

Charity number: 800299
Company number: 1157099

South Devon Railway Trust
Trustees' report and financial statements
for the year ended 31 December 2004

South Devon Railway Trust

Legal and administrative information

Trustees	A L Taylor MCIPS AMIQA C J Stokes BA (Hons) FMAAT N Smith BSc (Hons) FSMC FBOA A R Cash M D Webb Bsc FRICS D Woodward BEng MSc CEng FICE FIStructE MIHT
Secretary	R J Elliott ACIB
Company number	1157099
Charity number	800299
Registered office & business address	The Station Buckfastleigh Devon TQ11 0DZ
Auditors	Spence Robert Pethick The Old Customs House Torwood Gardens Road Torquay Devon TQ1 1EG
Bankers	Lloyds TSB Bank PLC Fore Street Okehampton Devon EX20 1HJ
Solicitors	Woolcombe Beer Watts 73 Queen Street Exeter Devon EX4 3RX

South Devon Railway Trust

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South Devon Railway Trust
Trustees' reports
for the year ended 31 December 2004

The trustees present their report and the financial statements for the year ended 31 December 2004.

Principal activity and review of the business

The Trust is a limited liability company, is subject to the provisions of the Companies Act 1985 and is governed by its' memorandum and articles of association. The Trust, a registered charity, is managed by an unpaid Board of directors acting as Trustees and any surplus generated by its' activities is applied to charitable purposes. As such the principal activity of the Trust continues to be that of operating a heritage railway line. The object for which the Trust is established is to advance public education in the history and development of railway transportation systems in particular by the preservation, operation, and exhibiting of railway vehicles, systems and equipment and to foster and support heritage railway preservation. In pursuit of this object, the policy of the Trust is to run a train service between Buckfastleigh and Littlehempston Riverside whilst providing passengers with the opportunity to experience and learn about rail travel as it would have been. In doing so the Trust, wherever possible, follows the custom and practice of the Great Western Railway or British Railways (Western Region). There have been no material changes in the above policies since the last report. The principal activities of the group companies are set out in note 10

Trustees and their interests

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

	Ordinary shares		Promoters shares	
	2004	2003	2004	2003
A L Taylor MCIPS AMIQA	151	151		
C J Stokes BA (Hons) FMAAT	175	175	50	50
N Smith BSc (Hons) FSMC FBOA	200	200		
A R Cash	1	1		
M D Webb Bsc FRICS	1	1		
D Rogers OBE MSc FBIM FIBC	-	-		
Resigned 14 May 2004				
D Woodward BEng MSc CEng FICE FStructE MIHT	-	-		

The Trust is a registered charity and the memorandum and articles of association do not permit the directors to enjoy any remuneration from their office.

Charitable and Political Contributions

During the year the company received £63,634 from its' subsidiary South Devon Railway Plc by way of Gift aid being profits for the year 2003. A further £80,691 is receivable in respect of the year 2004.

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Investment powers

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

Taxation status

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

Organisation of the Trust

There are 8 full time and 4 part time employees (2 FTEs), including a general manager who are responsible for control of operational matters relating to the railway, including day to day administration, maintenance and co-ordination of a substantial volunteer work force. Further staff are employed within the group. Volunteers provide the majority of the effort relating to train crews, station and signalling staff, permanent way maintenance, restoration and conservation of locomotives and rolling stock. Volunteers also provide administrative support relating to fund raising, deeds of covenant, gift aid, sales management, marketing, financial administration and control.

Review of development

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

Review of financial position

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

Financial Management: Trust Policy

Our aims continued through 2004 to be focused on the long-term future of the railway and planning for that. Finances were directed accordingly.

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

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for the year ended 31 December 2004

Financial control

The Board as Trustees are all responsible for the affairs of the Trust and this includes the preparation of the financial statements and the reports thereon. The detail of the preparation is delegated to the Finance Director but the final accounts and the Board as a whole therein approves all statements. The final accounts are the audited record of our financial activity for the year but the process of financial management is cyclical. It starts in late autumn with a thorough review of activity on all budgets and an assessment of the prospects for the forthcoming year. A draft budget is compiled and presented to the Board for consideration. Decisions are taken over pricing and the budget is confirmed. Approximately 90% of budgeted operational turnover is required to run the railway. The balance is available with revenues from external hires to apply to the railway infrastructure.

The Board agrees the programme of works in accordance with its' general policy. Additionally moneys raised through donations are applied to the project for which they were contributed. The day-to-day management of the budget is essentially tactical and is largely delegated to the General Manager who is responsible for railway operations. A framework of procedures designed to provide proper financial controls is in place to ensure effective stewardship and these are kept under review. The accounting records are maintained under the direction of the Finance Director and subject to annual audit.

During the year the budget is monitored on an ongoing basis by the General Manager and the Finance Director working in concert. If necessary day-to-day priorities will be adjusted. Within the management framework the Finance Director reports to the Board, generally on an exception basis. Otherwise as funds are generated by operations they are released to designated projects. The timing of expenditure is matched with those periods when cash flow is expected to be positive. Although with railway operations extending from March until October and again at Christmas some works have to be programmed to take advantage of windows of opportunity. A balance is struck between progress and avoiding expensive borrowing.

Availability of assets to carry out the Trust's objects

All railway assets, other than those under or awaiting restoration, are readily available to fulfil the objects of the Trust. There are designated funds set aside in the balance sheet, to meet future expenditure on restoration projects, and these are represented by cash at bank which is readily available for such expenditure when needed.

Relationship with other charities and organisations

South Devon Railway Association and Dumbleton Hall Preservation Society are members groups for railway enthusiasts associated with the volunteer effort from which the Trust derives much support. These groups co-ordinate and provide volunteer labour, donations and the loan of engines, rolling stock and railway equipment. The Trust also, from time to time, co-operates with other similar railway organisations and charities, including the cross hire of engines and rolling stock in order to provide a greater variety of experience and to enable significant historic items to reach a wider audience. This is in furtherance of the Trust's objectives.

Risk Management

The Trust recognises the need to identify risk to its' business (both financial and non-financial) and control measures are implemented where necessary. Key areas of risk are safety, commercial and technical.

Formal safety risk assessments are carried out annually and kept under constant review. Along with the operating rulebook they are an essential part of the Railway Safety Case which is a legal requirement for operating the railway.

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Commercial risks are minimised by ensuring we have adequate procedures in place and business interruption cover is maintained against the possibility of an incident affecting our ability to run a public service. Appropriate insurance policies are maintained to provide cover in a number of other areas.

Technical risk is assessed through regular inspections of all our assets and the implementation of planned maintenance programmes; where necessary independent engineering advice is obtained.

Trustees' Responsibilities

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

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

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

Auditors

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

This report was approved by the Board on 11 March 2005 and signed on its' behalf by

R J Elliott ACIB

Secretary

South Devon Railway Trust

Trustees' reports

for the year ended 31 December 2004

Chairman's Report

I am pleased to be able to report another successful year for the South Devon Railway. It got off to a very good start when Warwick Contractors completed the rebuilding of Nursery Pool Bridge, undoubtedly the largest and highest risk project we have ever undertaken. As the track, ballast and decking were progressively removed from the old structure the full magnitude of the task became apparent but it was completed on time and within budget. As you know it was substantially funded by the Heritage Lottery Fund and the final design and installation of the hand railing was completed by our own workshop team.

As in previous years a full timetable of scheduled services and special events were offered to the visitors who came in increasing numbers. We also continued to run the vintage bus service from Buckfastleigh station to the Town and Buckfast Abbey. This provides "added value" to the fare-paying visitor, as it is included in the price of a train ticket. In effect it is heavily subsidised by the Trust with a small contribution from the town traders but we consider it is an important part of the overall experience we offer the visitor. We must not forget that we are a charity with the objective of providing the public with the opportunity to experience different forms of public transport in an interesting, enjoyable and educational manner. There are therefore some aspects of our operations which will always have to be subsidised by others and, unlike a wholly commercial operation, we do not have to be continually chasing profits in every activity.

That said, we have to make money to survive as heritage railways and their ancillary activities are notoriously expensive in maintenance. It is a tribute to everyone who is involved that this year the Trust is able to declare an increased surplus of £119,000 every penny of which has been ploughed back into the business. A large proportion of this surplus has come from SDR plc profits in the form of gift aid. The shop has, yet again, performed very well and the rent from Buckfast Butterfly and Otter Sanctuary has made a useful contribution. The café returns are also improving but this is another area where visitors have certain expectations and we have to be careful that we do not chase profit at the expense of providing the customer with what they want.

The heart of our business is what means the most to the majority of members, the railway itself. Generally operations have gone smoothly. The workshop team with its' mixture of paid staff and volunteers has kept a good supply of locomotives available and the C & W has turned out a steady stream of coaching stock. Elsewhere volunteers have ensured that the PW has been kept up to scratch, the signalling kept in good order, the stations kept smart and welcoming and the trains running to the timetable.

Less progress has been made with the transfer of the Transport and Works Act Order (Light Railway Order) but we now have volunteers with the requisite expertise dealing with the technical side of things. We have also not made as much progress with the Buckfastleigh redevelopment plans as we would have hoped. This is largely due to the fact that we want to make sure we get it right and the fact that it is going to cost a considerable sum of money to complete and sources of funds need to be identified. The board met two firms of architects during the year and are looking to appoint one of them early in 2005. In order to maintain standards and also meet environmental, health & safety requirements we have refurbished the existing toilets and agreed to resurface the station forecourt and main platform.

South Devon Railway Trust

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Our relationship with the Rare Breeds Centre at Littlehempston continued to develop and although we have no direct financial ties we do take advantage of joint publicity. The café at the Centre also provides a useful service to our visitors waiting between trains and overall we feel adds to the overall variety of the day out visitors can experience on the railway. It is impossible to predict how the visitor numbers or their spending patterns will develop through 2005 but we remain optimistic. One reason we are able to do so is because of the support of the veritable army of volunteers from several organisations but principally the South Devon Railway Association. Without you all the SDR would undoubtedly be much less successful, thank you all once again.

Alan Taylor

Chairman

South Devon Railway Trust

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for the year ended 31 December 2004

Finance Director's Report

Introduction

As usual this report is intended to provide members with a narrative that relates a selection of events on the railway to the figures that make up the statutory financial statements. It is intended where possible to be complementary to the Chairman's report.

It is pleasing to record that once again it was a successful year for the railway. We had a season that felt busy, the railway had a buzz to it and in some quarters a keen interest in how the finances were doing.

Non-railway turnover was markedly up and so was profitability in the Plc. Some of our endeavours fared better than others but overall we topped the £1 million in turnover. This is a tribute to the hard work of our staff be they paid or volunteer.

Acquisition of the freehold

The process of obtaining a Transport & Works Order (TWO) grinds on, whilst much time has been spent sorting out details there has been no real cost. There will be substantial costs in 2005 when the statutory fees become payable.

Debt management

As I reported last year there was significant outstanding debt. During the current year we have made inroads into that debt. Loan stock totalling £64,500 was repaid, or converted to Plc shares or donations. The remaining loans from individuals will fall out over the next two years. The scheduled payment to the SDRA was made as planned. The balance of the SDRA loan is being repaid over 5 years. The cash flow statement shows the overall debt has been reduced by over 17% which is a real achievement. Oil prices have their effects on world and domestic markets. Consequently national economic indicators continue to give mixed messages and there is continued uncertainty over interest rates. We rely on peoples' spending power and that is heavily influenced by these economic factors, interest rates and taxation. High profile companies are reporting the impact of these. We are recognising this by managing debt so that increases in rates and prices do not prejudice our achievements.

We were fortunate in being able to make our purchase at a time when interest rates were very low. Interest rates have since risen by 1% a small headline rate but an increase in borrowing costs of 18%. This is a significant but not unexpected extra annual cost and we are still within the budget parameters that we set. Naturally we'd prefer not to pay the bank lots of money, it's nearly as bad as paying a landlord!

With short-term debt reduced we have reviewed our patterns of income and of borrowing and are of the opinion that we are able to use our overdraft facilities more creatively and thereby reduce the costs of long-term borrowing. Consequently we have accelerated repayment of the bank debt, this substantially reduces the interest burden. We will take opportunities afforded by timing differences to chip away at the principal sum. During the year we paid off £63k of bank debt of which only £10k was scheduled. The balance has come from donations and revenue streams.

Budget management overview

Once again the Trust has produced a substantial surplus; the £119k revenue surplus has been swallowed up by capital expenditure and debt redemption.

South Devon Railway Trust

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for the year ended 31 December 2004

Our philosophy of cost control and balancing expenditure to income is again reflected in the strength of our figures. None-the-less as described we have started to tackle the jobs that need doing. The Plc has made a good contribution to the overall results and the resulting Gift Aid will help us fund our capital programme in 2005.

During the early part of 2004 we had to fund the Nursery Pool Bridge Project. We were able to manage cash flows so that exposure to overdraft was limited.

2004 Out-turn

The year started with a gang of volunteers and our staff stripping off the track from Nursery Pool Bridge ready for the arrival of Warwick Contractors to deal with the rebuild. There was considerable concurrent activity on the Permanent Way. Nursery Pool straight formed part of the bridge project as the whole length from Caddaford curve had to be re-laid and realigned. At the same time Caddaford straight was re-laid. The Midland Railway Centre tamper and ballast regulator visited and did us a sterling job in tamping and aligning both the new works and the relaying. The bridge was ready to take trains as scheduled and Warwick delivered on budget. Most of the related jobs were completed before Easter. Final sign-off by the lottery monitor was in the summer.

We gratefully received £183k from the Heritage Lottery Fund and as explained in the notes this is secured by a charge in part for 10 years. The bridge expenses of £203k were capitalised. The money spent on Permanent Way could not be capitalised so the full cost is borne by the revenue account. Including sleepers ex stock relaying, and keeping control of weeds and undergrowth in 2004 ran out at over £50k. The value of sleepers used in relaying totalled £15k. This reduces the stock values on the balance sheet.

On the premises front we spent out £31,582 on various maintenance works. The list is again lengthy but included gutting the Buckfastleigh toilets replacing the sanitary fittings replastering and repainting.

The 2005 pre-season period will see still further effort to renovate and smarten up appearances at Buckfastleigh generally. This includes work to resurface the forecourt and platform. The cost is likely to be about £25k. This was committed to before Christmas. The spear fencing has already been fabricated from a stock recovered from the "big railway" and will be installed by the contractors. This fence refurbishment was a mixture of internal work and outsourcing of shot blasting and galvanising. Materials and contract work came to about £4,000

Late in the year we appointed an Education Officer, this is a volunteer position and will help us to develop educational experiences for school parties. Some resources will be needed to make this work and we will experiment with our offering in 2005. This should in the medium term start to generate useful revenue streams but will also help us fulfil our educational objectives. Part of the strategy involves the museum being revamped. Some materials were sourced in 2004 to deal with the section of the wall that is in-filled with a mixture of wood and glass panels. This will be progressed once the weather improves. A contractor was started work on painting the inside of the roof in early January.

The costs of the vintage bus escalated due to increases in insurance and not all of the contributions of previous years have been forthcoming; net spending totalled £22k. We have therefore reviewed the operation and limited this for 2005. None-the-less the bus proves popular with visitors although there is no discernable pattern to the loadings. In December our own bus arrived in Devon, this has been sourced through the London Group of the SDRA and will be operated by Ron Greet who provides our heritage bus service.

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Once again the volunteer Santa team turned in excellent results. The revenue generated was £49k a new record. It is noticeable that the bookings are being made ever earlier with more seats sold in September and October; all seats were again sold by the first week-end in December. Latecomers were disappointed and a waiting list was operated for those wanting to take advantage of cancellations. Again careful seating arrangements enabled us to maximise but not overcrowd the available space.

The price we pay for many things is still edging upwards. The extra costs of insurance added about 25% to our costs - this after somewhere in the order of 25% the previous year. The events in the Middle East have affected oil prices and so has the Chinese economy, steel prices are up and the knock on effect has reached shipping costs so the price of imported coal is up. Coal is now costing about 12% more.

On the carriage front Mk1 Second Open no 4785 was completed and a total of £ 15,650 was spent; this is additional to the £16k spent in 2003. The vehicle is now in traffic in "blood and custard" livery. W276 the guards brake was also repainted in this livery and the "David & Charles" TSO no 4496 came in for an overhaul. This too has been finished in "blood and custard". Bodywork has been dealt with and attention given the upholstery. As this is a repair the spend is a revenue charge. Some work was done of the historic GW Dynamometer Coach W7 mainly painting and as this is an initial restoration £1k is capitalised. At the end of the year Auto coach 228 was being given a quick facelift with bodywork and upholstery receiving attention. Out shopping in "blood and custard" livery took place early in 2005. In total carriage & wagon projects and maintenance absorbed £25k.

In 2002 Cradley Heath Signal Box was purchased for reuse at Totnes using the GW fund. Whilst some work on the structure was met directly from the Trust's resources, the SDRA acted as paymaster for much of the work. This work of £11k has since been re-billed to the Trust and a member's donation (£15k) has financed this. The SDRA have contributed a further £10k to this project in 2005.

There was substantial volunteer input to the railway and the statistics are expected to show a further increase this year. The volunteer input continues to be vital.

I continue to be greatly assisted by volunteer officials, who maintain the records for their particular areas of work. Again this year I express my personal thanks to John Keohane for his work with the covenanted income. I also am extremely grateful to Mike Comben for his considerable assistance with ICT.

South Devon Railway Plc

The general strategy is to utilise working capital to generate profits that can be passed over to the Trust, which in turn can be used to improve the railway. The Plc also serves to shield the Trust from commercial risk. To achieve this the Plc has its' own business objectives, which broadly are to increase turnover and profit. The Plc made a contribution to the Trust of £64k in 2004 and is expected to contribute the £81k taxable profit from 2004 in 2005. Significant work went into the Plc in order to achieve these results.

Shop turnover is up by 11%. The model trade is a competitive business and this affects margins. However by increasing turnover without increasing fixed costs our profitability increased. We have expanded some of our ranges but have reached the limits of shelf capacity.

Our plan is to move into Internet trading, probably when broadband reaches the area in mid summer. Research is going into transactional websites and how to link to the EPOS and financial systems. There is potential for achieving efficiency in business to business (B2B) and business to consumers (B2C) transactions. This is hampered by the lack of suitable entry level integrated IT systems. There will some need to invest to save but there may be grants available to help us develop this

South Devon Railway Trust

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for the year ended 31 December 2004

It is expected that businesses will start to appreciate the cost benefits that B2B can deliver and this will provide impetus for firms to transact electronically and automate back office processes. By reducing data entry tasks currently a necessary evil, staff time can be released to profit making activities. The internet is proving increasingly popular and B2C now accounts for at least 1% of consumer sales; enough to make large high street firms notice.

Café turnover was up overall, and there was reasonable profitability. A significant part of the profit came in August and we re-jigged the menus in September. This moved us away from the chips with everything approach and embraced in part healthier options. Results in September and October suggest that the revised menus were more attractive and reasonable profits were generated.

The Shop on the Train continued to be a solid performer. Staffed by volunteers it made a £9k contribution to the surplus. The associated Sunday Cream Teas proved popular again. Likewise volunteer efforts in café, shop, and the kiosk helped the final figures.

Great Western Fund

In 2004 the fund helped defray the costs of obtaining GW super saloon no 9116 from the Dart Valley Railway. The purchase price was £28,000 and the fund contributed £20,000. This was the fund's largest single project and was what the fund is about. It used most of our rainy day money and whilst we will now start to rebuild balances this will not stop us putting money into opportunity purchases or restoration projects such as Collett brake no 1645. The fund presently has around 50 regular contributors and raises about £6500 each year.

Outlook

Robust financial control has been central to our success to date. Our turnover has increased more than fourfold since we took on the railway and although the list of things to be done remains long our ability to allocate money to projects is beginning to be slightly easier. Our decision to commit to getting 3803 back in traffic for 2006 was made with a degree of confidence that we could achieve the timescale and fund the £120k of outsourced work. As the notes show the project has resulted in contingent liabilities of £66k mainly in respect of the boiler.

Likewise we are committed to investing in our infrastructure so as to improve facilities and conserve our assets. From our priority list the under-bridge at 4miles 7 chains will be replaced and the track in Hampstead cutting will be relaid using almost the last of our stock of sleepers. Also in our plans are the replacement of various fuel tanks and attention to the car park and site roads and services.

These tasks will keep us well occupied through the year and it would be a mistake to equate the size of any revenue surplus with the availability of cash as all "surplus" cash is invested back into the railway. 2005 will doubtless present its' challenges but we are better placed to deal with them than previously.

C J Stokes

South Devon Railway Trust

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

We have audited the financial statements of South Devon Railway Trust for the year ended 31 December 2004 which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes. These financial statements have been prepared under the historical cost conventions modified by the revaluation of certain fixed assets and the accounting policies set out therein.

This report is made solely to the charity's Members, as a body, in accordance with Section 44 of the Charities Act 1993. Our audit work has been undertaken so that we might state to the charity's Members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the trustee trustees and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustees report is not consistent with the financial statements, if the 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 transactions with the charitable company is not disclosed.

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

Basis of audit opinion

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

South Devon Railway Trust

Opinion

In our opinion the financial statements give a true and fair view of the state of the charitable company's affairs as at 31 December 2004 and of its' gain and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Spence Robert Pethick
Chartered Accountants and
Registered Auditor
11 March 2005

The Old Customs House
Torwood Gardens Road
Torquay
Devon
TQ1 1EG

South Devon Railway Trust
Statement of Financial Activities
for the year ended 31 December 2004

Incoming resources before transfers and revaluations	Unrestricted Funds	Unrestricted Designated Income & Grants	Endowment Funds & Capital	Total Funds	31 December 2003
	£	£	£	£	£
Railway turnover	1,065,964			1,065,964	973,173
Donations	22,295			22,295	6,583
Covenants	4,497			4,497	2,052
Gift aid	6,726			6,726	51,907
Tax recovered	4,290			4,290	2,821
Insurance claims	-				
Sundry income	27,570			27,570	-
Bank deposit interest	2,867			2,867	649
Dividends received	-				
Share capital issued	14,770			14,770	120
	<u>1,118,696</u>	<u>15,513</u>	<u>14,770</u>	<u>1,148,979</u>	<u>1,037,30</u>
Incoming Total					
Less:					
Direct charitable expenditure					
Railway cost of sales	640,300			640,300	618,272
Administrative expenses Audit	6,296			6,296	5,480
Trustees Liability Insurance	908			908	-
Other operational costs	283,790			283,790	254,077
Bank interest	21,710			21,710	20,254
Loan stock interest	4,834			4,834	2,790
Grant amortised	-	-	-	-	-
Total Expenditure	<u>957,838</u>	<u>-</u>	<u>-</u>	<u>957,838</u>	<u>900,873</u>
Net incoming resources before revaluations and investment asset disposal	<u>160,858</u>	<u>15,513</u>	<u>14,770</u>	<u>191,141</u>	<u>136,432</u>
Total Funds Brought Forward	691,397	423,428	118,890	1,233,715	1,097,283
Net Movement in Funds	160,858	15,513	14,770	191,141	136,432
Total Funds Carried Forward	<u>852,255</u>	<u>438,941</u>	<u>133,660</u>	<u>1,424,856</u>	<u>1,233,715</u>

The notes on pages 23 to 34 form an integral part of these financial statements.

South Devon Railway Trust

Profit and loss account for the year ended 31 December 2004 Group

		Continuing operations	
		2004	2003
		£	£
	Notes		
Turnover	2	1,065,964	973,173
Cost of sales		(711,785)	(623,163)
Gross gain		<u>354,179</u>	<u>350,010</u>
Administrative expenses		(301,424)	(259,557)
Other operating income		94,393	68,254
Operating gain	6	<u>147,148</u>	<u>158,707</u>
Interest receivable and similar income	8	2,867	649
Interest payable and similar charges	9	<u>(26,544)</u>	<u>(23,044)</u>
Retained surplus for the year		<u>123,471</u>	<u>136,312</u>
Retained surplus brought forward		<u>691,396</u>	<u>555,084</u>
Retained surplus carried forward		<u>814,867</u>	<u>691,396</u>

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 23 to 34 form an integral part of these financial statements.

South Devon Railway Trust

**Profit and loss account
for the year ended 31 December 2004
Company**

		Continuing operations	
		2004	2003
		£	£
	Notes		
Turnover	2	651,668	604,634
Cost of sales		(390,477)	(327,968)
Gross gain		<u>261,191</u>	<u>276,666</u>
Administrative expenses		(264,786)	(165,222)
Other operating income		147,514	44,202
Operating gain	6	<u>143,919</u>	<u>155,646</u>
Interest receivable and similar income	8	1,708	271
Interest payable and similar charges	9	(26,544)	(23,044)
Retained surplus for the year		119,083	132,873
Retained surplus brought forward		<u>729,436</u>	<u>596,563</u>
Retained surplus carried forward		<u>848,519</u>	<u>729,436</u>

There are no recognised gains or losses other than the profit or loss for the above two financial years.

The notes on pages 23 to 34 form an integral part of these financial statements.

South Devon Railway Trust
Group Balance sheet as at 31 December 2004

		2004		2003	
	Notes	£	£	£	£
Fixed assets					
Intangible assets	13		7,060		7,060
Tangible assets	14		2,177,236		1,959,444
Investments	15		105,248		105,248
			<u>2,289,544</u>		<u>2,071,752</u>
Current assets					
Stocks	16	133,318		95,799	
Debtors	17	144,732		127,564	
Cash at bank and in hand		127,992		98,187	
		<u>406,042</u>		<u>321,550</u>	
Creditors: amounts falling due within one year	18	<u>(218,849)</u>		<u>(242,775)</u>	
Net current assets			<u>187,193</u>		<u>78,775</u>
Total assets less current liabilities			2,476,737		2,150,527
Creditors: amounts falling due after more than one year	19		(374,933)		(458,549)
Minority Interest SDR Plc			(446,250)		(431,600)
Provisions for liabilities and charges	20		(183,000)		-
Net assets			<u>1,472,554</u>		<u>1,260,378</u>

The notes on pages 23 to 34 form an integral part of these financial statements.

South Devon Railway Trust

Funds

Called up Share Capital	119,009	118,889
Revaluation Reserve	291,558	271,738
Profit and Loss Account (Unrestricted)	814,867	691,396
Capital Funded by Grants & Donations	220,785	102,850
Specific Purpose funds	21	75,505
	<u>1,472,554</u>	<u>1,260,378</u>

The financial statements were approved by the Board on 11 March 2005 and signed on its' behalf by

A L Taylor MCIPS AMIQA
Trustee

C J Stokes BA (Hons) FMAAT
Trustee

The notes on pages 23 to 34 form an integral part of these financial statements.

South Devon Railway Trust

Company Balance sheet as at 31 December 2004

	Notes	2004		2003	
		£	£	£	£
Fixed assets					
Intangible assets	13		7,060		7,060
Tangible assets	14		1,859,573		1,634,707
Investments	15		155,248		155,248
			<u>2,021,881</u>		<u>1,797,015</u>
Current assets					
Stocks	16	5,097		4,160	
Debtors	17	142,816		125,832	
Cash at bank and in hand		19,642		33,434	
		<u>167,555</u>		<u>163,426</u>	
Creditors: amounts falling due within one year	18	<u>(125,295)</u>		<u>(203,472)</u>	
Net current assets (liabilities)			<u>42,260</u>		<u>(40,046)</u>
Total assets less current liabilities			2,064,141		1,756,969
Creditors: amounts falling due after more than one year	19		(374,933)		(458,549)
Provisions for liabilities and charges	20		(183,000)		-
Net assets			<u>1,506,208</u>		<u>1,298,420</u>

The notes on pages 23 to 34 form an integral part of these financial statements.

South Devon Railway Trust

Funds

Called up Share Capital	119,009	118,889
Revaluation Reserve	291,558	271,738
Profit and Loss Account (Unrestricted)	848,519	729,438
Capital Funded by Grants & Donations	220,787	102,850
Specific Purpose funds	21	75,505
	<u>1,506,208</u>	<u>1,298,420</u>

The financial statements were approved by the Board on 11 March 2005 and signed on its' behalf by

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South Devon Railway Trust

Group cash flow statement for the year ended 31 December 2004

	Notes	2004	2003
		£	£
Reconciliation of operating gain to net cash inflow from operating activities			
Operating gain		147,148	222,341
Depreciation		78,665	116,360
(Increase) in stocks		(37,519)	(29,551)
(Increase) in debtors		(17,168)	(76,576)
(Increase) in creditors		34,998	25,843
Lottery grant released		183,000	-
Net cash inflow from operating activities		<u>389,124</u>	<u>258,417</u>
Cash flow statement			
Net cash inflow from operating activities		389,124	258,417
Returns on investments and servicing of finance	24	(23,677)	(86,029)
Capital expenditure	24	(274,556)	(60,296)
		<u>90,891</u>	<u>112,092</u>
Financing	24	(54,855)	(80,975)
Decrease in cash in the year		<u>36,036</u>	<u>31,117</u>
Reconciliation of net cash flow to movement in net funds			
Decrease in cash in the year		36,036	31,117
Cash outflow from increase repurchase of debenture loan	24	69,625	89,915
Change in net funds resulting from cash flows		<u>105,661</u>	<u>121,032</u>
Net debt at 1 January 2004		<u>(601,786)</u>	<u>(722,818)</u>
Net debt at 31 December 2004		<u>(496,125)</u>	<u>(601,786)</u>

South Devon Railway Trust

I. Accounting policies

I.1. Accounting convention

The financial statements are prepared under the historical cost convention modified to include the revaluation of certain fixed assets and follow the recommendations in 'Accounting and Reporting by Charities: Statement of Recommended Practice' issued in October 2000.

Except where the Trustees consider it inappropriate to do otherwise the company has consistently applied all relevant accounting standards. These exceptions are stated in the appropriate notes.

I.2. Basis of consolidation

The group financial statements consolidate the accounts of South Devon Railway Trust and its' subsidiary undertaking SDR Plc made up to 31 December each year; the group profit and loss account includes the results of all subsidiary undertakings for the period from the date of their acquisition and up to the date of disposal. The Consolidation excludes 5526 Ltd and this is explained under note 15. Turnover and profits arising on trading between group companies are excluded.

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

I.3. Incoming resources

Turnover represents the total invoice value of goods and services supplied by the Trust, excluding value added tax, of sales made during the year. Investment income and donations are not considered to be part of the turnover as they are not derived from trading.

Income from investments is included in the year in which it is receivable.

Legacies are included when the charity is advised by the personal representative of an estate that payment will be made or property transferred and the amount involved can be quantified.

I.4. Resources expended

Resources expended are recognised in the year in which they are incurred.

Management and administration costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

I.5. Tangible fixed assets and depreciation

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

Land and buildings	Not Depreciated
Leasehold properties	Not Depreciated
Leased & owned Locomotives	10 years from effective date of restoration
Structures	Over the estimated life of the Asset
Plant and equipment	Over 3 years
Leased Rolling Stock	10 years from commissioning date

Rolling stock is not generally depreciated as the continuing experience of the Trust is that, because of the policy of ongoing maintenance and restoration, coupled with the rarity of assets, the rolling stock is, at least, maintaining its' value. This is not in accordance with the FRS 15.

South Devon Railway Trust

In 2000, in accordance with FRS 15, the directors effected a revaluation of assets other than leasehold buildings. A revaluation at that time was considered appropriate even though such assets are unlikely to be disposed of, and any potential gains are unlikely to be realised.

During 2004 two surplus older Mark I coaches and a third vehicle, all of which were non core to the collection, were disposed of. The prices received support the directors' confidence in the accuracy of their valuations.

2. Turnover

The total turnover of the Group for the year has been derived from its' principal activity wholly undertaken in the UK.

	2004	2003
	£	£
Class of business		
Traffic Revenue & Retail	960,076	887,348
Other Income	105,888	85,825
	<u>1,065,964</u>	<u>973,173</u>

2.1. Investments

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

2.2. Stock

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

2.3. Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

The regular cost of providing retirement pensions and related benefits is charged to the profit and loss account over the employees' service lives on the basis of a constant percentage of earnings.

2.4. Deferred Taxation

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

South Devon Railway Trust

2.5. Donations, legacies and other voluntary income

Donations received by the Trust are, where specified, applied to the project of the donor's choosing. It is the Trust's policy wherever possible to respect donors wishes although in the case of designated funds this is a moral rather than a legal obligation. Unless specifically agreed with the donor to the contrary, donations confer no rights over the use of any asset or of any funds which may arise on its' eventual disposal. As such the funds derived from donations are only designated funds until spent on the project of the donors choice.

All such income, including related tax refunds, is credited to the revenue account on receipt. Where such income is for specific purposes a transfer is made to a restricted fund in the balance sheet in respect of funds not utilised in the year. When balances brought forward on the restricted fund are utilised, a transfer is made back to the revenue account

2.6. Direct charitable expenditure

The bulk of charity administration is carried out by volunteers and therefore other than audit fees and officers and directors insurance there are therefore no material costs to include in the financial statements

2.7. Reserves

Trust reserves are, principally, represented by fixed assets. These include the collection of historic vehicles and the railway itself. Without these physical artefacts the Trust would not be able to fulfil its' objectives. As stated elsewhere it is not the Trust's intention to dispose of these assets. Cash reserves, however are small and during certain times of year the Trust utilises overdraft facilities agreed with its' bankers. The Trust's medium term objective is to accumulate sufficient cash reserves to remove the need to have an overdraft. This will be progressive and not be fully achieved until short-term unsecured debt is repaid.

2.8. Payments

The Group policy is to pay undisputed invoices in line with arrangements agreed with suppliers.

	2004	2003
3. Gift Aid		
The profits of SDR Plc have been gift aided as follows		
Gift aid to SDR Trust	80,691	63,364
4. Share capital	2004	2003
Authorised equity	£	£
499,500 Ordinary shares of £1 each	499,500	499,500
500 Promoter shares of £1 each	500	500
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	500,000	500,000
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
Allotted, called up and fully paid equity		
118,522 Ordinary shares of £1 each	118,522	118402
487 Promoter shares of £1 each	487	487
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>
	119,009	118889
	<hr style="width: 100%;"/>	<hr style="width: 100%;"/>

During the year 120 Ordinary shares of £1.00 each were issued fully paid for cash at par.

South Devon Railway Trust

5. Group Operating gain

	2004	2003
	£	£
Operating gain is stated after charging:		
Depreciation and other amounts written off tangible assets	81,915	116,360
Auditors' remuneration	6,296	5,480
	<u> </u>	<u> </u>
and after crediting:		
Profit on disposal of tangible fixed assets	3,250	-
	<u> </u>	<u> </u>

6. Lease option

The Trust has within its' 199 year lease over the railway the option to purchase the freehold of the railway for £1. This option will be exercised on granting of a Transport and Works Order to the Trust.

7. Commitment

The Trust has a commitment to grant a long term lease to SDR Plc of various land and buildings. The grant to SDR Plc, which requires approval under s36 Charities Act 1993 will facilitate SDR Plc in carrying on business that is wholly supportive of the Trust's objectives.

The Trust is progressing arrangements for s36 approval.

8. Interest receivable and similar income

	2004	2003
	£	£
Bank interest	2,867	649
	<u> </u>	<u> </u>

9. Interest payable and similar charges

	2004	2003
	£	£
On bank loans and overdrafts	26,544	23,044
	<u> </u>	<u> </u>

10. Employees

Number of employees

	2004	2003
	Number	Number
The average monthly numbers of employees (Excluding the trustees) during the year were:		
Full time staff	8	8
Part time staff	4	4
	<u> </u>	<u> </u>
	12	12
	<u> </u>	<u> </u>

South Devon Railway Trust

Employment costs

	2004	2003
	£	£
Group		
Wages and salaries	231,989	136,330
Social security costs	17,387	15,787
Other pension costs	4,731	4,233
	254,107	156,350
	2004	2003
	£	£
Company		
Wages and salaries	162,432	70,685
Social security costs	13,304	11,831
Other pension costs	4,053	3,942
	179,789	86,458
	179,789	86,458

11. Trustees' emoluments

No emoluments were paid to the Trustees

12. Pension costs

The company operates a defined contribution pension scheme in respect of the staff. The scheme and its' assets are held by independent managers. The pension charge represents contributions due from the company and amounted to £4,731 (2003 - £4,233).

13. Intangible fixed assets

	TWO	Total
	£	£
At 1 January 2004	7,060	7,060
At 31 December 2004	7,060	7,060
	7,060	7,060
Net book values		
At 31 December 2004	7,060	7,060
At 31 December 2003	7,060	7,060
	7,060	7,060

This represents monies expended on the Light Railway order (TWO) to date.

South Devon Railway Trust

14. Tangible fixed assets

Group

	Land and buildings £	Long leasehold property £	Structures £	Rolling Stock £	Workshop Equipment £	Loco- motives £	Total £
Cost or valuation							
At 1 January 2004	352,938	790,721	194,209	266,609	51,778	826,324	2,482,579
Additions			195,500	55,795	450	34,061	285,806
Revaluation				21,900			21,900
Disposals				(8,000)			(8,000)
At 31 December 2004	<u>352,938</u>	<u>790,721</u>	<u>389,709</u>	<u>336,304</u>	<u>52,228</u>	<u>860,385</u>	<u>2,782,285</u>
Depreciation							
At 1 January 2004	35,058		99,732	21,151	32,639	334,555	523,135
Charge for the year	33,634		2,023	11,427	3,919	30,911	81,914
At 31 December 2004	<u>68,692</u>		<u>101,755</u>	<u>32,578</u>	<u>36,558</u>	<u>365,466</u>	<u>605,049</u>
Net book values							
At 31 December 2004	<u>284,246</u>	<u>790,721</u>	<u>287,954</u>	<u>303,726</u>	<u>15,670</u>	<u>494,919</u>	<u>2,177,236</u>
At 31 December 2003	<u>317,880</u>	<u>790,721</u>	<u>94,477</u>	<u>245,458</u>	<u>19,139</u>	<u>491,769</u>	<u>1,959,444</u>

South Devon Railway Trust

Company

	Land and buildings	Long leasehold property	Structures	Rolling Stock	Workshop Equipment	Loco- motives	Total
	£	£	£	£	£	£	£
Cost or valuation							
At 1 January 2004	352,938	482,500	194,209	228,942	51,778	826,324	2,136,691
Additions			195,500	52,439	450	34,061	282,450
Revaluation				21,900			21,900
Disposals				(8,000)			(8,000)
At 31 December 2004	<u>352,938</u>	<u>482,500</u>	<u>389,709</u>	<u>295,281</u>	<u>52,228</u>	<u>860,385</u>	<u>2,433,041</u>
Depreciation							
At 1 January 2004	35,058		99,732		32,639	334,555	501,984
Charge for the year	33,634		2,023	997	3,919	30,911	71,484
At 31 December 2004	<u>68,692</u>		<u>101,755</u>	<u>997</u>	<u>36,558</u>	<u>365,466</u>	<u>573,468</u>
Net book values							
At 31 December 2004	<u>284,246</u>	<u>482,500</u>	<u>287,954</u>	<u>294,284</u>	<u>15,670</u>	<u>494,919</u>	<u>1,859,573</u>
At 31 December 2003	<u>317,880</u>	<u>482,500</u>	<u>94,477</u>	<u>228,942</u>	<u>19,139</u>	<u>491,769</u>	<u>1,634,707</u>

South Devon Railway Trust

15. Fixed asset investments	Subsidiary undertakings	Other unlisted	Total
Company	shares	investments	£
	£	£	£
Cost			
At 1 January 2004	155,200	48	155,248
At 1 January 2004			
At 31 December 2004	155,200	48	155,248
	<u> </u>	<u> </u>	<u> </u>
Net book values			
At 31 December 2004	155,200	48	155,248
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2003	155,200	48	155,248
	<u> </u>	<u> </u>	<u> </u>

Fixed asset investments	Subsidiary undertakings	Other unlisted	Total
Group	shares	investments	£
	£	£	£
Cost			
At 1 January 2004	-	48	48
Additions	-	-	-
Disposals	-	-	-
Revaluations	-	-	-
	<u> </u>	<u> </u>	<u> </u>
At 1 January 2004			
At 31 December 2004	-	48	48
	<u> </u>	<u> </u>	<u> </u>
Net book values			
At 31 December 2004	-	48	48
	<u> </u>	<u> </u>	<u> </u>
At 31 December 2003	-	48	48
	<u> </u>	<u> </u>	<u> </u>

The Trust has two subsidiary companies. SDR Plc which was created to operate commercial activities complementary to the railway. The Trust controls SDR Plc through its' 100% holding of class A shares (50,000 @ £1.00 issued at par). The minority interests hold 100% of the ordinary shares. It is recorded in the prospectus when the minority shareholders subscribed for their shares that the profits of the Plc would be transferred to the Trust. It is therefore considered that SDRT hold the benefits of all the assets of the Plc. The Trust's holding of £105,200 is 62.5% of the share capital of 5526 Limited, a company registered in England. The aim of the company is to restore its' principal asset, locomotive no.5526, to full working order. This is entirely consistent with the charitable aims of the Trust. The shareholding is a reflection of partial ownership of the asset rather than an investment in the stock market. Locomotive 5526 is now in traffic and the Trust will have

South Devon Railway Trust

the exclusive use of the locomotive and all related income and expenditure will be reflected in the Trust's financial statements. 5526 Ltd is not included within the group accounts as, in the opinion of the Board, the expense involved would be out of proportion to the value to members, and access to the accounts is available on request

15.1. Holdings of 20% or more

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

Company	Country of registration or incorporation	Nature of business	Class of Shares held	Proportion of shares held %
South Devon Railway Plc	England	Commercial activities of SDR Trust	} Class A Ordinary	100.0
5526 Ltd	England	Locomotive Owner		Ordinary

16. Stocks - Group

	2004	2003
	£	£
Finished goods and goods for resale	128,221	91,639
Raw materials and consumables	5,097	4,160
	<u>133,318</u>	<u>95,799</u>
Stocks - Company	£	£
Raw materials and consumables	5,097	4,160
	<u>5,097</u>	<u>4,160</u>

17. Debtors Group

	2004	2003
	£	£
Trade debtors	32,117	22,647
Other debtors	109,929	101,537
Prepayments and accrued income	2,686	3,380
	<u>144,732</u>	<u>127,564</u>
Company	£	£
Trade debtors	31,365	21,152
Other debtors	108,765	101,300
Prepayments and accrued income	2,686	3,380
	<u>142,816</u>	<u>125,832</u>

South Devon Railway Trust

18. Creditors: amounts falling due within one year

	2004	2003
Group	£	£
Loan stock	21,500	69,625
Bank loan one year element	11,870	11,870
Trade creditors	39,607	36,216
Corporation tax	366	850
Other taxes and social security costs	12,861	6,003
Other creditors	112,930	37,161
Accruals and deferred income	19,715	81,050
	218,849	242,775
Company	£	£
Bank overdraft	4,206	-
Loan stock	21,500	69,625
Bank loan one year element	11,870	11,870
Trade creditors	25,760	24,888
Amounts owed to group undertaking	8,284	37,839
Corporation tax	366	850
Other taxes and social security costs	5,675	6,003
Other creditors	32,239	37,161
Accruals and deferred income	15,395	15,236
	125,295	203,472

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19. Creditors: amounts falling due after more than one year

	2004	2003
	£	£
Loan stock	87,000	108,500
Bank loan	287,933	350,049
	<u>374,933</u>	<u>458,549</u>
Loans		
Repayable in one year or less, or on demand (Note 18)	33,370	79,160
Repayable between one and two years	98,870	11,870
Repayable between two and five years	51,813	151,196
Repayable in five years or more	224,250	295,483
	<u>408,303</u>	<u>537,709</u>
Repayable in five years or more:		
Bank loan	224,250	295,483
	<u>224,250</u>	<u>295,483</u>

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

20 Provisions for liabilities and charges

	Other provisions	Total
	£	£
Provision – HLF Grant	183,000	183,000
	<u>183,000</u>	<u>183,000</u>

21. Specific Purpose Funds

	2004	2003
	£	£
	26,335	75,505

The fund balances represent money donated with a preference that they be applied to specific projects (see note 2.5) and these will be applied as expenditure is incurred. The balance represents the Great Western Development Fund, the 3803 return to steam appeal, and sundry other funds.

South Devon Railway Trust

22. Contingent liabilities

Nursery Pool Bridge

In early 2004 Nursery Pool bridge was rebuilt at a cost of £209,479. This expense is being written down over 10 years. The project was in part funded by a grant of £183,000 from the Heritage Lottery Fund (HLF). The Trust has entered into a contract with HLF and has granted a charge in part in respect of the HLF interest in the bridge. The terms of the contact require the grant to be refunded in full should the bridge be disposed of within 10 years. The directors regard the possibility of this being required and the liability crystallising as remote and have accordingly determined that the grant should in accordance with FRS 15 be amortised over the life of the charge. This is felt to provide a better view of Trust's position than carrying the full potential liability for a 10 year period.

23. Indemnity insurance

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

24. Gross cash flows

	2004	2003
	£	£
Returns on investments and servicing of finance		
Interest received	2,867	649
Interest paid	(26,544)	(23,044)
	(23,677)	(22,395)
	(23,677)	(22,395)
Capital expenditure		
Payments to acquire intangible assets	-	(2,054)
Payments to acquire tangible assets	(285,806)	(62,050)
Receipts from sales of tangible assets	11,250	1,754
	(274,556)	(62,350)
	(274,556)	(62,350)
Financing		
Issue of ordinary share capital	14,770	8,940
Repurchase of debenture loan	(69,625)	(89,915)
	(54,855)	(80,975)
	(54,855)	(80,975)

25. Capital commitments

The Trust has a future commitment to the restoration of locomotive 3803 in respect of boiler works and other items in the sum of £66,000 which has been contracted for.