

Railway Paths Limited
(A company limited by guarantee)

Annual report
for the year ended 31 March 2008

Registered Company Number: 3535618
Registered Charity Number: 1070003
SC039256 (Scotland)



Railway Paths Limited

Annual report for the year ended 31 March 2008

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Railway Paths Limited

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Legal and administrative information

Constitution

Railway Paths Ltd is a company limited by guarantee and a registered charity which is governed by its memorandum and articles of association.

Company number: 3535618
Charity number: 1070003
SC039256 (Scotland)

Trustees serving during the year and since the year end were as follows:

Greg Beecroft
Chris Curling
Huw Davies (appointed 8th Oct-08)
John Grimshaw
John Palmer
Malcolm Shepherd
Ian White (Chair)

Secretary and registered office

A. Appleby
2 Cathedral Square
College Green
Bristol
BS1 5DD

Registered auditors

PricewaterhouseCoopers LLP
Chartered Accountants
31 Great George Street
Bristol
BS1 5QD

Bankers

Lloyds TSB plc
PO Box 153
55 Corn Street
Bristol BS99 7LE

The Royal Bank of Scotland plc
36-38 Baldwin St
Bristol BS1 4NR

Bank of Scotland
600 Gorgie Road
Edinburgh EH11 3XP

Solicitors

Osborne Clarke
2 Temple Back East
Temple Quay
Bristol
BS1 6FA

McCartney Stewart
1B Paisley Rd
Renfrew
PA4 8JH

Report of the trustees for the year ended 31 March 2008

The trustees, who are also Directors of the Charity for Companies Act 1985 purposes, submit their annual report and audited financial statements for the year ended 31 March 2008. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in 2005 in preparing the annual report and financial statements of the Charity.

Objectives and Activities

The Charity was established to take ownership of disused railway lines from BRB (Residuary) Ltd, formerly Rail Property Ltd. The main aims and objectives are:

- The preservation, restoration, maintenance and protection for public benefit of the structures and buildings on the land owned by the Company
- To make available for public benefit routes, roads and paths suitable for walking, cycling, horse riding and wheelchair use
- To support, promote and encourage the charitable activities of Sustrans Ltd registered charity number 326550 (Sustrans)
- The Charity also has an undertaking with the Secretary of State to safeguard for potential future public transport use the disused railway lines in its ownership.

The Charity's strategy for achieving its main aims and objectives is to maintain, through prudent management, the asset portfolio of the organisation in order to ensure its long-term viability. All of the structures are routinely inspected in line with the "Management of Highway structures" code of practice (publication date September 2005). In addition, the Charity works closely with Sustrans in order to maximise the benefit of its asset holdings to the public.

Key performance indicators

Financial reserves

The trustees have established a policy level for unrestricted funds of 10 years of forecast future maintenance expenditure on structures, fencing etc. On current information available to the trustees, this would indicate a requirement of £3 million. Current funds stand at £1.6 million and the trustees therefore anticipate adding £1.4million to reserves over the next 10 years.

Bridge condition scoring

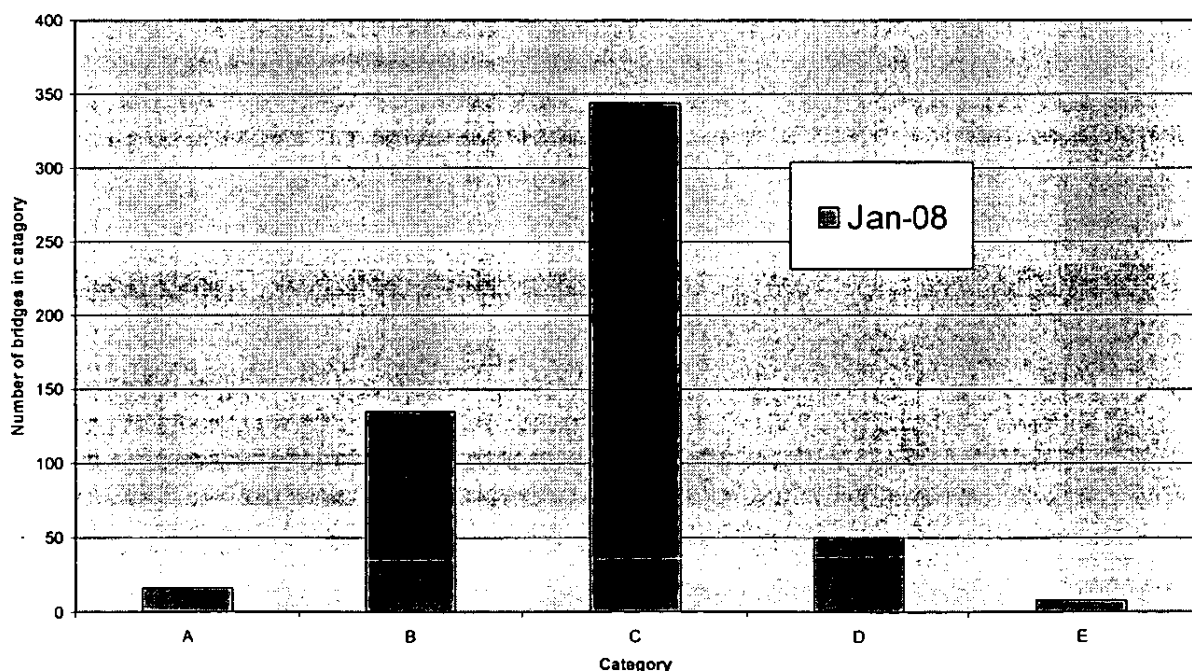
When an inspection is undertaken a condition grade is reviewed and updated for the structure. This is based on five categories ranging from A for "Very Good" through to E for "Bad":

- **A Very Good:** Full strength. In near 'as built' condition, well maintained. (*Good paint, pointing, surfaces*)

- **B Good:** Full strength. Superficial non-structural defects. *(Effective paint protection, only minor cracks/spalls, mainly good joints, no movement, minor vegetation)*
- **C Fair:** Within 90% of original strength. BE4 pass. Defects affecting durability or marginally affecting strength. Safety not compromised. *(vegetation, open joints, paint failure, corrosion but only slight section loss, settlement)*
- **D Poor:** Significant strength loss from original but still serviceable for current loadings. Marginal BE4 assessment. Defects significantly affecting strength and durability or marginally affecting safety. *(deep/extensive spalling, perishing, leakage, structural cracking, deformation, significant corrosion section losses, sub-standard parapets or safety fencing)*
- **E Bad:** Understrength for current loadings. Unstable or failed structure with significant risks. Significant safety risk *(Assessment failure, critical section loss, arch failure, gross settlement, no parapets)*

Once a year, or on request of the Board or others, a report is prepared showing the number of structures with condition A, B etc. The information is displayed graphically to show the spread of condition grades over time. 2008 is the first year that this information has been produced. These grades, also taken into account with Consequence of Failure assessments can be used to help prioritise works.

The present levels are considered satisfactory, and the Trustees aim to reduce the number of "E" structures (2008 = 8) in coming years.



Achievements and Performance

The Charity continued its programme of inspection and surveying of the 688 structures, for which it has responsibility, on the disused railway lines in its ownership.

During the financial year the Company spent £330,574 on the refurbishment and maintenance of its structures. The major expenditure items included the following:

£124,793 on Larpool Viaduct

£50,000 on strengthening works to road bridges in Manchester

£25,000 on bridge works at Bottesford

The balance of expenditure was incurred on cost effective solutions to maintenance across a large number of structures where expenditure had been prioritised. The Company has a detailed analysis of all maintenance expenditure required, which it has prioritised for the next 3 years.

An additional £39,899 has been incurred during the year on general maintenance, fencing, grass cutting etc.

The Charity has continued to make disused railway lines available to Sustrans and others for the development of routes for walking and cycling. The Charity does not contribute financially to the construction of these routes. In the course of these developments some maintenance work on structures owned by the Charity is undertaken in order to make routes safe for public use. This benefits Railway Paths Limited, as it effectively reduces the future maintenance burden of the Charity.

Work to an approximate value of £890,000 was spent on maintenance of Railway Paths Limited structures that was carried out by third parties during the financial year. The most notable works include:

- Expenditure of £130,000 on infill works to Sandy bridge in Llanelli
- Expenditure of £100,000 on surfacing & repairs for Balbirnie Viaduct in Markinch
- Expenditure of £250,000 on Rodney St. Tunnel strengthening scheme
- Expenditure of £150,000 on bridge repairs at Ysnwybwl

Also during the year the Company received proceeds of £359,758 for land and other assets (net book value=Nil). These included land at Sheffield, Liverpool, and Deeping St. James.

Objectives for 2008/09

Preservation of structures, buildings and land

The Charity will continue its programme of inspection and surveying of the 688 structures, for which it has responsibility. The programme of maintenance and repairs will include major works by third parties to at least 4 structures.

The most recent review of risks faced by the Charity identified Health & Safety, Failure to achieve capital sales, and failure of success in planning as most significant. Our inspection programme and financial records ensure that these key risks and indeed key performance indicators are monitored.

Financial Review

The Charity has limited reserves, with which to meet its future liabilities, and has adopted a policy which requires that these reserves are added to over the next few years. The trustees regularly review the investment policy to be applied to these largely liquid reserves. The trustees recognise the implications of "risk" and "return", especially in the current environment and have agreed a "minimal risk" strategy to safeguard the Charity's reserves. During the course of the year the trustees have sought to optimise interest rates through investment in the "money markets" and have avoided equity and other volatile options. The trustees do not believe the decision will change in the coming year but this will continue to be reviewed.

Structure, Governance and management

The trustees are appointed by the members of the Company and serve for a period of 3 years, which is renewable. In addition, the following organisations have the right to appoint trustees as determined by the Articles of the Company:

BRB (Residuary) Ltd	1 Director (currently G. Beecroft)
Railway Heritage Trust	1 Director (currently I. White)
Sustrans Ltd	2 Directors (currently J. Grimshaw and M. Shepherd)

The trustees identify the skills and experience required amongst members of its Board and seek to recommend appropriate candidates from its project partners and wider networks. The induction for prospective board members includes documentation and attending a two day board meeting where the detailed work programmes of the Charity, and discussions concerning Trustees' roles and responsibilities are covered. The trustees meet at least 3 times a year, usually for 2 days, to visit and inspect projects, review strategy and performance and to agree operating plans and annual budgets.

Company law requires the trustees to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year. In doing so the trustees are required to:

- Select suitable accounting policies and then apply them consistently;
- Make sound judgements and estimates that are reasonable and prudent; and
- Prepare the financial statements on the going concern basis unless it is appropriate to presume that the charity will continue in business.

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enables them to ensure that the financial statements comply with the Companies Act 1985. The

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trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In accordance with Company law, as the Company's directors, we certify that:

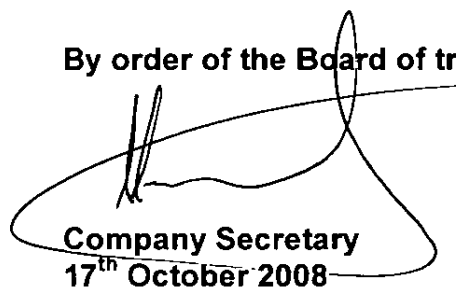
- so far as we are aware, there is no relevant audit information of which the Company's auditors are unaware; and
- as the directors of the Company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information.

Connected Charities

One of the objectives of the Charity is to support the work of Sustrans Ltd, a registered Charity number 326550, registered office 2 Cathedral Square, College Green, Bristol BS1 5DD. Under the guidelines of the Charities' SORP, Sustrans Ltd is a "connected charity", as Sustrans can appoint 2 Trustees of Railway Paths. These Trustees are currently Mr. M. Shepherd, Chief Executive of Sustrans and Mr. J. Grimshaw. Mr. C. Curling is a Trustee of both Sustrans and Railway Paths. Mr H. Davies is an employee of Sustrans.

In the interests of efficiency and cost minimisation, Sustrans is contracted by Railway Paths Limited to provide accounting, company secretarial and personnel services and paid £10,000 (2007, £10,000) to Sustrans in the year for these services. That charge was based upon the calculated marginal cost incurred in the provision of these services. Railway Paths Ltd is contracted by Sustrans to provide Estate Management services and received £10,000 (2007, £10,000) during the year.

By order of the Board of trustees



Company Secretary
17th October 2008

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Independent auditors' report to the members of Railway Paths Limited

We have audited the financial statements ("the financial statements") of Railway Paths Limited for the year ended 31 March 2008 which comprise Statement of Financial Activities, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of trustees and auditors

The responsibilities of the trustees (who are also the directors of Railway Paths Limited for the purposes of company law) for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the charitable company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 whether in our opinion the information given in the Report of the Trustees is consistent with the financial statements.

In addition we 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 trustees' remuneration and other transactions is not disclosed.

We read the Report of the Trustees 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 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 judgments 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.

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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the charitable company's affairs as at 31 March 2008 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 Report of the Trustees is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors, Bristol

20 October 2008

Statement of financial activities for the year ended 31 March 2008 (Including Income and Expenditure account)

	Notes	Unrestricted Funds 2008 £	Unrestricted Funds 2007 £
Incoming resources			
Incoming resources from charitable activities			
<i>Preservation of structures, buildings, and land</i>		93,542	256,000
Incoming resources from generated funds			
Realised gains on disposal of land & other assets		359,758	328,978
Rental Income		212,125	176,665
Interest Received		83,032	73,496
Income from Easements and other income		89,207	115,710
Total incoming resources		837,664	950,849
Resources expended			
Charitable activities			
<i>Preservation of structures, buildings, and land</i>			
Grant payments to partner organisations - Hengoed		-	342,224
Inspections expenditure		56,462	77,617
Maintenance and repairs to structures		330,574	383,974
General Maintenance		39,899	26,853
Property Management		128,085	96,423
Legal costs		17,157	66,012
Insurance		16,345	17,263
Management & Admin		9,208	9,512
		597,730	1,019,878
Governance costs	5	5,018	6,731
Total resources expended		602,748	1,026,609
Net incoming / (outgoing) resources for the year	2	234,916	(75,760)
Total funds brought forward at 1 April 2007		1,354,079	1,429,839
Total funds carried forward at 31 March 2008		1,588,995	1,354,079

The Charity has no recognised gains and losses other than those included above, and therefore no separate statement of total recognised gains and losses has been presented. All income and expenditure relates to continuing operations.

There is no difference between the net incoming resources for the year stated above and its historical cost equivalent.

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Balance sheet as at 31 March 2008

	Notes	2008 £	2007 £
Tangible Fixed Assets	6	1,792	1,898
Current Assets			
Debtors	7	75,757	198,884
Cash at bank and in hand		<u>1,760,549</u>	<u>1,297,444</u>
		1,836,306	1,496,328
Creditors: amounts falling due within one year	8	<u>(249,103)</u>	<u>(144,147)</u>
Net current assets		1,587,203	1,352,181
Net assets		<u>1,588,995</u>	<u>1,354,079</u>
Unrestricted funds		<u>1,588,995</u>	<u>1,354,079</u>

The notes on pages 10 to 14 are an integral part of these financial statements.

The financial statements on pages 8 to 14 were approved by the Board of Directors on 17th October 2008 and were signed on its behalf by:



Trustee

Notes to the financial statements for the year ended 31 March 2008

1 Principal Accounting Policies

The financial statements have been prepared in accordance with the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005) issued in March 2005, applicable UK Accounting Standards and the Companies Act 1985.

a) Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

b) Cash flow statement

The Company is exempt under the term of Financial Reporting Standard No 1 from publishing a cash flow statement.

c) Fund Accounting

The purpose of the Charity is to manage the ownership of numerous disused railway lines and the structures on them. As all financial transactions undertaken by the Company relate solely to this objective, the incoming and outgoing resources of the Company have been classified as 'unrestricted funds'.

The Company makes these disused railway lines available to Sustrans and local authority partners for their development as routes for walking and cycling. The Company does not contribute financially to their development, except in the case of specific maintenance structures.

d) Incoming Resources

All incoming resources are included in the statement of financial activities when the Charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

Income relating to the Company's maintenance and other projects prior to the year end has been included in these accounts.

e) Resources Expended

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

f) Depreciation

Depreciation is calculated to write off the cost of tangible fixed assets over their expected useful lives on a straight line basis. Freehold land and buildings were acquired at no cost.

Tangible fixed assets costing more than £500 are capitalised and included at cost.

The rate of depreciation is as follows:

Computer equipment	33.3% per annum
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g) Maintenance

The Company has a potential maintenance liability over a number of disused railways where it owns the land and structures upon it. A planned maintenance policy is adopted with significant short-term maintenance liabilities provided for as and when they are identified.

h) Pension scheme

The Company makes contributions to a defined contribution pension scheme on behalf of certain staff members. The cost of these contributions is charged in the accounts as incurred.

i) Operating Leases

Income and costs in respect of operating leases are credited/charged on a straight line basis over the lease term.

j) Taxation

The Company is a non-profit making organisation and a registered charity with the Charity Commissioners. It is generally exempt from Corporation Tax and there is no tax charge for the year.

2 Net incoming / (outgoing) resources

	2008 £	2007 £
Net incoming / (outgoing) resources is stated after charging:		
Depreciation of tangible fixed assets	1,550	1,266
Auditors' remuneration	1,150	1,100
Operating lease rentals	15,474	7,627
	<u>18,174</u>	<u>9,993</u>

Rental income of £212,125 (2007: £176,665) arises from the leases on a small number of properties owned by the Company (Net book value = nil).

3 Trustees' emoluments

No remuneration was paid for the provision of the services of the directors.

4 Employee information

The average weekly full-time equivalent number of employees (excluding Board members) during the year was 4.45 (2007: 4.53).

	2008 £	2007 £
Staff costs:		
Salaries	112,520	109,636
Social Security costs	10,332	9,842
Pension	1,313	1,026
	<u>124,165</u>	<u>120,504</u>

These costs are allocated to Inspections expenditure £32,633 (2007: £42,495) and Property management £91,532 (2007: £78,009). Under the Company's articles of association, members of the Board are not permitted to receive remuneration from the Company. No employee earns more than £60,000 per annum.

5 Governance costs

	2008 £	2007 £
Board meeting expenses	2,868	4,631
Audit fee	1,150	1,100
Company Secretarial charges	1,000	1,000
	<u>5,018</u>	<u>6,731</u>

Governance costs includes the expenses for three (2007: three) Board meetings. This amount includes the involvement of stakeholders.

6 Fixed assets

Computer Equipment £

Cost

As at 1 April 2007	16,874
Additions	1,444
As at 31 March 2008	<u>18,318</u>

Depreciation

As at 1 April 2007	14,976
Charge for the year	1,550
At 31 March 2008	<u>16,526</u>

Net book value

At 31 March 2008	<u>1,792</u>
At 31 March 2007	<u>1,898</u>

In May 1998 the Company entered into an agreement with BRB (Residuary) Limited to acquire a portfolio of land. The transfer of all but 3 parcels of land is complete.

The transfers of the remaining 3 parcels of land are expected to be concluded in the financial year 2008/09. These parcels of land are all disused railway lines and have many structures, bridges etc on them.

These transfers were all concluded at a nominal value recognising the longer term financial liabilities which became the responsibility of the Company on acquisition. The Trustees have decided not to re-value land holdings because of the complexity and the resulting on-going costs which would be incurred. The Company has an undertaking with the Secretary of State for Transport to hold the properties against potential future public transport use and this significantly suppresses any development of other value of these properties. It is not anticipated that the portfolio of land will be significantly enlarged.

The Company has and will continue to make these disused railway lines and structures available to Sustrans Ltd for the development of walking and cycling routes.

7 Debtors

	2008 £	2007 £
Trade Debtors	35,980	98,732
Tenancies	28,161	50,507
Prepayments	2,576	4,669
Accrued Income	-	23,733
VAT	9,040	21,243
	<u>75,757</u>	<u>198,884</u>

8 Creditors: amounts falling due within one year

	2008 £	2007 £
Trade Creditors	76,937	38,017
Accruals	153,400	101,600
Other creditors including tax and social security	18,766	4,530
	<u>249,103</u>	<u>144,147</u>

9 Financial commitments

At the year end the Company had annual commitments under non-cancellable operating leases as follows:

	2008 £	2007 £
Land & Buildings		
Expiring within one year	-	4,000
Expiring within one to five years	9,350	-
	<u>9,350</u>	<u>4,000</u>