

Railway Paths Limited
(A company limited by Guarantee
and not having a Share Capital)

Annual report
for the year ended 31 March 2002

Registered No: 3535618

Registered Charity No: 1070003



Railway Paths Limited

Annual report for the year ended 31 March 2002

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Legal and administrative information

Constitution

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

Charity number 1070003
Company number 3535618

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

J. Grimshaw (Chair)
G. Beecroft
J. Cornell
C. Curling
J. Palmer
M. Shepherd

Secretary and registered office

M. Shepherd
35 King Street
Bristol
BS1 4DZ

Bankers

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

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

Registered auditors

PricewaterhouseCoopers
Chartered Accountants
31 Great George Street
Bristol
BS1 5QD

Solicitors

Osborne Clarke
50 Queen Charlotte Street
Bristol
BS1 4HE

McCartney Stewart
1B Paisley Rd
Renfrew
PA4 8JH

Report of the trustees for the year ended 31 March 2002

The trustees, who are also Directors of the charity for the purposes of the Companies Act, submit their annual report and audited financial statements for the year ended 31 March 2002. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in October 2000 in preparing the annual report and financial statements of the charity.

Objectives of the Charity

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

- The preservation, restoration, maintenance and protection for public benefit, of the structures and buildings on the land which is 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).
- 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.

Review of activities and future developments

The Company has expended considerable effort in the year in concluding the transfer of a number of disused railway lines to the Company from BRB (Residuary) Ltd. These transfers are in line with the agreement dated May 1998 with BRB. At the end of March 2002 some 149 transfers had been concluded and it is expected that the remaining 16 transfers will be concluded in the coming financial year. The Company incurred a total of £95,460 in legal fees in the year associated with these transfers.

The Company has also prioritised the inspection and surveying of the 727 structures which it now has responsibility for, on the disused railway lines it owns. A project inspection, recording and management regime has been fully introduced during the year, and all of the structures are up to date with routine and principal inspections to railway group and highway standard BD6394.

During the financial year the Company spent £251,383 on the refurbishment and maintenance of its structures. The major expenditure items included a £60,000 contribution to Nottinghamshire County Council for the future maintenance requirements of 3 bridges transferred to their ownership. The guttering work on the listed viaduct at Bennerley was also completed in the year with an expenditure of £28,769, which was a requirement of the restoration project largely completed in previous financial years. The balance of expenditure was incurred on cost effective solutions, on 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. These works have been identified as a result of the introduction of the comprehensive inspection regime conducted during the year.

An additional £25,743 has been incurred during the year on general maintenance, fencing, grass cutting etc.

The Company's Property Manager has also had a very busy year overseeing the transfer of ownership from BRB (Residuary) Ltd. and establishing a database of all the land in our ownership. Considerable effort has been expended "getting to grips" with the extensive portfolio identifying revenue opportunities and other issues arising during the year. A total of £81,518 was incurred in the year on these activities.

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

The most notable works on Railway Paths land during the year include:

- Expenditure of £325k on the Fallowfield Loop Line, Manchester;
- Expenditure of approximately £300k at Boston, Lincolnshire;
- Expenditure of approximately £240k at Newark, Lincolnshire;
- Expenditure of £230k on The Walnut Tree line in South Wales, this included £50k on the renovation of structures; and
- Expenditure of £150k at Haltwhistle, Northumberland.

Over £1.25 million was spent on path construction and maintenance of Railway Paths structures by others during the financial year.

Investment Policy

The Charity has very 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 "no risk" strategy to safeguard the Charity's reserves. During the course of the year the Trustees have sought to optimise interest rates achievable through investment in the "money market" and have avoided equity and other currently volatile options. The Trustees do not believe the decision will change in the coming year but will continue to be reviewed.

Reserves

The trustees have established a policy level for unrestricted funds of 5 years of forecast future maintenance expenditure on structures, fencing etc. On current information available to the trustees, this would indicate a requirement of £1.5 million. Current funds stand at £1.37 million and the trustees therefore anticipate adding to reserves over the next few years.

Governance and risk 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 J. Cornell)
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 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 and charity law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charity and of the surplus or deficit of the charity for that period. In preparing those financial statements, the trustees have:

- selected suitable accounting policies and then applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on the going concern basis.

The trustees have overall responsibility for ensuring that the charity has appropriate systems of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enable them to ensure that the financial statements comply with the Companies Act 1985. The 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 and to provide reasonable assurance that:

- the charity is operating efficiently and effectively;
- its assets are safeguarded against unauthorised use or disposal;
- proper records are maintained and financial information used within the charity or for publication is reliable; and
- the charity complies with relevant accounting standards.

As part of its normal procedures the trustees regularly review the risks facing the organisation. The primary risk facing the charity is that arising from its obligation to inspect and maintain structures, bridges, viaducts etc on its land. A robust inspection regime has been put in place, taking account of the standards implemented by the rail industry and local authorities, and reflecting the particular needs of the Company and the use made of the structures. This is backed up by a procedure for planned maintenance, and appropriate budgets are created.

Connected Charities

One of the objectives of the Charity is to support the work of Sustrans Ltd, a registered Charity number 326550, registered office 35 King Street, Bristol BS1 4DZ. Under the guidelines of the Charities' SORP, Sustrans Ltd is a "connected charity" as Sustrans can appoint 2 Trustees of Railway Paths Ltd. These Trustees are currently John Grimshaw, Chief Executive of Sustrans and Malcolm Shepherd, Finance Director and Company Secretary of Sustrans. In the interests of efficiency and cost minimisation, Sustrans is contracted by Railway Paths to provide accounting, company secretarial and personnel services and paid £5,000 to Sustrans in the year for these services. The marginal costs of providing these services was estimated to be £10,000 in the financial year and this figure will be charged in the coming financial year.

Through its regional management structure, Sustrans has been contracted by the Charity to carry out limited maintenance work and other services amounting to £32,034 in the year. These services have been provided at cost price.

Mr Chris Curling, a trustee of the Charity, is a partner in Osborne Clarke, which acts as Solicitor for the Railway Paths. Mr Curling has no personal involvement in any of these day to day transactions. During the year the charity incurred fees of £12,369 from Osborne Clarke for work on the transfer of properties.

Auditors

A resolution to re-appoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board of trustees



Company Secretary
15 November 2002

Independent auditors' report to the members of Railway Paths Limited

We have audited the financial statements which comprise the statement of financial activities, the balance sheet, the related notes and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The trustees are also directors of Railway Paths Limited for the purpose of Company Law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

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

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 directors' report is not consistent with the financial statements, if 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 directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. For example the other information comprises only the trustees' report.

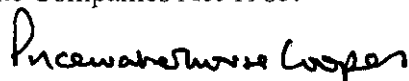
Basis of audit opinion

We conducted our audit in accordance with 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 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 of the state of the charitable company's affairs at 31 March 2002 and of its net incoming resources, including its income and expenditure, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors, Bristol
15 November 2002

Statement of financial activities for the year ended 31 March 2002 (Including Income and Expenditure account)

	Notes	Unrestricted Funds 2002 £	Unrestricted Funds 2001 £
<u>Incoming resources</u>			
Activities in furtherance of the charity's objects			
Grant Income		137,361	2,862
Construction & Maintenance		151,600	108,400
Income from Easements and other income		48,708	5,636
Activities for generating funds			
Rental Income		175,099	188,146
Interest Received		62,629	75,859
Total incoming resources		<u>575,397</u>	<u>380,903</u>
<u>Costs in furtherance of the charity's objects</u>			
Maintenance & repairs to structures:			
Inspections expenditure		58,284	44,676
Maintenance and repairs to structures		251,383	233,985
General Maintenance		25,743	24,543
Property Management		81,518	75,572
Legal costs		95,460	51,639
Insurance		22,274	21,644
		<u>534,662</u>	<u>452,059</u>
<u>Other Expenditure</u>			
Management & administration of the charity		9,478	7,606
Total resources expended		<u>544,140</u>	<u>459,665</u>
Net incoming/(outgoing) resources	2	<u>31,257</u>	<u>(78,762)</u>
Fund Balances at 1 April 2001		<u>1,336,375</u>	<u>1,415,137</u>
Fund Balances at 31 March 2002		<u>1,367,632</u>	<u>1,336,375</u>

The above statement of financial activities relates entirely to continuing operations of the Company.

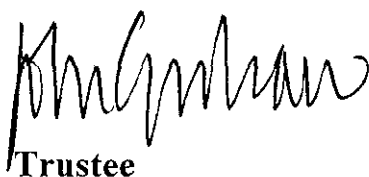
The Company has no recognised gains and losses other than those included above and therefore no separate statement of total recognised gains and losses has been presented.

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

Balance sheet at 31 March 2002

	Notes	2002 £	2001 £
Fixed Assets	6	247	493
Current Assets			
Debtors	7	85,442	102,070
Cash at bank and in hand		<u>1,450,186</u>	<u>1,482,382</u>
		1,535,628	1,584,452
Creditors: amounts falling due within one year	8	<u>(168,243)</u>	<u>(248,570)</u>
Net assets		<u>1,367,632</u>	<u>1,336,375</u>
Unrestricted funds		<u>1,367,632</u>	<u>1,336,375</u>

The financial statements on pages 7 to 13 were approved by the board of directors on 15 November 2002 and were signed on its behalf by:



Trustee

Notes to the financial statements for the year ended 31 March 2002

1 Principal Accounting Policies

The financial statements have been prepared in accordance with the Statement of Recommended Practice (S.O.R.P.), "Accounting and Reporting by Charities" published in October 2000 and applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

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

Cash flow statement

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

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 for their development as routes for walking and cycling. The Company does not contribute financially to their development.

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.

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. Where costs cannot be directly attributed to particular headings they have been allocated to activities on a basis consistent with use of resources.

Management and administrations costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements, including board costs of £3,268 which reflect the travel expenses for 6 trustees for attendance of three board meetings.

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 was 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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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..

Taxation

The Company is a non-profit making organisation and a registered charity with the Charity Commissioners. It is generally exempt from taxation under the Taxes Acts and there is no taxation charge for the year.

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.

Operating Leases

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

2 Net incoming resources

	2002 £	2001 £
Net incoming resources is stated after charging:		
Depreciation of tangible fixed assets	246	3,771
Auditors' remuneration	1,050	950
Operating lease rentals	2,302	2,302

Rental income of £175,099 (2001:£188,146) arises from the leases etc on a small number of properties owned by the Company.

Income from construction and maintenance of £151,600 (2001:£108,400) reflects the contribution of other bodies towards the maintenance and upgrade of structures owned by the Company.

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 3.

	2002 £	2001 £
Staff Costs:		
Salaries	65,913	60,157
Social Security Costs	6,226	5,736
Pension	<u>535</u>	<u>0</u>
	<u>72,674</u>	<u>65,893</u>

Under the Company's article of association, members of the Board are not permitted to receive remuneration from the Company.

No employee earns more than £50,000 pa.

5 Taxation

The Company is a registered charity and, as such, is not liable for corporation tax on any surpluses in the year.

6 Fixed assets

	Fixtures & Fittings
	£
Cost at 1 April 2001	11,315
Additions	<u>0</u>
As at 31 March 2002	<u>11,315</u>
Depreciation at 1 April 2001	10,822
Charge for the year	<u>246</u>
At 31 March 2002	<u>11,068</u>
Net book value	
At 31 March 2002	<u>247</u>
At 31 March 2001	<u>493</u>

In May 1998 the Company entered into an agreement with BRB to acquire a portfolio of land.

During the year the Company concluded the transfer of 149 parcels of land from BRB (Residuary) Ltd to the Company. These parcels of land are all disused railway lines and have many structures, bridges, viaducts etc on them. The transfer of the remaining 16 parcels of land will be concluded in the financial year 2002/03.

These transfers were all concluded at a nominal value recognising the longer term financial liabilities now the responsibility of the Company. 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 to hold the properties against potential future public transport use and this significantly suppresses any development of other value of these properties.

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

	2002	2001
	£	£
Prepayments	1,358	790
Accrued Income	38,413	63,038
Trade Debtors	45,671	37,391
Taxation	-	851
	<u>85,442</u>	<u>102,070</u>

8 Creditors: amounts falling due within one year

	2002	2001
	£	£
Trade Creditors	59,264	90,503
Accruals	85,970	149,417
Other Creditors including tax and social security	<u>23,009</u>	<u>8,650</u>
	<u>168,243</u>	<u>248,570</u>

9 Financial commitments

At 31 March 2002 the Company had annual commitments under non-cancellable operating leases as follows:

	Land & Buildings	
	2002	2001
	£	£
Expiring within two to five years	2,302	2,302