt has continued to occupy some of our time. We repaid bank debt to reduce the balance to £180k and a further £15k of SDRA money. We are gradually reducing the long term debt to the Association even if we need to borrow it back short-term in the winter. We expect to repay the remaining SDRA loan (£15k) in 2009.

Balancing the books is only part of the story. A revenue surplus generates cash that is immediately used for internal investment. It is important that any business has long-term liquidity and consequently given the uncertain times we decided to securitise borrowing from the bank.

We felt this was preferable to using borrowing through overdraft, which has to be renewed each year. The annual overdraft fee in is the same in percentage terms as a loan arrangement fee and is payable every year. We borrowed £202k at a competitive rate.

We also decided to borrow to fund the purchase of 6412. This we have done with the support of members through a loan stock issue. This gives us a certain amount of head room to address a number of other capital projects

Outlook

The global economic shock waves will doubtless reach our corner of Devon. At the moment it is too difficult to call. We have set a cautious budget for 2009. Difficult trading will require our ingenuity to take advantage of opportunities, certainly we should be looking to be positive and not give into the general gloom and doom.

The boiler for 3205 will have gone to Crewe before this appears in print. Similarly the bulk of P Way work has been finished..

We will also have had the 40th Anniversary celebrations to mark the opening of the line by Dr Beeching. Our own 20th Anniversary of running the line under the auspices of the Trust is a scant 2 years away

and finally

it would be remiss not to touch upon the retirement of our GM. Down the years I've worked closely with Richard and would wish to be the first to acknowledge without his courage in leaving the relative security of banking we would have only achieved a fraction of what we have done in the 18 years of an independent South Devon Railway. Despite the growth in passenger numbers and turnover he's absolutely right to say that its still a shoestring operation. Thank you Rich for your tremendous contribution, its been great helping turn dreams into reality!

C J Stokes
Finance Director

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for the year ended 31 December 2008

Subsidiary - South Devon Railway PLC

Finance Directors Review

The Review in the subsidiary's accounts is reproduced here for the information of the members.

Performance in 2008

This year there were not the other trading opportunities that boosted profits in 2007. However total turnover from ordinary operations in 2008, pleasingly, was up. The Cafe turnover increased by 13% over 2007 and the Shop increased by 3%. Shop on the train decreased by 1%. Further early season investment in the café assisted the increase in turnover and this has further improved our ability to handle the throughput on busy days. The trading pattern in the early part 2008 was disappointing which was reflected elsewhere in the business. This included rent received from our tenant which was down by 15%. This figure does provide a benchmark to gauge the reports we hear from other similar businesses. Not all businesses in the area fared well and many were substantially down so although disappointing in some respects our increased turnover was encouraging.

We continue to offer a year round service in the cafe. This will take time to build but with improved facilities we believe that we can promote this successfully. Our business is increasingly year round and the success of our three train diesel service at the February half term gives grounds for optimism. This will help us generate year round revenue to match absorb the many year round costs that we face.

We invested further in the cafe with more catering equipment which has been capitalised. We continue to incur costs in getting the premises fit for our purposes and these have an effect on the bottom line. These costs are inescapable if we wish to trade successfully but should provide a decent return over the longer term. This includes energy conservation measures through insulating the roof voids and the work to improve the building through new double glazing at the front of the cafe. The building is now more attractive and is much more in keeping with customer expectations.

We closed the shop for about ten days in January for the refit to go ahead. This has been very positively received. The shop has been fully kitted out with commercially available units and some bespoke units built for displaying model railway products. We decided that the model railway although unfinished should be available for customers to see. The steady progress during the second half of the year has proved popular as we are seeing folk come into see how it is progressing and to talk to our volunteer modellers.

During February we installed a heating system in the retail building. This cost about £22k and was funded from working capital. This is part of our plan to improve our facilities to match the facilities to the expectation of customers. The increases in turnover against the local trend seem to support this strategy.

Last year we were anticipating the possibility of a bumpy ride as the global economy came under pressure. The huge events in the US that knocked through to the UK and both its banking and retail sectors have been unprecedented. The shock waves from this continue to reverberate. It does reinforce our view that in difficult market conditions that it is vital to compete through the quality of the offering.

Winter development

After much deliberation the Board decided to progress development of the cafe by building customer toilets and a new scullery and revamping the back areas. As trading has increased the food preparation area and scullery have struggled to cope with peak demand. The facilities were built in the mid-seventies and were becoming problematic as they predated modern requirements. Although we have previously invested in some upgrading it was clear that we should make a decisive move to undertake a step change rather than attempt to do this incrementally. As reported to the AGM in 2008 we were concerned that not having decent facilities would create a barrier to building the business. Furthermore we were concerned that a cycle of annual upgrades would leave us always disrupted and not focused on business development.

South Devon Railway Trust
Trustees' Report
for the year ended 31 December 2008

The project was put out to competitive tender and the successful bidder was Gullen Construction of Plymouth. The contract price was in the region of £80,000 plus Architects fees, planning supervision and site investigation costs. We quickly discovered that the ground upon which the building was to be placed was not ideal and that modern building regulations required far more by way of foundations than the seventies structure to which it is attached. This reflects in the price. Work commenced in November and was due to be completed by early March. Approximately 60% of the costs had been incurred by Christmas.

Taxation, Gift Aid and Retained profit

The taxation regime has changed repeatedly over a number of years. Various devices have been used to assist smaller companies to invest. It has been our policy to take advantage of such tax breaks to retain money in the business to increase working capital. This acts as a buffer against inflation, which for example increases the costs of the same volume of stock over time.

In April 2008 a further set of changes took place which increased the first year write down allowances. In 2008 the company made substantial investments which attract such allowances, and in our case these are only available in the 2008 financial year. Since the level of investment is not likely to be repeated in the immediate future it makes sense to take advantage of the tax break to retain money in the company.

The 2008 changes gives a greater than normal benefit and allows the whole of the year's profit to be retained in the business without needing to inject fresh capital. This is an unrepeatable opportunity. Taken with the adjustment to the purchase price it allows us to fund the toilet block/kitchen extension from working capital. It does not detract from the ability of the Trust to underwrite projects.

Look forward to 2009

The state of the global economy is clearly cause for concern to any business in the leisure industry. On the one hand a weak pound may encourage visitors from outside the UK and similarly discourage the domestic population from going out of the UK. Against that the loss of jobs, low interest rates and the potential for the economy to shrink affects the disposable income of many. It is impossible to tell how things will pan out through the year.

We remain certain that there are other markets into which we can tap. With this in mind we intend to experiment with offerings other than cafeteria style service. On the retail front we now have space and scope to broaden the customer appeal. A further part of our strategy is to increase the footfall. We will have challenges, some of which will focus on maintaining profitability in a potentially difficult market

Conclusion

We have undertaken large scale works to position ourselves for making respectable returns. Although the economic situation makes it unwise to anticipate sparkling returns from 2009 the investment should help us maintain our position and perhaps improve it relative to our competitors.

Chris Stokes
Finance Director

South Devon Railway Trust

Independent auditors' report to the members of South Devon Railway Trust

We have audited the Group financial statements of South Devon Railway Trust for the year ended 31 December 2008 which comprise the statement of financial activities, the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the charity's members, as a body. Our audit work has been undertaken so that we might state to the charity's members those matters we are required to state to them in an auditors' 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 trust and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

The Trustees responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the statement of Trustees responsibilities.

As described in the statement of Trustees responsibilities the company's Trustees are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees remuneration and transactions with the company is not disclosed.

We read other information contained in the annual report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Trustees report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We read the trustees report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

South Devon Railway Trust

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the affairs of the charitable company, (The Trust) and The Group as at 31 December 2008 and of its gains and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Spence Robert Pethick
Chartered Accountants and
Registered Auditor
14 April 2009

The Old Customs House
Torwood Gardens Road
Torquay
TQ1 1EG

South Devon Railway Trust

Statement of Financial Activities for the year ended 31 December 2008

	Unrestricted General Funds	Restricted Designated Income & Grants	Trust Endowment Funds & Capital	Total Subsidiary SDR Plc	Group Total Funds	2007
Incoming resources before transfers and revaluations						
Railway turnover	937,762			937,762	937,762	841,134
Subsidiary Turnover				-	536,658	536,658
Management charges	-			-	-	-
Donations	8,145	-		8,145	8,145	1,031
Covenants		-		-	-	-
Gift aid	138,536			138,536	138,536	96,206
Tax recovered	5,162			5,162	5,162	3,813
Insurance claims	3,289			3,289	3,289	-
Rental and other operating income				21,879	21,879	25,883
Bank deposit interest	2,126			2,126	898	3,024
Share capital issued			-	-	-	-
Transfer project funds	(28,949)	28,949		-	-	-
Incoming Total	1,066,071	28,949	-	1,095,020	559,435	1,654,455
Direct charitable expenditure						
Railway cost of sales	513,237			513,237	513,237	503,406
Subsidiary Cost of Sales				-	467,899	467,899
Administrative expenses	5,467			5,467	2,926	8,393
Other operational costs	361,838			361,838	41,884	403,722
Interest Payable	13,717			13,717	-	13,717
Total Expenditure	894,259	-	-	894,259	512,709	1,406,968
Gross transfers between funds		8,542		8,542	8,542	1,478
Net incoming resources before revaluations and investment asset disposal	171,812	37,491	-	209,303	46,726	256,029
Gains and losses on revaluation and on investment asset disposal				-		
Net Movement in Funds	171,812	37,491	-	209,303	46,726	256,029
Total Funds Brought Forward	1,766,726	334,186	119,149	2,220,061	483,086	2,703,147
Total Funds Carried Forward	1,938,538	371,677	119,149	2,429,364	529,812	2,959,176
Minority Interest					449,750	449,750
Shares in Subsidiary					50,000	50,000
Balance reconciled to Subsidiary and Group Balance Sheet				529,812	2,459,426	2,313,447

South Devon Railway Trust
Group Profit and Loss Account
for the year ended 31 December 2008

Continuing operations	Notes	2008		2007	
		Trust	Group £	Trust	Group £
Turnover	2	937,762	1,474,420	841,134	1,583,388
Change in stocks of finished goods and work in progress (Cost of Sales)		(127,039)	(427,090)	(140,493)	(614,788)
Other operating income		126,183	148,062	83,881	40,331
Raw materials and consumables			(2,362)		-
Other external charges		(11,604)	(4,652)	(36,157)	(42,755)
Staff costs	6	(233,929)	(378,299)	(217,001)	(336,180)
Depreciation on fixed assets		(100,295)	(111,608)	(91,203)	(101,078)
Other operating charges		(407,675)	(469,235)	(327,604)	(378,452)
Group operating surplus	3		229,236		150,466
Trust operating surplus		183,403		112,557	
Interest receivable and similar income	4	2,126	3,024	1,650	4,385
Interest payable and similar charges	5	(13,717)	(13,717)	(16,659)	(16,695)
Gift Aid Provided in subsidiary			-		69,433
Retained surplus for the group			218,543		207,589
Retained surplus for the Trust		171,812		97,548	
Retained profit brought forward		1,766,726	1,860,114	1,669,182	1,652,525
Gift Aid in subsidiary Account Prior Year			(110,048)		
Retained surplus carried forward		<u>1,938,538</u>	<u>1,968,609</u>	<u>1,766,730</u>	<u>1,860,114</u>

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

South Devon Railway Trust

**Group Balance Sheet
as at 31 December 2008**

		2008		2007	
Notes		£	£	£	£
Fixed Assets					
Intangible assets	9		19,728		9,234
Tangible assets	10		3,010,464		2,551,762
Investments	11		115,248		105,248
			<u>3,145,440</u>		<u>2,666,244</u>
Current Assets					
Stocks	13	190,420		205,399	
Debtors	14	179,354		162,845	
Cash at bank and in hand		164,528		110,676	
			<u>534,302</u>		<u>478,920</u>
Creditors: amounts falling due within one year	15	(244,608)		(157,274)	
Net Current Assets			<u>289,694</u>		<u>321,646</u>
Total Assets Less Current Liabilities			3,435,134		2,987,890
Creditors: amounts falling due after more than one year	16		(525,950)		(224,693)
Provision for Liabilities and Charges			-		-
Minority interest	17		(449,750)		(449,750)
Net Assets			<u>2,459,434</u>		<u>2,313,447</u>
Capital and Reserves					
Called up share capital	18		119,149		119,149
Revaluation reserve	21		261,169		261,169
Other reserves	21		110,507		73,017
Accumulated Fund	21		1,968,609		1,860,112
Equity Shareholders' Funds			<u>2,459,434</u>		<u>2,313,447</u>

The financial statements were approved by the Board on 20 March 2009 and signed on its behalf by

A L Taylor MCIPS AMCQI FRSA
Director

C J Stokes BA (Hons) FMAAT
Director

The notes on pages 20 to 33 form an integral part of these financial statements.

South Devon Railway Trust

**Company Balance Sheet
as at 31 December 2008**

		2008		2007	
Notes	£	£	£	£	
Fixed Assets					
Intangible assets	9		19,728		9,234
Tangible assets	10		2,570,929		2,183,596
Investments	12		165,248		155,248
			2,755,905		2,348,078
Current Assets					
Stocks	13	56,516		60,893	
Debtors	14	190,029		159,971	
Cash at bank and in hand		131,599		664	
		378,144		221,528	
Creditors: amounts falling due within one year	15	(178,736)		(124,852)	
Net Current Assets			199,408		96,676
Total Assets Less Current Liabilities			2,955,313		2,444,754
Creditors: amounts falling due after more than one year	16		(525,950)		(224,693)
Net Assets			2,429,363		2,220,061
Capital and Reserves					
Called up share capital	18		119,149		119,149
Revaluation reserve	21		261,169		261,169
Other reserves	21		110,507		73,017
Accumulated Fund	21		1,938,538		1,766,726
Equity Shareholders' Funds			2,429,363		2,220,061

The financial statements were approved by the Board on 20 March 2009 and signed on its behalf by

A L Taylor MCIPS AMCQI FRSA
Director

C J Stokes BA (Hons) FMAAT
Director

The notes on pages 20 to 33 form an integral part of these financial statements.

South Devon Railway Trust

Cash flow statement for the year ended 31 December 2008

	Notes	2008 £	2007 £
Reconciliation of operating surplus to net cash outflow from operating activities			
Operating surplus		229,236	150,466
Gift Aid in Subsidiary Profit Prior year		110,048	69,433
Depreciation		111,608	101,078
Decrease in stocks		14,979	7,675
(Increase) in debtors		(16,509)	16,957
Increase in creditors		102,334	(116,816)
Amounts released to other reserves		37,491	15,691
Net cash outflow from operating activities		<u>369,091</u>	<u>244,484</u>
 Cash flow statement			
Net cash outflow from operating activities		369,091	244,484
Returns on investments and servicing of finance	22	(10,693)	(12,310)
Capital expenditure	22	(580,806)	(172,422)
Acquisitions and disposals	22	(10,000)	-
		<u>(232,408)</u>	<u>59,752</u>
Financing	22	286,257	(31,855)
Increase in cash in the year		<u>53,849</u>	<u>27,897</u>
 Reconciliation of net cash flow to movement in net debt (Note 23)			
Increase in cash in the year		53,849	27,897
Cash inflow from decrease in debts and lease financing		(286,257)	31,855
Change in net funds resulting from cash flows		(232,408)	59,752
Net debt at 1 January 2008		<u>(144,017)</u>	<u>(203,769)</u>
Net debt at 31 December 2008		<u>(376,425)</u>	<u>(144,017)</u>

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

I. Accounting policies

I.1. Accounting convention

The Financial Statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets. and follow the recommendations in 'Accounting and Reporting by Charities: Statement of Recommended Practice' issued in October 2005.

The Trust has consistently applied all relevant accounting standards.

I.2. Incoming resources

Turnover represents the total invoice value, excluding value added tax, of goods and services supplied by the Trust. Investment income and donations are not considered to be part of turnover as they do not derive from trading. Income from investments is recognised in the year in which it is receivable. Legacies are included when the charity is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

I.3. Resources expended

Resources expended are recognised in the year in which they are incurred. Management and administration costs are those incurred in connection with the administration of the charity and compliance with constitutional and statutory requirements.

I.4. Basis of Consolidation

The group financial statements consolidate the accounts of South Devon Railway Trust and its subsidiary undertakings made up to 31 December 2008 each year; the group profit and loss account includes the results of all subsidiary undertakings for the period from the date of their acquisition and up to the date of disposal. The consolidation excludes 5526 Ltd and South Devon Railway Engineering Ltd, and this is explained in the notes to the accounts.

Otherwise, where the group has an investment in an entity which is sufficient to give the group a participating interest, and over which it is in a position to exercise significant influence, the entity is treated as an associated undertaking and is accounted for using the equity method of accounting. The group's interests in joint ventures are accounted for using the gross equity method of accounting.

Turnover and profits arising on trading between group companies are excluded.

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

1.5. Tangible fixed assets and depreciation

Depreciation is provided at rates calculated to write off the cost or valuation less residual value of each asset over its expected useful life, as follows:

Property

Land and buildings - Not Depreciated

Leasehold properties - Not Depreciated

Other tangible assets

Leased and Owned Locomotives - 10 years from effective date of restoration

Structures Over the estimated life of the asset

Plant and equipment

Heritage Assets Not Depreciated

Non-Heritage Assets - 25% reducing balance

Leased Rolling Stock - 10 years from commissioning date

Rolling Stock is not generally depreciated as the continuing experience of the Trust is that because of the policy of ongoing maintenance and restoration, coupled with the rarity of assets, the rolling stock is at least maintaining its value. This is not in accordance with FRS 15. In 2000, in accordance with FRS 15, the directors effected a revaluation of assets other than leasehold buildings. This was considered appropriate in order to reflect the value of assets under the stewardship of the Trust, even though such assets are unlikely to be disposed of and any potential gains are unlikely to be realised. Since 2000 a limited number of surplus coaches, not of core value to the collection have been disposed of and the values achieved reflect the 2000 valuations.

Other Heritage Assets, including historic engineering machinery is now treated on a similar basis to the rolling stock, but it has not been subject to a revaluation.

Other non-heritage plant and equipment is now depreciated on the declining balance basis, which better reflects the current mix of assets held.

1.6. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

Current asset investments are at the lower of cost and net realisable value.

1.7. Stock

Stock is valued at the lower of cost and net realisable value.

Work in progress is valued at the lower of cost and net realisable value.

Stock and work in progress are valued at the lower of cost and net realisable value.

1.8. Long term contracts

Amounts recoverable on long term contracts, which are included in debtors are stated at the net sales value of the work done after provisions for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as on account.

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

1.9. Deferred taxation

The Profits of SDR Plc assessable to Corporation Tax are Gift Aided to South Devon Railway Trust and therefore no liability to Corporation Tax should arise and accordingly no provision has been made. The Trust has been established for Charitable purposes only, within the meaning of the Income and Corporation Taxes Act 1988. The operation of the railway is a primary purpose of the charity and thus any trading surplus is exempt from tax by virtue of section 505(1) (e) (i) of that act and accordingly no provision is made.

1.10. Government grants

A Lottery Heritage Fund Grant of £183,000 was received in 2004, towards the cost of rebuilding Nursery Pool Bridge.

The only circumstances under which the grant can be recalled are in the unlikely event that the Trust is wound up, so the grant was taken to reserves in accordance with the Charities Statement of Recommended Accounting practice as part of the underlying capital of the Trust

1.11. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year. The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees service lives on the basis of a constant percentage of earnings

1.12. Comparative figures

Comparative figures for 2007 have been restated to reflect the prior year adjustments.

2. Turnover

	2008	2007
	£	£
Class of business		
Traffic Revenue and Subsidiary Commercial Trading	1,435,013	1,544,992
Other Income	39,407	38,396
	1,474,420	1,583,388
	1,474,420	1,583,388

3. Operating surplus

	2008	2007
	£	£
Operating surplus is stated after charging:		
Depreciation of tangible assets	111,608	101,078
Auditors' remuneration	8,393	6,778
	119,999	107,856
	119,999	107,856

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

4.	Interest receivable and similar income	2008	2007
		£	£
	Bank interest	3,024	4,385
		<u> </u>	<u> </u>

5.	Interest payable and similar charges	2008	2007
		£	£
	On bank loans and overdrafts	13,717	16,695
		<u> </u>	<u> </u>

6. Employees

Number of employees

The average monthly numbers of employees
(excluding the Trustees) during the year were:

	2008	2007
	Number	Number
Engineering	8	8
Administration	2	2
Infrastructure	4	3
Operations	2	2
	<u> </u>	<u> </u>
	16	15
	<u> </u>	<u> </u>

Employment costs

	Subsidiary	Trust	Group	
	2008	2008	2008	2007
	£	£	£	£
Wages and salaries	136,402	293,421	429,823	378,226
Social security costs	7,968	25,226	33,194	29,412
Other pension costs	-	5,128	5,128	4,968
Less Wages Capitalised	(5,350)	(89,846)	(95,196)	(76,426)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	139,020	233,929	372,949	336,180
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

6.1. Trustees' emoluments

None of the Trustees received any remuneration, which is in accordance with the Trust's governing document.

7. Pension costs

The company operates a defined contribution pension scheme in respect of the staff. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £5,128 (2007 - £4,968).

8. Surplus for the year attributable to the members

As permitted by Section 230 of the Companies Act 1985 the Profit and Loss Account of South Devon Railway Trust has not been presented separately with the financial statements, but is disclosed within the Group Profit and Loss Account.

The results after taxation of the parent undertaking for the year ended 31 December 2008 showed a surplus of £171,812 (31 December 2007 - £97,544).

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

9. Intangible fixed assets	Light Railway Order £	Total £
Group		
Cost		
At 1 January 2008	9,234	9,234
Additions	10,494	10,494
At 31 December 2008	<u>19,728</u>	<u>19,728</u>
Net book values		
At 31 December 2008	<u>19,728</u>	<u>19,728</u>
At 31 December 2007	<u>9,234</u>	<u>9,234</u>
Company		
Cost		
At 1 January 2008	9,234	9,234
Additions	10,494	10,494
At 31 December 2008	<u>19,728</u>	<u>19,728</u>
Net book values		
At 31 December 2008	<u>19,728</u>	<u>19,728</u>
At 31 December 2007	<u>9,234</u>	<u>9,234</u>

This represents the costs of acquiring the Transport and Works Act Order.

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

10. Tangible fixed assets

	Land and buildings freehold	Long lease property	Struc- tures	Heritage Rolling Stock	Workshop & Other Equipment	Loco- motives	Total
	£	£	£	£	£	£	£
Group							
Cost/revaluation							
At 1 January 2008	353,079	867,770	407,417	352,933	150,278	997,188	3,128,665
Additions & reclass	-	297,783	-	94,856	54,671	173,002	620,312
Disposals	-	(50,000)	-	-	-	-	(50,000)
At 31 December 2008	<u>353,079</u>	<u>1,115,553</u>	<u>407,417</u>	<u>447,789</u>	<u>204,949</u>	<u>1,170,190</u>	<u>3,698,977</u>
Depreciation							
At 1 January 2008	104,499	15,145	112,994	54,025	44,202	246,040	576,905
Charge for the year	834	690	6,112	12,213	23,104	68,655	111,608
At 31 December 2008	<u>105,333</u>	<u>15,835</u>	<u>119,106</u>	<u>66,238</u>	<u>67,306</u>	<u>314,695</u>	<u>688,513</u>
Net book values							
At 31 December 2008	<u>247,746</u>	<u>1,099,718</u>	<u>288,311</u>	<u>381,551</u>	<u>137,643</u>	<u>855,495</u>	<u>3,010,464</u>
At 31 December 2007	<u>248,580</u>	<u>852,625</u>	<u>294,423</u>	<u>298,908</u>	<u>106,076</u>	<u>751,148</u>	<u>2,551,760</u>
Over many years Rolling stock, Locomotive and Permanent Way artefacts have been acquired and have been capitalised. Workshop and other equipment includes a mixture of Modern plant and equipment and Historical engineering machinery as well as other Heritage artefacts, which can not readily be separately categorised.							
Company							
Cost/revaluation							
At 1 January 2008	353,079	559,550	407,417	240,764	150,278	997,188	2,708,276
Additions & reclass	-	202,258	-	57,697	54,671	173,002	487,628
At 31 December 2008	<u>353,079</u>	<u>761,808</u>	<u>407,417</u>	<u>298,461</u>	<u>204,949</u>	<u>1,170,190</u>	<u>3,195,904</u>
Depreciation							
At 1 January 2008	104,499	15,145	112,994	1,800	44,202	246,040	524,680
Charge for the year	834	690	6,112	900	23,104	68,655	100,295
At 31 December 2008	<u>105,333</u>	<u>15,835</u>	<u>119,106</u>	<u>2,700</u>	<u>67,306</u>	<u>314,695</u>	<u>624,975</u>
Net book values							
At 31 December 2008	<u>247,746</u>	<u>745,973</u>	<u>288,311</u>	<u>295,761</u>	<u>137,643</u>	<u>855,495</u>	<u>2,570,929</u>
At 31 December 2007	<u>248,580</u>	<u>544,405</u>	<u>294,423</u>	<u>238,964</u>	<u>106,076</u>	<u>751,148</u>	<u>2,183,596</u>

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

11. Fixed Asset Investments Group

	Other Unlisted Investments	Total
	£	£
Cost		
At 1 January 2008	48	48
Additions	-	10,000
	<hr/>	<hr/>
At 1 January 2008		
At 31 December 2008	48	10,048
	<hr/>	<hr/>
Net book values		
At 31 December 2008	48	10,048
	<hr/>	<hr/>
At 31 December 2007	48	48
	<hr/> <hr/>	<hr/> <hr/>

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

12. Fixed Asset Investments

Company	2008	2007
	£	£
Subsidiary undertakings	165,200	155,200
Other unlisted investments	48	48
	<u>165,248</u>	<u>155,248</u>

Holdings of 20% or more

The group or the company holds 20% or more of the nominal value of the share capital of the following companies:

Company	Country of incorporation or operation	Holding	Proportion Held
Subsidiary undertaking			
South Devon Railway Plc	England	A Ord	100%
5526 Ltd	England	Ordinary	62.5%
South Devon Railway Engineering Limited	England	Ordinary	100%

The A ordinary shares in South Devon Railway Plc represent a controlling interest and give an effective 100% control over all activities of the company.

Neither 5526 Ltd nor South Devon Railway Engineering Limited were trading at the year end and their accounts are not consolidated. The amounts included in the Group and Trust accounts for the investment in these companies represent a fair valuation of that investment.

The aggregate amount of capital and reserves and the results of these undertakings for the last relevant financial year were as follows:

	Capital and reserves	Profit for the year
	£	£
South Devon Railway Plc	529,816	46,728
5526 Ltd	165,145	-
South Devon Railway Engineering Limited	10,000	-

The principal business activity of all the above companies is supportive of the Charitable activities of the Trust.

13. Stocks	2008	2007
Group		
Stocks	190,420	205,399
	<u>190,420</u>	<u>205,399</u>
Company		
Stocks	56,516	60,893
	<u>56,516</u>	<u>60,893</u>

South Devon Railway Trust
Notes to Financial Statements
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14. Debtors

	2008	2007
	£	£
Group		
Trade debtors	22,775	35,341
Amounts recoverable on long term contracts	96,984	96,984
Amounts owed by group undertakings	(8,187)	-
Other debtors	64,617	27,365
Prepayments and accrued income	3,165	3,155
	<u>179,354</u>	<u>162,845</u>
Company		
Trade debtors	20,200	32,651
Amounts recoverable on long term contracts	96,984	96,984
Amounts owed by group undertakings	3,213	6,034
Other debtors	66,557	21,227
Prepayments and accrued income	3,075	3,075
	<u>190,029</u>	<u>159,971</u>

15. Creditors: amounts falling due within one year

	2008	2007
	£	£
Group		
Loan Stock	-	13,000
Other Loans	15,000	15,000
Trade creditors	123,941	62,634
Taxation deducted	78	-
Other taxes and social security costs	11,535	9,839
Other creditors	24,100	250
Accruals and deferred income	69,954	56,551
	<u>244,608</u>	<u>157,274</u>
Company		
Loan Stock	-	13,000
Other Loans	15,000	15,000
Trade creditors	93,451	50,313
Taxation deducted	78	-
Other taxes and social security costs	11,535	(1,673)
Other creditors	23,675	250
Accruals and deferred income	34,997	47,962
	<u>178,736</u>	<u>124,852</u>

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

16. Creditors: amounts falling due after more than one year	2008	2007
Group	£	£
Loan Stock	138,000	-
Bank loans	387,950	209,693
South Devon Railway Association	-	15,000
	<u>525,950</u>	<u>224,693</u>
Loans		
Repayable in one year or less, or on demand (Note 15)	15,000	28,000
Repayable between one and two years	82,135	32,000
Repayable between two and five years	165,077	51,000
	<u>262,212</u>	<u>111,000</u>
Repayable in five years or more:		
Bank loans	278,738	141,693
	<u>278,738</u>	<u>141,693</u>

The bank loans are secured by a debenture dated April 2002, giving the bank a first charge over Trust assets.

The bank loan terminates in 2023 and interest is charged at a variable rate related to bank base rate.

Company

Loan Stock	138,000	-
Bank loans	387,950	209,693
South Devon Railway Association	-	15,000
	<u>525,950</u>	<u>224,693</u>
Loans		
Repayable in one year or less, or on demand (Note 15)	15,000	28,000
Repayable between one and two years	82,135	32,000
Repayable between two and five years	165,077	51,000
	<u>262,212</u>	<u>111,000</u>
Repayable in five years or more:		
Bank loans	278,838	141,693
	<u>278,838</u>	<u>141,693</u>

The bank loans are secured by a debenture dated April 2002, giving the bank a first charge over Trust assets.

Security includes a first charge over commercial leasehold stations buildings and land and 7 miles of track in addition to an unlimited debenture dated 14/2/84. The Trust has granted a "charge in part" to the HLF. This is valid for a period of 10 years. This is in respect of their interest in Nursery Pool Bridge and is a normal formality required by the HLF Trustees, which should a disposal occur, by requiring repayment of grant, acts to preclude grantees disposing of assets that have benefited from lottery funding. Since the Trust has no intention of disposing of the bridge the requirement to repay the grant is unlikely to arise. A deed of priority secures the charge after the loan from the bank and the debenture which secures any overdraft.

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

17. Minority Interest	2008	2007
	£	£
Equity	449,750	449,750

The minority interest represents 100% of the Ordinary Share Capital of South Devon Railway Plc. Majority voting rights are held by the Trust in respect of its holding of A shares and the minority will therefore never participate in the Groups surpluses or assets.

18. Share capital	2008	2007
	£	£
Authorised equity		
499,500 Ordinary shares of £1 each	499,500	499,500
500 Promoter shares of £1 each	500	500
	500,000	500,000
Allotted, called up and fully paid equity		
68,662 Ordinary shares of £1 each	68,662	68,662
50,487 Promoter shares of £1 each	50,487	50,487
	119,149	119,149

19. Transactions with trustees

Mr P C Treglown, a director of South Devon Railway Plc, is a director of Inter Regional Public Relations Ltd, trading as Four, an occasional supplier of the Group. Transactions during the year amounted to £3105. This and such other transactions as there may be, from time to time, are supplied at or less than commercial rates, recognising the charitable nature of the Group.

20. Indemnity insurance

The charity paid for the insurance premiums to indemnify trustees and senior staff from any loss arising from neglect or defaults of trustees or staff and any consequent loss.

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

21. Equity Reserves

	Revaluation reserve	Accumulated Fund	Specific Purpose Fund	Total
	£	£	£	£
Group				
At 31 December 2007				
as previously stated		1,860,114		1,860,114
Gift Aid in subsidiary 2007		(110,048)		(110,048)
At 1 January 2008	261,169	1,750,066	73,016	2,084,251
Retained surplus for the year		218,543		218,543
Other movements	-	-	37,491	37,491
At 31 December 2008	261,169	1,968,609	110,507	2,340,285
Company				
At 1 January 2008	261,169	1,766,726	73,016	2,100,911
Retained surplus for the year		171,812		171,812
Other movements	-	-	37,491	37,491
At 31 December 2008	261,169	1,938,538	110,507	2,310,214

The Specific Purpose Fund represents balances on the Great Western Development Fund and other Funds for the restoration of Locomotives, Rolling Stock and other Historic Transport Artefacts and Vehicles.

The Accumulated Fund consists of undistributable surpluses generated from; the operation of the Railway (which is a charitable activity supported and effectively subsidised by volunteers); gifts and donations; and the trading activities of the wholly owned subsidiary, South Devon Railway Plc (which are Gift Aided to the Trust). In view of the overall non-profit making nature of these activities, The Directors consider that "Accumulated Fund" is a more appropriate description than "Profit and Loss Account" (which is the strict Companies Act definition but not appropriate to a not for profit organisation)

South Devon Railway Trust
Notes to Financial Statements
for the year ended 31 December 2008

22. Gross Cash Flows

	2008	2007
	£	£
Returns on investments and servicing of finance		
Interest received	3,024	4,385
Interest paid	(13,717)	(15,915)
	<u>(10,693)</u>	<u>(11,530)</u>
Capital expenditure		
Payments to acquire intangible assets	(10,494)	-
Payments to acquire tangible assets	(620,312)	(172,422)
Receipts from sales of tangible assets	50,000	-
	<u>(580,806)</u>	<u>(172,422)</u>
Acquisitions and disposals		
Payments on acquisition of group interests	(10,000)	-
	<u>(10,000)</u>	<u>-</u>
Financing		
New debenture loan	138,000	-
New long term bank loan	202,000	-
Repayment of long term bank loan	(23,743)	(16,855)
Repayment of other short term loans	(30,000)	(15,000)
	<u>286,257</u>	<u>(31,855)</u>

23. Analysis of changes in net debt

	Opening balance	Cash flows	Other changes	Closing balance
	£	£	£	£
Cash at bank and in hand	110,676	53,852		164,528
Debt due within one year	(15,000)	53,743	(53,743)	(15,000)
Debt due after one year	(239,693)	(340,000)	53,743	(525,950)
	<u>(254,693)</u>	<u>(286,257)</u>	<u>-</u>	<u>(540,950)</u>
Net debt	<u>(144,017)</u>	<u>(232,405)</u>	<u>-</u>	<u>(376,422)</u>