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# MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY



Registered Office: Sheringham Station, Sheringham, Norfolk, NR26 8RA  
A Company Limited by Guarantee Registered No. 3355411  
Registered Charity No. 1063676/0

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## FINANCIAL STATEMENTS FOR YEAR ENDED 31 JANUARY 2009

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# **MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY**

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## **COMPANY INFORMATION**

### **Directors (Council Members)**

D Harris (Chairman)

A M Barrs

A E Dewey

A Galpin

H Harkett

I A C Lake

N A Scarlett

N Sharpe

P J Starks

R Wright

### **Secretary**

Mr A E Dewey

### **Registered Office**

Sheringham Station

Sheringham

Norfolk

NR26 8RA

### **Registered Number**

03355411

### **Registered Charity Number**

1063676/0

### **Working Names**

M&GNJRS

The Poppy Line Trust

### **Auditors**

Anderson & Co

Sumpter House

8 Station Road

Histon, Cambridge

CB24 9LQ

### **Bankers**

Lloyds TSB Bank plc

1 West Street

Cromer, Norfolk

NR27 9HZ

Barclays Bank plc

P O Box 1

Banbury, Oxon

OX16 8PS

CCLA Investment Management Ltd

80 Cheapside

London

EC2V 6DZ

## MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

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### REPORT OF THE COUNCIL OF MANAGEMENT

The Council members, who are also directors of the charitable company for the purposes of the Companies Act, have pleasure in presenting their report and the audited financial statements for the year ended 31 January 2009. They have adopted the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005 in preparing the annual report and financial statements of the charity.

#### **Structure, Governance and Management**

##### *Governing Document and Constitution*

The Midland and Great Northern Joint Railway Society ('the Society') is a charitable membership organisation formed as a company limited by guarantee and is governed by its Memorandum and Articles of Association. Each principal member of the Society is, therefore, a member of the company and has a right to attend and vote at company general meetings. Members support the Society by volunteering their services free, by payment of an annual subscription and by making donations.

##### *Recruitment and Appointment of New Council members*

Council is always mindful of the need to maintain skills, knowledge and commitment on the Board and is alert to potential new candidates. When suitable candidates become available, their attributes are considered and where appointment to Council is appropriate and desirable, a vote is taken by Council. Most candidates are generally already known to at least some of the Council members and have usually held a volunteer role before being elected to Council.

##### *Induction and Training of New Council members*

New Council Members are provided with an induction pack which includes information on the Society's governance requirements and the responsibilities of company directors and charity trustees. It is generally the case that new Council members are already aware of the activities and aims of the Society.

##### *Organisational Structure and Decision Making*

The Council of Management manages the Society. One-third of Council are subject to re-election on an annual basis and members aged 70 or over are subject to re-election annually. Council members are elected for their knowledge and/or expertise and each has specific executive responsibilities. Since March 2007 two additional Council members have been proposed by the NNR and are appointed in a non-executive capacity. Council meets at least 6 times a year. In between meetings, matters requiring Council's authorisation are dealt with by email and/or telephone and then ratified and minuted at its next meeting. Council members have responsibilities for projects and activities and have decision-making and spending authorities within parameters and budgets approved by Council.

As the Society is entirely voluntarily run, it has no chief executive officer but the Chairman, Vice-Chairman, Treasurer and Company Secretary are regarded as senior staff and will deal with relevant matters as required.

##### *Relationships with related parties*

Under the terms of the Society's Memorandum of Association, it has the power to subscribe for shares, stocks, debentures or other securities of any other company. It also has the power to invest monies not immediately required for furtherance of its objects in such investments, securities or property as Council may consider fit.

Shares have been subscribed for in the North Norfolk Railway PLC ('NNR'), which is not a charity. This investment has been made purely for the purpose of assisting that company to enhance facilities and equipment, creating a more secure and appropriate base for the Society's assets and a venue to enable the Society to exhibit its assets to the public. No financial return is anticipated, as the NNR does not have authority under its Articles of Association to pay dividends.

## MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

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### REPORT OF THE COUNCIL OF MANAGEMENT – Continued

The Society also owns 100% of the issued capital in Midland and Great Northern Heritage Ltd, which was set up as a wholly-owned subsidiary for non-charitable trading activities. At the date of publication of the financial statements the company had not commenced trading.

Both companies are related parties and details of transactions etc. are shown in note 8 to the financial statements.

#### *Major Risks*

The Society's policy when carrying out a project is that there must be sufficient guarantee that the project will be able to meet all costs by raising funds through donations and/or grant application. No project is allowed to proceed without Council being reasonably satisfied that suitable funds can be raised. In all cases, Council requires regular written reports on projects as well as financial information to ensure sufficient funds are available. Council only approves expenditure that meets this requirement. In the case of restored assets, these may be made available to heritage railways etc. in order to raise funds for future maintenance, as well as bringing greater public awareness of these historic items. With the growth of the Society's activities over the last few years, Council has taken steps to identify its future income and expenditure in order to minimise potential risk to reserves.

Council is responsible for safeguarding the Society's assets and ensures that relevant levels of insurance cover are provided where appropriate. The trend in recent years has been one of increasing cost of this cover and is subject to the Society's ability to fund this expenditure from subscriptions and non specific donations. The cover held by the Society is reviewed annually and approved by Council. During the past twelve months the Society has again jointly insured its risks with the NNR to ensure that there are no gaps or duplication in the cover across the two organisations.

The Society relies heavily on the operations of the NNR to provide a venue for the public exhibition of its assets and for the provision of facilities for restoration and storage. The NNR is a not for profit organisation whose aims are to operate a heritage railway for the benefit of the public. The Society is the major shareholder in the NNR and is able to appoint up to three Council members to the NNR Board and has other members on joint strategic committees. The Council feel that the level of involvement and general co-operation between the two organisations is such that it justifies its investment and reduces the risk of commercial failure.

Wherever possible, liabilities for the protection of the assets are passed by the Society to users of operational assets under formal running/display agreements.

Formal locomotive inspection documentation, schedules and examinations have been introduced on the NNR (mainline standard A, B and C exams). The Society has strongly encouraged this in order to help safeguard the condition of its operational locomotives.

Council has from time to time considered the major risks to which the Society may be exposed and where possible taken action or introduced procedures to mitigate those risks. The situation will be kept under review.

As with many organisations Council are aware that the membership has an ageing profile. The involvement of younger members as Council appointments and the encouragement of younger members in restoration projects should enable the Society to have a secure membership base for the future.

#### **Objectives and Activities**

##### *Objects*

The main objective of the Society is to preserve historical rolling stock, buildings and artefacts, in particular those of the former Midland and Great Northern Joint Railway ("M&GN"), for the enjoyment of the general public, providing both educational and entertainment activities in a professional manner and safe environment.

## MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

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### REPORT OF THE COUNCIL OF MANAGEMENT – Continued

#### *Aims*

The mission of the Society is to be a professional charitable organisation, adding historical value to the knowledge of the general public about the “M&GN” and heritage railways in general, in a manner which is both educational and fun for the members and the general public.

#### *Main Objectives for the Year*

The Society's main objectives for the year have been as previously stated and are as follows:

- to advance public education by the restoration, preservation and exhibition of railway locomotives, carriages, rolling stock, equipment, artefacts, documents and records utilising the facilities of the NNR which enable these to be achieved;
- scheduled running of locomotives, carriages and rolling stock for public access, mainly on the NNR but occasionally at other locations;
- where possible to contract restoration and maintenance works to the NNR's engineering facilities at Weybourne, enabling more of the restoration and maintenance work to be carried out under cover and with less reliance on outside contractors, leading to cost savings in charges and transport; and
- operating the ‘The William Marriott Museum’ at Holt, thereby enlarging the display of artefacts, documents and records.

#### *Strategies for Achieving Objectives*

The Society continues to support specific projects undertaken by the NNR which, in Council's opinion, are in line with the Society's charitable activities. Council has considered making donations to the NNR, whose objects are non-profit making, but as part of the strategic alliance between the two organisations and to strengthen the partnership and Board representation, the Society has continued to ‘invest’ by the purchase of shares. During the year 3,000 shares were purchased for a project as specified by a donor of the Society.

The current method of ‘investment’ provides the following non-monetary benefits:

- directional influence at the NNR Board level through involvement of our nominated representatives;
- improved relationships between the two organisations, enabling them to work towards the same strategic aim of developing the railway between Sheringham and Holt as a live working heritage museum.
- the Society's continued use of the NNR's facilities for the storage, restoration and maintenance of its assets.

Over time, the investment has aided the provision of a permanent home for the Society's other equipment, artefacts, documents and records, enabling more of these to be publicly exhibited than has previously been possible due to the lack of adequate display facilities. Thus, the investment continues to be particularly relevant to the Society in meeting its charitable aims and members should be aware that, because of the not for profit constitution of the NNR, there will not be any dividend or distribution return relevant to this method of investment.

Council continues to review the future strategy of the Society. Financial budgeting is in place with quarterly management accounts, enabling Council to monitor and manage its resources and fund balances. It has identified the requirement for increased general funds to provide unrestricted reserves additional to those which finance the running of the Society, thereby being able to designate funds for important projects. Joint committees formed of NNR and Society representatives assist in the development of the future strategy in accordance with a joint strategy document which aims to bring both organisations' objectives in line.

**REPORT OF THE COUNCIL OF MANAGEMENT – Continued**

*Significant Activities Contributing to Achievement of the Stated Objectives*

The most significant activities contributing to achievement of objectives are:

- preservation and restoration of historical locomotives, carriages and other rolling stock;
- where practical and safe to do so, operating these vehicles so as to educate and entertain the general public as part of the development and history of railways;
- where not practical or safe to operate, display of these vehicles for the same purposes;
- preservation and display of historical artefacts and records for the benefit of the public;
- preservation and restoration of historic railway buildings.

*Volunteers*

The Society relies entirely on volunteers to achieve its aims and objectives and has no paid staff, although the Museum Curator role currently carries a monthly honorarium to reflect the registration and administration duties. Volunteers are involved with restoration and maintenance projects, running the Society's Museum, sales and fund-raising, marketing, finance, governance and administration. Volunteers of the Society are members but there are many others who are also volunteers for the NNR.

**Achievements and Performance**

*Review of Charitable Activities in the Year*

Restoration – The highlight of the year was undoubtedly completion of the 'Quad Art'. Following a celebratory re-launch in June it has been in operation on several special occasions since, whilst some finishing-off jobs have been carried out. M&GN 129 was also completed and made its first outings at the M&GNJR 50<sup>th</sup> Anniversary Gala at the end of February 2009. Work has continued on restoration of M&GN brake van no. 12.

Operation – The 'J15' and 'WD' steam locomotives were busy during the year whilst undergoing maintenance in the quiet periods. The 'B12' steam locomotive did not turn a wheel as dismantling took place early in the year in preparation for the boiler overhaul and tender and rolling chassis overhauls which were still ongoing at the end of the year. Steady progress has been made on steam locomotive 'Wissington' but there is no date set for completion. The Class '31' diesel saw limited operation only this year but it is hoped this can be increased in the future. 'Gresley Buffet' featured in traffic during the year.

Museum – The 'The William Marriott Museum' again had a very successful year of openings and attracted just over 8,600 visitors. The 'M&GN' style goods shed lean-to which was constructed in the previous year has been complemented by the laying of track through it in 2008, which enabled the 'LNER' Pigeon Van to be stabled alongside under cover to provide an extended Museum display area.

Buildings – The new carriage sheds situated near Holt were finished early in the year with the completion of trackwork and other external works. This enabled historic coaches to be moved to this secure and weather-proofed location and will ensure the protection of beautifully restored vehicles such as 'Quad Art' and M&GN 129 as well as other vehicles awaiting restoration and thus prevent deterioration of their condition.

Other education – 'Joint Line' continues to produce a quality quarterly journal for members and the public. To mark 50 years since closure of the M&GNJR system on 28 February 2009, the Society is publishing 'M&GN in Colour', the first volume of which went on sale in February and has been very well received.

*Fundraising Activities*

Income from regular donations and contributions to special interest clubs continues to provide valuable funds to enable restoration and maintenance to continue. Grant instalments were again received from Heritage Lottery Fund for the carriage sheds as well as the final instalment for the 'Quad Art'. The restoration of M&GN 129 was recognised by a monetary award from The Transport Trust. A second 'B12 Boiler Appeal' was launched in the year to raise further funds towards the locomotive's ten year boiler overhaul. At the end of the financial year the funds raised in both appeals covered the work to date without drawing down other available funding.

## MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

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### REPORT OF THE COUNCIL OF MANAGEMENT – Continued

#### *Factors Outside the Society's Control in Achieving Objectives*

As the Society is mainly dependent on volunteers, progress on restoration and other projects is often determined by the availability of this resource as much as, or sometimes more than, funds. Recruitment remains a major challenge to the Society. Progress on work contracted out is often subject to the vagaries of resources allocated by the contractor.

#### **Financial Review**

##### *Reserves Policy*

Council is aware of the need to maintain sufficient unrestricted free reserves to meet ongoing direct and administrative expenditure for a minimum period of at least 12 months. At 31 January 2009 the balance on General Fund is £143,286, of which approximately £116,000 is represented by cash at bank. The annual costs of publishing the four issues of 'Joint Line' and of other general promotion, asset insurance and governance costs are about £30,000 and Council considers its minimum free reserves policy is being achieved.

Council are also aware of the need to build sufficient resources to meet specific restoration and ongoing maintenance projects. Details of these are contained in the Notes to the Report.

##### *Funding Sources and Expenditure*

The results for the year are set out in the attached financial statements from page 9 onwards.

Total incoming resources amounted to £337,222 (2008 £403,992) which, after total expenditure of £316,335 (2008 £136,451) resulted in a surplus before transfers and investments of £20,887 (2008 £267,541). At the end of the period, the Society had net assets of £1,523,816 (2008 £1,502,929).

The principal source of funds was grants from Heritage Lottery Fund towards the final major restoration costs of the Quad Art Set and final construction costs of the new carriage sheds near Holt. Steaming fees from the operational locomotives was the next main source and these are essential to assist in maintaining them in working order. There was also significant income from many donations and associated gift aid tax reclaims, nearly half of which was for the 'B12' Boiler Appeal.

Direct charitable expenditure amounted to just over £286,000, comprising education, restoration, maintenance, museum running costs and asset insurance. Other expenditure amounted to just over £30,000 on generating funds and governance costs. Details of changes in fixed assets, including investments, are shown in notes 6 and 7.

##### *Investment Policy*

A judgement is taken with regard to cash balances held by the Society. Cash not required in the short term is deposited with the Charities Official Investment Fund (COIF), which is considered by Council to be the most suitable investment vehicle in which to safeguard funds.

Other investment is in shares in North Norfolk Railway PLC and the objectives of this are explained elsewhere in this report.

#### **Social, Environmental and Ethical Considerations**

Council consider, as part of any project, the impact of Social, Environmental and Ethical issues arising from the project.

## MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

### REPORT OF THE COUNCIL OF MANAGEMENT – Continued

#### Plans for Future Periods

The principal aims and objectives of the Society will remain the same. Council's previous decision to have a period of consolidation continued in 2008-09 with the completion of projects as already reported. Progress with the 'B12' overhaul has been much slower than planned due to various reasons but Council is hopeful of completion by the end of 2009. Locomotive boiler ticket expiries are approaching in two to three years for the 'J15' and 'WD' and an urgent priority is to secure funding. Council will be focussing on future strategies and policies to enable the Society to continue restoration, maintenance and operation of its heritage assets. It will also be looking at other ways of engaging in charitable activities and has recently introduced a new scheme of providing grant funding to external small projects that fall within its objectives.

#### Statement of Council's Responsibilities

Company law requires the Council to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Society and its surplus or deficit for that period. In preparing those financial statements Council is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Society will continue in business.

Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society and enable it to ensure that the financial statements comply with the Companies Act 1985 and follow the recommendations of the Charity Commission and of the accounting profession with regard to the form and content of the financial statements or to disclose and explain any departures therefrom. Council is also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention of fraud and other irregularities.

#### Council of Management (Directors)

The directors who served on the Council of Management during the year to 31 January 2009 were:

D Harris	Chairman	I A C Lake
A M Barrs	Vice-Chairman (until 22 July 2008)	N A Scarlett
K Bonson	(resigned 27 September 2008)	N Sharpe (co-opted 27 September 2008)
C D N Borg	(resigned 3 April 2009)	A Smith (resigned 22 November 2008)
A E Dewey	Treasurer	P J Starks
A Galpin		R Wright
H Harkett		

Pursuant to Article 41 N Sharpe, having been co-opted since the last Annual General Meeting and being eligible, offers himself for re-election at the forthcoming Annual General Meeting.

Pursuant to Articles 36 and 38, one-third of the remaining directors, being D Harris, A M Barrs and P J Starks offer themselves for re-election at the forthcoming Annual General Meeting.

As at 31 January 2009 D Harris, A E Dewey and C Borg were the three Society representatives on the NNR Board. At the date these financial statements are approved there are two, D Harris and A E Dewey.

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware; and

the directors have taken all steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.



## **MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY**

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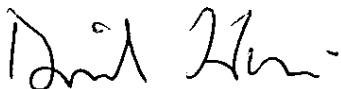
### **REPORT OF THE COUNCIL OF MANAGEMENT – Continued**

#### **Auditors**

Anderson & Co have indicated willingness to be reappointed Auditors and a resolution for their reappointment will be proposed at the Annual General Meeting.

#### **Small Company Provisions**

In preparing this report, the Council of Management has relied on particular exemptions made available to small companies by Part VII of the Companies Act 1985.



D Harris – Chairman  
16 May 2009

**MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY**

**STATEMENT OF FINANCIAL ACTIVITIES  
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)  
FOR THE YEAR ENDED 31 JANUARY 2009**

	Note	Unrestricted funds £	Restricted funds £	Endowment fund £	2009 £	2008 £
<b>INCOMING RESOURCES</b>						
<b>Incoming resources from</b>						
<b>Generated funds</b>						
<i>Voluntary income</i>						
Members' subscriptions		25,172	-	-	25,172	23,074
Donations, gifts and bequests		13,535	55,919	-	69,454	128,222
<i>Activities for generating funds:</i>						
Support Clubs		-	14,923	-	14,923	14,101
Shop and Joint Line sales		6,619	635	-	7,254	5,629
Commission		-	327	-	327	413
Bank and other interest		8,341	10,049	-	18,390	15,950
Proceeds from sale of assets		2,500	-	-	2,500	-
<b>Income from generated funds</b>		<b>56,167</b>	<b>81,853</b>	<b>-</b>	<b>138,020</b>	<b>187,389</b>
<b>Incoming resources from</b>						
<b>Charitable activities:</b>						
Locomotive steaming fees		58,700	1,560	-	60,260	55,950
Grants	3	665	131,331	-	131,996	153,060
Museum entry fees		6,946	-	-	6,946	7,593
<b>Total Incoming Resources</b>		<b>122,478</b>	<b>214,744</b>	<b>-</b>	<b>337,222</b>	<b>403,992</b>
<b>RESOURCES EXPENDED</b>						
<b>Costs of generating funds:</b>						
Costs of generating voluntary income	4	16,301	6,597	-	22,898	22,597
Fundraising trading:						
Cost of goods sold	4	3,054	155	-	3,209	1,589
<b>Costs of generating funds</b>		<b>19,355</b>	<b>6,752</b>	<b>-</b>	<b>26,107</b>	<b>24,186</b>
<b>Charitable activities</b>	4	<b>64,091</b>	<b>222,125</b>	<b>-</b>	<b>286,216</b>	<b>107,698</b>
<b>Governance costs</b>	4	<b>4,012</b>	<b>-</b>	<b>-</b>	<b>4,012</b>	<b>4,567</b>
<b>Total Resources Expended</b>	4	<b>87,458</b>	<b>228,877</b>	<b>-</b>	<b>316,335</b>	<b>136,451</b>
<b>Net incoming (outgoing) resources before transfers</b>	5	<b>35,020</b>	<b>(14,133)</b>	<b>-</b>	<b>20,887</b>	<b>267,541</b>
Transfers between funds	14	(1,400)	(2,100)	3,500	-	-
<b>Net Movement in Funds</b>		<b>33,620</b>	<b>(16,233)</b>	<b>3,500</b>	<b>20,887</b>	<b>267,541</b>
<b>Funds brought forward</b>		<b>580,309</b>	<b>638,214</b>	<b>284,406</b>	<b>1,502,929</b>	<b>1,235,388</b>
<b>Funds carried forward</b>		<b>613,929</b>	<b>621,981</b>	<b>287,906</b>	<b>1,523,816</b>	<b>1,502,929</b>

All amounts relate to continuing activities. There were no recognised gains and losses other than those included above.

# MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

## BALANCE SHEET AS AT 31 JANUARY 2009

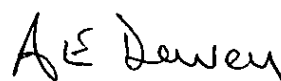
	<i>Notes</i>	<i>2009</i>	<i>2008</i>
<b>Fixed Assets</b>		<b>£</b>	<b>£</b>
Tangible fixed assets	6	787,695	803,102
Investments	7	252,681	249,181
		<u>1,040,376</u>	<u>1,052,283</u>
<b>Current Assets</b>			
Stock		12,131	6,036
Debtors	9	29,902	31,571
Cash at bank and in hand		451,613	424,046
		<u>493,646</u>	<u>461,653</u>
Creditors: Amounts falling due within one year	10	10,206	11,007
<b>Net Current Assets</b>		<u>483,440</u>	<u>450,646</u>
<b>Total Assets less Current Liabilities being Net Assets</b>		<u><u>1,523,816</u></u>	<u><u>1,502,929</u></u>
 <b>Funds of the charity</b>			
Endowment fund	14	287,906	284,406
Restricted funds	11	621,981	638,214
General funds: designated	12	470,643	464,263
unrestricted	13	143,286	116,046
<b>Total Funds</b>		<u><u>1,523,816</u></u>	<u><u>1,502,929</u></u>

In preparing these financial statements, the Council of Management has relied on particular exemptions made available to small companies by Part VII of the Companies Act 1985.

Approved by the Council of Management on 16 May 2009 and signed on its behalf by:



D Harris – Chairman



A E Dewey - Treasurer

The notes on pages 11 to 17 form part of these financial statements which comprise the Statement of Financial Activities (incorporating Income and Expenditure), Balance Sheet and Notes thereto.

## MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

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### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2009

#### 1. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the Statement of Recommended Practice (SORP), 'Accounting and Reporting by Charities' issued March 2005 and with reliance on particular exemptions made available to small companies by Part VII of the Companies Act 1985. The principle accounting policies adopted are as follows:

##### *Incoming Resources*

Subscriptions, donations etc., income from support clubs, shop and other sales, commission and museum entry fees are included at the point of receipt. Locomotive steaming and rolling stock hire fees represent fees earned during the period exclusive of VAT. Grants are included at the point of receipt or are accrued for if awarded by the end of the period. Gift Aid tax reclaimed is included if received during the period and also if claims have been lodged but settled after the end of the period. Interest represents income received from bank and COIF deposits and is allocated to funds maintaining positive average balances of at least £6,000 throughout the period.

##### *Resources Expended*

Resources expended are included in the Statement of Financial Activities on an accruals basis, exclusive of any VAT, provided that has been or is expected to be recovered. Costs are allocated to expense headings on a direct cost basis.

##### *Tangible Fixed Assets and Depreciation*

Donated items are included at no value or cost associated with acquisition. Restoration costs of heritage assets are not capitalised as the expense is intended to restore the items to original condition and not enhance or alter them. Depreciation is only charged on these historic artefacts and items where the carrying value is considered to be greater than the residual value. For operational heritage assets, depreciation is provided at the rate of 10% straight line. Other items are depreciated on a straight line basis as follows: storage facilities 10%, office equipment 33 ⅓%, museum fittings and equipment 10% and carriage sheds 2%.

##### *Museum lease*

The cost of the museum lease premium is being amortised over the period of the lease ie fifty years.

##### *Intangible Income*

No income is recognised for donated services etc. unless any cost borne by the donor can be determined. No value is placed on the services of volunteers unless such value can be determined, such as in grant claims.

##### *Fund Accounting*

The Society's restricted funds relate to its locomotives, rolling stock, museum and educational activities and donations received for share purchases in the North Norfolk Railway PLC. Restrictions arise when specified by the donor. Where the donor does not specify a particular fund, donations are included in unrestricted funds which are used in accordance with the charitable objects at the discretion of Council. This includes the designation of funds to specific projects, some of which may already be financed partly by restricted funds. Governance costs are charged to unrestricted funds. Endowment fund represents investments made by the Society under its Articles of Association, including heritage assets unless funded from donations etc.

##### *Stock*

Stock consists of relevant merchandise for sale. Materials for restoration projects are used when acquired and are not included as stock unless exceptional quantities have been purchased to secure special items or to gain a price advantage. All stock has been valued at the lower of cost and net realisable value.

##### *Cash Flow Statement*

In Council's opinion the Society qualifies as a small entity under Financial Reporting Standard No.1 and accordingly a cash flow statement is not required.

# MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2009 continued

### 2. Status

The Society has no share capital, being a company limited by guarantee and is a registered charity. Each member in the event of a winding up guarantees to contribute a sum not exceeding £1.

### 3. Grants Received

	2009 £	2008 £
Heritage Lottery Fund – Quad Art Set	106,273	-
Heritage Lottery Fund – carriage storage sheds	26,778	133,060
Carriage & Wagon Trust – carriage storage sheds	(2,470)	10,000
Sundry ( 2008 Awards for All - Living History Day)	1,415	10,000
	<u>131,996</u>	<u>153,060</u>

### 4. Total Resources Expended

	Basis of Allocation	Voluntary Income	Generating Funds	Preservation and Restoration	Locomotive Operating	Museum And Other Display	Governance	2009 Total	2008 Total
		£	£	£	£	£	£	£	£
Journal publishing costs	Direct	13,329	-	-	-	-	-	13,329	13,174
Support club prizes	Direct	-	4,148	-	-	-	-	4,148	4,116
Promotional	Direct	879	1,934	-	-	-	-	2,813	3,493
Printing	Direct	626	-	-	-	-	424	1,050	673
Postage	Direct	522	42	-	-	-	119	683	1,100
Stationery/office supplies	Direct	451	11	-	-	156	-	618	453
Professional fees	Direct	-	-	-	-	-	30	30	30
Bank charges	Direct	474	-	-	-	-	-	474	504
Sundries	Direct	145	306	-	-	-	-	451	108
Goods for resale	Direct	-	3,209	-	-	-	-	3,209	1,589
Educational	Direct	-	-	-	-	335	-	335	10,000
Museum Curator	Direct	-	-	-	-	2,400	-	2,400	2,917
Maintenance	Direct	-	-	-	61,058	194	-	61,252	35,233
Restoration	Direct	-	-	174,137	-	-	-	174,137	18,329
Subscriptions	Direct	30	-	-	-	32	-	62	50
Insurance	Values	-	-	1,378	2,298	919	-	4,595	4,509
Depreciation	Direct	-	-	7,868	30,000	5,244	-	43,112	36,387
Website maintenance	Direct	-	-	-	-	198	-	198	198
Audit	Direct	-	-	-	-	-	1,850	1,850	1,800
Trustee indemnity insurance	Direct	-	-	-	-	-	1,221	1,221	1,246
Council meeting expenses	Direct	-	-	-	-	-	368	368	542
		<u>16,456</u>	<u>9,650</u>	<u>183,383</u>	<u>93,356</u>	<u>9,478</u>	<u>4,012</u>	<u>316,335</u>	<u>136,451</u>

# MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2009 continued

### 5. Net incoming resources before transfers

This is stated after charging:

	2009 £	2008 £
Depreciation	43,111	36,388
Indemnity insurance for Council Members*	160	160
Expenses reimbursed to Council Members	1,541	2,041
Auditors' remuneration	1,850	1,800

\* The amount for 2009 was a proportion of the directors, officers and trustees liability premium which totalled £788 (2008 £796 which included professional indemnity cover).

### 6. Tangible Fixed Assets

	Heritage Assets	Carriage Sheds	Museum Building (Leased)	Museum Fittings	Storage Facilitie s	Office Equip	Total
	£	£	£	£	£	£	£
Cost at beginning of year	380,325	366,314	104,375	17,418	6,600	3,642	878,674
Additions in year	-	27,048	656	-	-	-	27,704
Less: Disposals at cost	-	-	-	-	-	-	-
Cost at end of year	380,325	393,362	105,031	17,418	6,600	3,642	906,378
Depreciation at start of year	60,000	-	3,088	3,355	5,500	3,629	75,572
Charge for the year	30,000	7,868	2,830	1,741	660	12	43,111
Depreciation at end of year	90,000	7,868	5,918	5,096	6,160	3,641	118,683
Net book value at end of year	290,325	385,494	99,113	12,322	440	1	787,695
Net book value at start of year	320,325	366,314	101,287	14,063	1,100	13	803,102

### 7. Investments

Investments consist of Ordinary Shares of £1 in North Norfolk Railway PLC, an unlisted public company. Share purchases have in every case been at par. In addition, the Society has added to its shareholding by accepting gifts of shares from members and others and these are included at par.

At 31 January 2008 the total number of shares purchased was 211,090 and the total shareholding 248,181. During the year the Society purchased 3,000 shares. At 31 January 2009 the total number of shares purchased was 214,090 and total shareholding including gifted shares was 251,681. The Society is the largest single shareholder owning 36.4% (2008 36.2%) of the issued share capital.

### Subsidiary Undertaking

The Society holds 1,000 ordinary £1 shares, being 100% of the issued and authorised share capital in Midland & Great Northern Heritage Ltd. The company was set up to undertake the non-charitable trading activities of the Society but the company has not yet commenced trading.

# MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2009

continued

### 8. Related Parties

During the year there were sales to NNR amounting to £59,967 (2008 £44,925) and purchases of £139,301 (2008 £84,484) excluding shares. Amounts owed to the Society by NNR amounted to £nil (2008 £nil). Amounts owed by the Society to the NNR were £nil (2008 £nil). The figures exclude VAT; the net amount owed by the Society including VAT is £nil (2008 £nil).

As previously reported, the new building at Holt for the Society's "William Marriott Museum" opened in August 2006. A long lease had been agreed as at 31 January 2007 at a premium of £100,000 but due to legal issues completion did not take place until March 2008. The balance of premium owing £7,246 was paid then.

The amounts represented by the Society's 36.4% (2008 36.2%) proportion of the Share Capital and profits/(losses) of the NNR are:

	2009		2008	
	£	%	£	%
Share Capital	251,681	36.4	248,181	36.2
Profit and loss account (loss)	(140,324)	36.4	(99,516)	36.2
Net (loss) for the year	(40,258)	36.4	(33,826)	36.2

The above figures are disclosed in accordance with the requirements of Companies Act 1985. It should be noted that even if there is a share of profits, the not for profit constitution of the NNR precludes payment of any dividend or distribution on the Society's investment. The benefits that have derived from the investment are stated throughout the Report of the Council of Management. These include access to covered accommodation and engineering facilities for restoration and storage, a secure and appropriate base for the Society's assets and a venue to exhibit them to the public either operationally or static in accordance with the charitable objectives.

The Council considers that considerable value attaches to the benefits derived from the investment in shares. While it is difficult to quantify a monetary value for the benefits, Council is of the opinion that the value of the investment at cost in these accounts is not in excess of the potential value of the future ongoing benefits so derived.

### 9. Debtors

	2009	2008
	£	£
Trade Debtors	-	4,200
Other Debtors	27,923	25,513
Prepayments	1,979	1,858
	<u>29,902</u>	<u>31,571</u>

### 10. Creditors

	2008	2007
	£	£
Trade Creditors	200	1,159
Accruals	9,204	9,046
Other creditor	-	-
Amount due to subsidiary	802	802
	<u>10,206</u>	<u>11,007</u>

# MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2009 continued

### 11. Restricted Funds : movement in the year

	Balance at beginning of year	Income	Expenditure	Transfers and Investment	Balance at end of year
	£	£	£	£	£
J15	7,328	4,633	3,563	-	8,398
B12	65,110	7,979	7,546	-	65,543
W1500 Club	44,466	10,237	178	-	54,525
B12 Boiler Appeal	16,146	33,814	31,864	-	18,096
Wissington	18,873	1,992	6,509	-	14,356
90775 Club	789	140	-	-	929
31 Club	8,422	4,659	544	(1,500)	11,037
RM04	7,402	300	-	-	7,702
Heritage Coach Fund	31,949	10,678	3,467	-	39,160
Quad Art Set	61,674	109,138	162,772	-	8,040
Wisbech Tram	1,715	301	731	-	1,285
Museum	2,751	1,725	3,835	2,400	3,041
Holt Development	2,534	-	-	-	2,534
Carriage Sheds	369,055	24,308	7,868	-	385,495
NNR Appeals	-	3,846	-	(3,000)	846
Society Grants	-	994	-	-	994
	<u>638,214</u>	<u>214,744</u>	<u>228,877</u>	<u>(2,100)</u>	<u>621,981</u>

The income of the funds relates to donations, other contributions and bank interest, except for 'Heritage Coach' fund which received an award of £750 from The Transport Trust and 'Quad Art Set' and 'Carriage Sheds' funds which received grants of £106,273 and £26,778 respectively from Heritage Lottery Fund. The residual unspent balance of £2,470 from Carriage & Wagon Trust was repaid.

### 12. Designated Funds : movement in the year

	Balance at beginning of year	Income	Expenditure	Transfers and Investment	Balance at end of year
	£	£	£	£	£
Legacy	4,251	-	-	(751)	3,500
Locomotives	111,795	63,150	23,899	-	151,046
WD Purchase	240,000	-	30,000	-	210,000
Operation Phoenix	99,261	954	2,656	-	97,559
Museum Fit-out	8,043	665	-	(1,071)	7,637
Home Front Recall	913	-	12	-	901
	<u>464,263</u>	<u>64,769</u>	<u>56,567</u>	<u>(1,822)</u>	<u>470,643</u>

Council has designated the £20,000 legacy received in March 2003 towards two projects as follows:

- Museum: - up to £16,500 for three years towards the funding of the Curator with effect from 2004.
- Wissington: - up to a maximum of £3,500 as back-up to the Wissington fund if required.

At 31 January 2009, £16,500 has been expended towards the costs of the Curator.

Council decided to establish a steam locomotive fund which receives steaming fees and will fund repairs and major overhauls. The existing individual steam locomotive funds continue to be funded by their support clubs and donations etc. and will provide back-up funding as required.



## MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2009 continued

A private donation provided the majority of the funding to purchase the WD locomotive. The Operation Phoenix appeal raised funds for development at Holt station and Council decided to use the Society's share for the lease premium on the new building which houses 'The William Marriott Museum'. As the original purposes of these donations have been satisfied and there are no conditions governing the use of the assets, Council decided to create designated funds which are being reduced in line with the depreciation or amortisation of the assets. A similar situation arises with the IT equipment acquired with the 'Home Front Recall' grant. The balances on the three previously restricted funds were transferred to new designated funds as at 1 February 2007.

As reported previously in note 8 of the financial statements, the NNR provided £10,052 in-kind towards the Museum fitting-out costs. This has been credited to a designated fund above and is being released to general funds over a period of ten years in line with depreciation.

#### 13. Unrestricted Funds : movement in the year

	Balance at beginning of year £	Income £	Expenditure £	Transfers and Investment £	Balance at end of year £
General funds	116,046	57,709	30,891	422	143,286

#### 14. Transfers between funds

Endowment Fund – The transfer to this fund comprises £3,000 from NNR Appeals in respect of donations with instructions from the donor that it should be used to acquire shares in North Norfolk Railway Plc. and £500 of shares in NNR bequeathed to the Society

General Fund received transfers of £422, being £1,071 from Museum Fit-out designated fund towards the annual depreciation of the Museum fitting-out costs (see note 12) and £1,500 from 31 Club for the third of ten repayments towards the purchase of the Class '31' locomotive, less transfers out to other funds of £2,149 as noted below.

The second annual transfer of £1,500 from 31 Club to General Fund to repay £15,000 of the cost of the Class 31 diesel was suspended for 2006-07 to enable a quantity of spares for the locomotive to be acquired by the fund. The repayments recommenced in 2007-08 with the delayed second transfer.

Designated Legacy Fund contributed £751 to Museum Fund to cover part of the cost of the Museum Curator during the year. This brings the total contributed to £16,500, the maximum fixed by Council. The balance of £1,649 cost of the Curator in the year has been met from General Funds.

The £500 of NNR shares bequeathed in the year is included as income to general funds but then transferred to Endowment Fund as stated above.

The movements on restricted funds are covered in the notes in the three previous paragraphs.

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**MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY**

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**NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2009**  
**continued****15. Analysis of net assets between funds**

	<b>Designated Funds</b>	<b>General Fund</b>	<b>Restricted Funds</b>	<b>Endowment Fund</b>	<b>Total Funds</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Tangible fixed assets	356,973	10,003	385,494	35,225	787,695
Investments	-	-	-	252,681	252,681
Net Current Assets	113,670	133,283	236,487	-	483,440
	<u>470,643</u>	<u>143,286</u>	<u>621,981</u>	<u>287,906</u>	<u>1,523,816</u>

**16. Contracts and Commitments**

The Society has entered into two contracts for the overhaul of B12 locomotive LNER 8572/BR 61572. as follows:

Chatham Steam Ltd for the ten year boiler overhaul. The contract sum is £92,677 of which work to the value of £23,625 had been carried out by 31 January 2009 and is either paid or provided for in these financial statements; and

North Norfolk Railway plc for mechanical works to the locomotive and tender. The contract sum is £37,920 of which work to the value of £5,392 had been carried out by 31 January 2009 and is either paid or provided for in these financial statements.

There have been some additions and omissions to both contracts since 31 January 2009.

**17. Post balance Sheet Events**

No post balance sheet events materially affect these financial statements.

## **MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY**

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### **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 JANUARY 2009**

We have audited the financial statements which comprise the Statement of Financial Activities (incorporating Income and Expenditure), Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section S.235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company'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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective Responsibilities of Council of Management and Auditors**

As described on page 7 the Council, who are the trustees and also the directors for the purposes of company law, are responsible for the preparation of the Council's report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 charitable 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 Council's remuneration and transactions with the company is not disclosed.

We are not required to consider whether the statement in the Council's report concerning major risks to which the charitable company is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the charitable company's risk management and control procedures.

We report to you whether in our opinion the information given in the Council's report is consistent with the financial statements.

#### **Basis of Audit Opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 Council 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.

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.

**MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY**

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**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31  
JANUARY 2009 continued**

**Opinion**

In our opinion:

- the financial statements give a true and fair review, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 January 2009 and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Council's report is consistent with the financial statements.



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19 May 2009