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West Somerset Railway

Public Limited Company



**Report
and
Financial Statements**
For the year ended 31st December 2001

Company Information

DIRECTORS

- ▲ D.H. Taylor F.C.I.S., F.Inst.Mgt., F.Inst. Pet. Chairman
- ⊗ M.L. Smith M.I.R.O. Managing Director
- *⊗ D.T. Morgan T.D., M.C.I.T. Deputy Chairman
- C.W.J. Dowrick A.C.I.B.
- † R.L. Lizars A.C.I.B. Secretary
- R.S. Savill F.C.A. Finance Director
- *† J.M. Donner
- *⊗ C.A. Austin M.A., M.C.I.T.
- *⊗ B.J. Crudge (W.S.R.A. Representative)
- *†▲ P.T. Swan O.B.E., F.C.A. Resigned 23.05.01
- *†▲ N.I. Lowther F.C.A.
- * H.R. Davies I.Eng., M.I.B.F. (W.S.R.A. Representative)
- * R.P. Jones B.Ed.(Hons) (W.S.R.A. Representative) Resigned 24.02.01
- * R.A. Wood
- *† M.R.D. Cooper M.B.A., B.Sc.
- * M.A. Johns C.Eng. F.I.Mech.E (W.S.R.A. Representative) Appointed 28.04.01

* Non Executive Director

† Member of Audit Committee

▲ Member of Remuneration Committee

⊗ Member of Safety Audit Committee

REGISTERED OFFICE

The Railway Station
Minehead
Somerset TA24 5BG
Telephone 01643 704996

AUDITORS

Deloitte & Touche
Queen Anne House
69-71 Queen Square
Bristol BS1 4JP

BANKERS


Lloyds TSB Bank Plc
19 The Parade
Minehead
Somerset TA24 5LU

Notice of Meeting

NOTICE IS HEREBY GIVEN of the thirtieth Annual General Meeting of the Company which will be held at The Regal Theatre, Minehead on Saturday, 22nd June 2002 at 2.30 p.m. to transact the following business:

1. To consider the Company's financial statements and the Reports of the Directors and Auditors for the year ended 31st December 2001.
2. To elect Directors (see Directors' Report).
3. To re-appoint Messrs. Deloitte & Touche as Auditors to the Company and to authorise the Directors to agree their remuneration.
4. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board



R.L. Lizars A.C.I.B.
Secretary
23rd March 2002

The Railway Station, Minehead, Somerset TA24 5BG

NOTE: Any member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

Notice of Extraordinary General Meeting

Notice is hereby given that an Extraordinary General Meeting of the Company will be held at the Regal Theatre, Minehead at 3.00 p.m. on Saturday, 22nd June 2002 or immediately after the conclusion of the Annual General Meeting, if later, to consider and, if thought fit, pass the following:

AS ORDINARY RESOLUTIONS:-

1. That the authorised share capital of the company be increased from £1,500,000 to £2,500,000 by the creation of an additional 10,000,000 Ordinary Shares of 10p each.
2. That the Articles of Association be amended by the addition of the following words at the end of the first sentence of Article 88:-

"and shall not exceed fifteen" so that it shall now read:

"The number of Directors shall not be less than three and shall not exceed fifteen. The Company may by Ordinary Resolution from time to time vary the minimum number or fix and from time to time vary a maximum number of Directors".

AS SPECIAL RESOLUTIONS:-

3. That the Memorandum of Association of the Company be altered by substituting the clause set out below in place of the existing Clause 4(44) of the Memorandum:-

"4(44) As from the 22nd day of June 2002, being the date of alteration of this Memorandum of Association ["the Memorandum"] by adoption of this Clause the other provisions of the Memorandum shall be read in conjunction with this clause, and if there shall be conflict between such other provisions of the Memorandum and this Clause the provisions of this Clause shall take effect.

Notwithstanding the provisions of any other clause of this Memorandum, the Members of the Company shall not be entitled to participate in the income or profit of the Company by way of dividends [other than by the issue of free or complimentary rail travel] and no action shall be taken by the Company or its Members which would have the effect directly or indirectly of participation by the Members in the income or profits or the Company or any successor to the Company by way of dividends. If upon the winding up or dissolution of the Company there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same may not be paid to or distributed amongst the Members. Such proceeds, land premises or assets shall be given or transferred to some other institution or institutions having objectives similar to this Company and which shall also prohibit the distribution of its or their income, profit or assets amongst its or their Members to an extent at least as great as imposed on this Company by virtue of this Clause. Such institution or institutions shall be determined by the Members of the Company by a majority vote at an Extraordinary General Meeting called for that purpose".

West Somerset Railway Public Limited Company

Notice of Extraordinary General Meeting (Cont.)

4. That the Articles of Association of the Company be amended by the deletion of the existing wording of Article 161 [Winding Up] by the incorporation of the following wording in its place:


"As and from the 22nd day of June 2002 being the date of adoption of this Article, all other provisions of these Articles of Association shall be read in conjunction with this Article and if there shall be a conflict between the provision of these Articles and this Article the provisions of this Article shall operate and take effect.

Notwithstanding any other provisions of these Articles, the Members of the Company shall not be entitled to participate in the income or profits of the Company by way of dividends [otherwise than by the issue of free and complimentary rail travel] and no action shall be taken by the Company or its Members which would have the effect directly or indirectly of participation by the Members in the income or profits of the Company or any successor to the Company by way of dividends. If upon the winding up or dissolution of the Company there remains, after the satisfaction of all its debts and liabilities, any property whatsoever the same may not be paid to or distributed amongst the Members. Such proceeds, land, premises or assets shall be given or transferred to some other institution or institutions having objectives similar to this Company and which shall also prohibit the distribution of its or their income, profits or assets amongst its or their Members to an extent at least as great as imposed on this Company by virtue of this Article. Such institution or institutions shall be determined by the Members of the Company by a majority vote at an Extraordinary General Meeting called for that purpose'.

5. That the Articles of Association be amended by the addition of the following sentence at the end of Article 156:-

"Where a Member has given the Company an electronic address and has indicated his willingness in writing that he is prepared to accept notices in electronic form, notice may be given to such member electronically and shall be deemed to be effected at the expiration of twenty-four hours after the sending of the same".

Registered Office:
The Railway Station
Minehead
Somerset TA24 5BG



On behalf of the Board
Roger Lizars
Secretary
23rd March 2002

ADMISSION

Admission to the Meeting will be restricted to Members of the Company. Please retain this notice as evidence of your status.

PROXIES

Any Member entitled to attend and vote may appoint a proxy to attend and, upon a poll, vote on his behalf. A recommended form of proxy is enclosed with this report. A proxy need not also be a Member of the Company.

Chairman's Report 2001

In many ways 2001 was the most successful year to date experienced by your Company. We carried 169,275 passengers, up from 154,421 in 2000. The retail activities, shop at Minehead and on train catering both had record years resulting in a Company profit of £26,232 (before tax). This was achieved after taking into account additional expenses incurred by us in the restoration of 53808 and accruing £47,000 for the replacement of the canopy at Minehead Station. The S. & T. team completed the re-signalling of Bishops Lydeard at a cost of £96,000 together with 20,000 man hours of labour entirely funded by your Company so enabling us to receive trains from the Main Line, our contribution to this important development of your Company's business in the future. As to when the upgrading of our connection to the Main Line at Norton Fitzwarren will occur, I have to say we have no firm commitment as yet. We understand that it is expected the work should be completed by Railtrack in conjunction with the replacement of the Silk Mills Crossing by a bridge. This hopefully could be in place by 2005.

The nett worth of the Company at 31st December 2001 was £1,191,017.

The figures speak for themselves, however you will again note the "apparent" large cash balance shown in the Balance Sheet. Yes, of course, the balance exists. However, of the £938,857 I would qualify the figure as follows:-

| | |
|------------------------------------------------------------------------|-----------------|
| Cash required for Working Capital January/April 2002 | £188,000 |
| Capital Expenditure commitments but not yet spent 53808 | £168,000 |
| 5193 | £119,000 |
| Other Capital commitments 2002 | £129,000 |
| Replacement of Minehead Canopy | £ 47,000 |
| Held by us on behalf of a Third Party pending renovation of a carriage | £ 37,000 |
| Share monies received to date to fund electric key token working | £ 11,400 |
| | <u>£699,400</u> |

Your Board is actively pursuing a policy of ensuring we have sufficient steam locomotives in the future and one matter under consideration could cost us as much if not all of the balance of £239,457.

You will have observed that during the past year Peter Swan retired from the Board consequent on his moving home further afield. Peter contributed a great deal to your Company's development in many ways. We were sorry to see him go.

Whilst I reported on Mike Johns joining the Board last year, I would just add that Mike, being a qualified Engineer has in his first year contributed materially to our plans for the future development of our engineering facilities, an essential feature for our planned growth.

Chairman's Report (continued)

Looking to the future I would ask you to support the Board by a positive vote to amend our Memorandum and Articles as described in items 1-5 on the Agenda before you at the Extraordinary General Meeting.

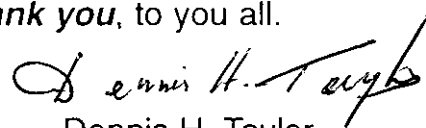
If we are to develop our business we have to ensure that we are duly qualified to apply for grants be they from our Government, Europe or the Lottery. To achieve this we must ensure we do not pay these grants out by way of dividends or by a Capital distribution to shareholders. As we have clearly stated in the past it is not our policy to pay dividends. However it is essential to enshrine this in our Memorandum and Articles.

Whilst we have given priority, of necessity, for our S. & T. people to work on Blue Anchor and Sea Lane, Dunster crossings the first stage of re-cabling by way of up-grade to which I referred in my last year's report has been delayed. We hope to start on the first stage Minehead to Blue Anchor next year which will release equipment to be redeployed in the second stage from Blue Anchor to Williton.

I would ask you to consider purchasing further Shares in your Company towards the completion of our own locomotive 5193 which we expect to finish next year so freeing our present capital for other important projects. Your support is always appreciated and a good response to the enclosed Share Application Form will be helpful. It is well to remember that holders of 10,000 shares will receive a Silver Pass for life enabling unlimited travel on scheduled trains for the holder and one other. Holders of 20,000 shares receive similar benefits for the holder and three others.

It is a pleasure to report that we have a number of revenue enhancing projects in hand from railway themed stays in a Dunster hotel to special trains offering a specialised catering service.

To return to my opening. We are indebted to you, our shareholders, our staff and the ever increasing number of volunteers of all ages and both sexes who ensure our continuing success. On behalf of your Board a very special **Thank you**, to you all.



Dennis H. Taylor
Chairman

2nd April 2002

Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st December 2001.

Activities

The principal activity of the Company is to operate the West Somerset Railway between Minehead and Bishops Lydeard in the County of Somerset.

Results and Dividends

The profit for the year is as stated in the profit and loss account. The Directors do not recommend the payment of a dividend.

Issue of Shares

The Company issued a further 225,350 10p ordinary shares at par for cash consideration in order to provide additional capital.

Review of Developments and Future Prospects

A review of activities for the year and likely future developments is included in the Chairman's report on pages 5 & 6 which is deemed to form part of this report.

Directors

The Directors and their interests in the Share Capital of the Company on 1st January 2001 (or the date of appointment*) and 31st December 2001 were as follows.

| | Ordinary Shares of 10p each | |
|---------------------------------|-----------------------------|-------------------|
| | 31st December 2001 | 1st January 2001* |
| D.H. Taylor | 9,000 | 8,500 |
| D.T. Morgan | 4,050 | 4,050 |
| C.W.J. Dowrick | 18,750 | 18,750 |
| R.L. Lizars | 21,800 | 21,800 |
| M.L. Smith | 16,500 | 16,000 |
| J.M. Donner | 50,000 | 50,000 |
| C.A. Austin | 7,500 | 7,500 |
| B.J. Crudge | 550 | 550 |
| P.T. Swan (resigned 23.05.01) | 10,000 | 10,000 |
| N.I. Lowther | 1,000 | 1,000 |
| H.R. Davies | 1,600 | 1,600 |
| R.S. Savill | 11,500 | 10,500 |
| R.P. Jones (resigned 24.2.01) | 2,000 | 2,000 |
| R.A. Wood | 1,000 | 1,000 |
| M.R.D. Cooper | 1,000 | ----- |
| M.A. Johns (appointed 28.04.01) | 1,500 | 1,500* |

In accordance with the Articles of Association Messrs. Davies, Morgan and Crudge retire from office, and being eligible, offer themselves for re-election.

Corporate Governance

The Combined Code Committee's report on the financial aspects of corporate governance contained a Code of Best Practice. Whilst there is no requirement on the Company to do so,

Directors' Report (continued)

the Directors have reviewed the Company's practices in respect of those recommendations contained in the Code which they believe to be most relevant to the Company. The following information is presented as voluntary disclosures for the benefit of the shareholders. The Company has not complied with, and has not attempted to comply with, the full requirements of the Code.

Board of Directors:

The Company has a Board of Directors of five executive and nine non executive Directors which the Board believes is appropriate for the Company at the current time. The Board meets formally on a regular basis, normally each month. Written procedures have been approved by the Board covering matters which require specific Board approval. Similarly, there are written procedures enabling Board members to seek independent professional advice in furtherance of their duties.

Remuneration Committee:

The Remuneration Committee consists of one Non-Executive Director and one Executive Director. Apart from the Managing Director no other directors are employed by the Company. The remuneration of the Managing Director is decided by the Remuneration Committee.

Audit Committee:

The Audit Committee consists of five Non-Executive Directors and the Company Secretary who is also secretary of the Audit Committee. Other Board members also have the right to attend. However, at least once each year, the Committee meets with the external auditors without Executive Board members being present, except by invitation.

Safety Audit Committee:

It is the Board's policy that safety is the first priority for the Board and all working on the railway. A committee of three Non-Executive Directors and the Managing Director ensure that proper procedures are in place for risk assessment and safety management, and that procedures are subject to periodic audit and review. The Company is one of the few heritage railways to hold a full "Safety Case" approved by the Health and Safety Executive, facilitating the handling of through trains from the Railtrack network.

Payment Policy:

It is Company policy to comply with the terms of payment agreed with a supplier. Where terms are not negotiated the Company endeavours to adhere to the supplier's standard terms. The Company's year end trade creditors correspond to 40 days of credit purchases.



Approved by the Board of Directors
and signed on behalf of the Board
R.L. Lizars A.C.I.B.
Secretary
23rd March 2002

West Somerset Railway Public Limited Company

Statement of Directors' Responsibilities

United Kingdom company law requires the directors to prepare financial statements for each financial year 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 the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

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

The directors 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.

Independent Auditors' Report

to the members of the West Somerset Railway Public Limited Company

We have audited the financial statements of the West Somerset Railway plc for the year ended 31st December 2001 which comprise the profit and loss account, the balance sheet, the cashflow statement and the related notes on pages 10 to 16. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and 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 if, in our opinion, the directors' 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 directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of 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 directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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 company's affairs as at 31st December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE
Chartered Accountants and
Registered Auditors
7th May 2002



Queen Anne House
69-71 Queen Square
Bristol BS1 4JP

West Somerset Railway Public Limited Company

Profit and Loss Account

for the year ended 31st December 2001

| | Note | 2001 £ | 2000 £ |
|------------------------------------------------------|------|----------------|-----------------|
| Turnover | | 1,335,075 | 1,215,469 |
| Staff Costs | (2) | (317,203) | (284,631) |
| Depreciation | | (53,579) | (49,677) |
| Amortisation of government grant | | 2,380 | 2,380 |
| Other operating charges | | (972,913) | (944,407) |
| Interest receivable | | <u>32,472</u> | <u>36,865</u> |
| Profit/(Loss) on ordinary activities before taxation | (3) | 26,232 | (24,001) |
| Taxation/(Charge) credit for year | (4) | <u>(4,963)</u> | <u>3,001</u> |
| Profit/(Loss) on ordinary activities after taxation | (13) | <u>21,269</u> | <u>(21,000)</u> |

The company has no recognised gains or losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

All items relate to continuing operations.

Balance Sheet

as at 31st December 2001

| | Note | 2001 £ | 2000 £ |
|-------------------------------------------------------|------|------------------|------------------|
| Fixed Assets | | | |
| Tangible Assets | (5) | 631,291 | 607,362 |
| Current Assets | | | |
| Stocks | (7) | 52,548 | 51,092 |
| Debtors and prepayments | (8) | 40,485 | 31,974 |
| Cash at bank and in hand | | <u>938,857</u> | <u>900,202</u> |
| | | <u>1,031,890</u> | <u>983,268</u> |
| Creditors: Amounts Falling Due Within One Year | (9) | <u>(278,102)</u> | <u>(224,303)</u> |
| Net Current Assets | | <u>753,788</u> | <u>758,965</u> |
| Total Assets Less Current Liabilities | | <u>1,385,079</u> | <u>1,366,327</u> |
| Provisions for Liabilities and Charges | (10) | (145,287) | (167,959) |
| Accruals and Deferred Income | (11) | <u>(48,775)</u> | <u>(51,155)</u> |
| | | <u>1,191,017</u> | <u>1,147,213</u> |
| Capital and Reserves | | | |
| Called up share capital | (12) | 1,116,387 | 1,093,852 |
| Profit and loss account | (13) | <u>74,630</u> | <u>53,361</u> |
| Total Equity shareholders' funds | | <u>1,191,017</u> | <u>1,147,213</u> |

The financial statements on pages 10 to 16 were approved by the Board of Directors on 23rd March 2002.

Signed on behalf of the Board of Directors

D.H. TAYLOR

M.L. SMITH

Directors

D. H. Taylor
D. H. Taylor

Mark L Smith
Mark L Smith

West Somerset Railway Public Limited Company

Statement of Cash Flows

for the year ended 31st December 2001

| | Note | £ | 2001 £ | £ | 2000 £ |
|--------------------------------------------------------|------|----------|-----------|----------|-----------|
| Net cash inflow from operating activities | (17) | | 53,820 | | 77,021 |
| Returns on investments and servicing of finance | | | | | |
| Interest received | | | 32,472 | | 36,865 |
| Taxation | | | | | |
| Corporation tax refunded/(paid) | | | 7,336 | | (9,063) |
| Capital Expenditure | | | | | |
| Purchase of tangible fixed assets | | (77,509) | | (78,103) | |
| Proceeds from sale of tangible fixed assets | | 1 | | 5,000 | |
| Grants received for purchase of fixed assets | | - | (77,508) | 2,221 | (70,882) |
| | | | 16,120 | | 33,941 |
| Financing | | | | | |
| Issue of ordinary share capital | | | 22,535 | | 31,920 |
| Increase in cash | (18) | | 38,655 | | 65,861 |

Notes to the Financial Statements

for the year ended 31st December 2001

1. Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

TANGIBLE FIXED ASSETS

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

| | |
|-----------------------------------|------------------|
| Long leasehold land and buildings | 2% per annum |
| Rolling stock | 13-30% per annum |
| Plant and machinery | 10-33% per annum |
| Fixtures and fittings | 20-50% per annum |
| Motor vehicles | 33-40% per annum |
| Track and point work | 10-13% per annum |
| Leasehold improvements | 4% per annum |

No depreciation is being charged on locomotive 5193 purchased in November 1998 until restoration has been completed.

DEFERRED TAXATION

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

STOCKS

Stocks are valued at the lower of cost and net realisable value.

GOVERNMENT GRANTS

Government grants made as a contribution towards expenditure on fixed assets are recognised in the balance sheet as deferred income and amortised to the profit and loss account in equal annual instalments over the estimated lives of the assets to which they relate.

PENSION COSTS

Pension costs relating to the company's defined contribution pension scheme are charged against profits as they become payable.

LEASES

Rental costs under operating leases are charged to the Profit and Loss Account in equal annual amounts over the period of the lease.

TURNOVER

Turnover represents amounts receivable for goods and services provided in the United Kingdom net of trade discount, VAT and other related taxes.

2. Information Regarding Directors and Employees

| | 2001 £ | 2000 £ |
|------------------------------------------------------|---------------|---------------|
| Directors' emoluments (as employees): | | |
| Remuneration (including benefits in kind) | 29,520 | 28,656 |
| Contributions to defined contribution pension scheme | 2,952 | 2,866 |
| | <u>32,472</u> | <u>31,522</u> |

One director only received any remuneration and is a member of the pension scheme.

Employee costs during the year:

| | | |
|-----------------------|----------------|----------------|
| Wages and salaries | 283,559 | 254,022 |
| Social security costs | 17,613 | 16,167 |
| Pension costs | 16,031 | 14,442 |
| | <u>317,203</u> | <u>284,631</u> |

Average number of persons employed:

| | No. | No. |
|-------------------------------|-----------|-----------|
| Railway | 24 | 22 |
| Shop | 3 | 3 |
| Total (full time equivalents) | <u>27</u> | <u>25</u> |

Notes to the Financial Statements

(cont.) for the year ended 31st December 2001

3. Profit/(Loss) on Ordinary Activities Before Taxation

| | 2001 £ | 2000 £ |
|-------------------------------------------------------------------------|-----------|-----------|
| Profit/(Loss) on ordinary activities before taxation is after charging: | | |
| Rolling stock hire | 189,622 | 175,104 |
| Auditors, remuneration - audit fee | 5,200 | 4,200 |
| - non audit work | - | 1,550 |
| Rentals under operating leases | 8,653 | 8,252 |
| Profit on sale of fixed assets | - | 4,000 |

4. Taxation

| | 2001 £ | 2000 £ |
|-----------------------------------------------------------------------------------------|--------------|----------------|
| United Kingdom Corporation Tax 10%/20% (2000 20%) based on the profit/loss for the year | 2,290 | (7,070) |
| Deferred taxation | 2,939 | 3,019 |
| Adjustment in respect of prior years - Corporation tax | (266) | 1,336 |
| - Deferred tax | - | (286) |
| | <u>4,963</u> | <u>(3,001)</u> |

5. Tangible Fixed Assets

| | Leasehold Land & Buildings £ | Rolling Stock £ | Plant Vehicles & Equipment £ | Track & Signalling £ | Total £ |
|---------------------------------|---------------------------------------|-----------------------|---------------------------------------|----------------------------|------------------|
| COST | | | | | |
| As at 1.1.01 | 580,411 | 167,139 | 129,622 | 196,474 | 1,073,646 |
| Additions | 1,600 | 58,135 | 14,950 | 2,824 | 77,509 |
| Disposals | - | (735) | - | - | (735) |
| As at 31.12.01 | <u>582,011</u> | <u>224,539</u> | <u>144,572</u> | <u>199,298</u> | <u>1,150,420</u> |
| ACCUMULATED DEPRECIATION | | | | | |
| As at 1.1.01 | 134,668 | 76,537 | 101,174 | 153,905 | 466,284 |
| Charge for year | 18,176 | 7,958 | 13,764 | 13,681 | 53,579 |
| Disposals | - | (734) | - | - | (734) |
| As at 31.12.01 | <u>152,844</u> | <u>83,761</u> | <u>114,938</u> | <u>167,586</u> | <u>519,129</u> |
| NET BOOK VALUE | | | | | |
| As at 31.12.01 | <u>429,167</u> | <u>140,778</u> | <u>29,634</u> | <u>31,712</u> | <u>631,291</u> |
| As at 31.12.00 | <u>445,743</u> | <u>90,602</u> | <u>28,448</u> | <u>42,569</u> | <u>607,362</u> |

Note. Additions to rolling stock of £58,135 include expenditure during the year on the restoration of locomotive 5193 of £77,105 less donations and legacies received of £24,970.

6. Investments

The company holds one £500 share in 5542 Limited and 180 £10 shares in Dinmore Manor Locomotive Limited and 20 £1 shares in Severn Valley Railway (Holdings) P.L.C. which were given to the company and therefore have nil cost.

7. Stocks

| | 2001 £ | 2000 £ |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 17,239 | 14,000 |
| Goods for resale | <u>35,309</u> | <u>37,092</u> |
| | <u>52,548</u> | <u>51,092</u> |

Notes to the Financial Statements

(cont.) for the year ended 31st December 2001

| 8. Debtors | 2001 | 2000 |
|------------------|---------------|---------------|
| | £ | £ |
| Trade debtors | 17,302 | 9,353 |
| Valued Added Tax | 10,193 | 6,879 |
| Other debtors | 4,960 | 11,396 |
| Prepayments | 8,030 | 4,346 |
| | <u>40,485</u> | <u>31,974</u> |

| 9. Creditors | 2001 | 2000 |
|-------------------------|----------------|----------------|
| | £ | £ |
| Trade creditors | 87,123 | 81,323 |
| Tax and social security | 7,160 | 5,007 |
| Other creditors | 67,580 | 81,499 |
| Accruals | 116,239 | 56,474 |
| | <u>278,102</u> | <u>224,303</u> |

10. Provisions for Liabilities and charges

| | Balance at 1st January 2001 | Charged (credited) to profit and loss account | Balance at 31st December 2001 |
|-----------------------------|-----------------------------------|-----------------------------------------------------|-------------------------------------|
| | £ | £ | £ |
| Locomotive repair provision | 151,060 | (25,611) | 125,449 |
| Deferred taxation | 16,899 | 2,939 | 19,838 |
| | <u>167,959</u> | <u>(22,672)</u> | <u>145,287</u> |

The locomotive repair provision relates to Locomotive 53808, for which a contract is in place requiring the Company to complete the repairs and overhaul. The provision is in accordance with the Company and its suppliers best estimates of the costs involved.

Deferred Taxation

| | | |
|-------------------------------------------------------------------------|---------------|---------------|
| | 2001 | 2000 |
| | £ | £ |
| The amount of deferred taxation provided in the accounts is as follows: | | |
| Excess of capital allowances over depreciation | <u>19,838</u> | <u>16,899</u> |

There were no unprovided amounts

11. Accruals and Deferred Income

| | | |
|--------------------------------------|----------------|----------------|
| | 2001 | 2000 |
| | £ | £ |
| Government grant | | |
| Balance at 1 January | 51,155 | 51,314 |
| Received during the year | - | 2,221 |
| Amortised to profit and loss account | <u>(2,380)</u> | <u>(2,380)</u> |
| Balance at 31 December | <u>48,775</u> | <u>51,155</u> |

Notes to the Financial Statements

(cont.) for the year ended 31st December 2001

12. Called Up Share Capital

| | 2001 | | 2000 | |
|----------------------------------------|------------|-----------|------------|-----------|
| | No. | £ | No. | £ |
| Authorised ordinary shares of 10p each | 15,000,000 | 1,500,000 | 15,000,000 | 1,500,000 |
| Allotted and fully paid: | | | | |
| Balance at beginning of year | 10,938,520 | 1,093,852 | 10,619,320 | 1,061,932 |
| Ordinary shares issued in year | 225,350 | 22,535 | 319,200 | 31,920 |
| Balance at end of year | 11,163,870 | 1,116,387 | 10,938,520 | 1,093,852 |

During the year a further 225,350 ordinary shares were issued at par.

13. Combined reconciliation of movement in Shareholder's Funds and movements in Reserves

| | Called up Share Capital £ | Profit and loss account £ | 2001 Total £ | 2000 Total £ |
|---------------------------|---------------------------------|---------------------------------|--------------------|--------------------|
| Balance as at 1st January | 1,093,852 | 53,361 | 1,147,213 | 1,136,293 |
| Shares issued in year | 22,535 | - | 22,535 | 31,920 |
| Profit/(Loss) for year | - | 21,269 | 21,269 | (21,000) |
| Balance at 31st December | 1,116,387 | 74,630 | 1,191,017 | 1,147,213 |

14. Operating Lease Commitments

At 31st December 2001 the Company was committed to payments of £7,400 p.a. in 2002 and £400 in 2003 under two land leases.

15. Capital Commitments

£15,667 capital expenditure has been contracted for but not provided at 31st December 2001 (2000 Nil).

16. Pension Schemes

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company in independently administered funds. The pensions cost charge (Note 2) represents contributions payable by the Company to the fund. No amounts were owed to or by the pension fund at 31st December 2001.

17. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

| | 2001 £ | 2000 £ |
|-------------------------------------------|-----------|-----------|
| Profit/(Loss) before tax | 26,232 | (24,001) |
| less interest receivable | (32,472) | (36,865) |
| Operating loss before interest | (6,240) | (60,866) |
| Profit on sale of fixed assets | - | (4,000) |
| Depreciation less amortisation of grant | 51,199 | 47,297 |
| Provisions (released)/created | (25,611) | 53,670 |
| Increase/(decrease) in stock | (1,456) | 1,613 |
| Increase/(decrease) in debtors | (15,581) | 14,063 |
| Increase in creditors | 51,509 | 25,244 |
| Net cash inflow from operating activities | 53,820 | 77,021 |

18. Analysis of Changes in Cash during the year

| | 2001 £ | 2000 £ |
|--------------------------|-----------|-----------|
| Balance at 1st January | 900,202 | 834,341 |
| Net cash inflow | 38,655 | 65,861 |
| Balance at 31st December | 938,857 | 900,202 |

19. Transactions with Directors

D.T. Morgan is a solicitor and was paid £2,430 for services provided in the year.

R.A. Wood is a public relations consultant and was paid £250 for services provided in the year.

H.R. Davies is a director of Cerdic Foundries Ltd. from whom purchases were made to the value of £6,897 in the year.

