
MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY



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

**FINANCIAL STATEMENTS
FOR YEAR ENDED 31 JANUARY 2011**

COMPANY INFORMATION

Directors (Council Members)

D Harris (Chairman)
S Ashling
A M Barrs
A E Dewey
A Galpin
G J Gowing
D Greeno
H Harkett
I A C Lake
N A Scarlett
N Sharpe

Secretary

A E Dewey

Registered Office

Sheringham Station
Sheringham
Norfolk
NR26 8RA

Registered Number

03355411

Registered Charity Number

1063676/0

Working Names

M&GN Society
M&GNJRS

Independent Examiner

Frederick Anderson
Anderson & Co
Sumpter House
8 Station Road
Histon, Cambridge
CB24 9LQ

Bankers

Lloyds TSB Bank plc
1 West Street
Cromer, Norfolk
NR27 9HZ

Barclays Bank plc
P O Box 1
Banbury, Oxon
OX16 8PS

CCLA Investment Management Ltd
80 Cheapside
London
EC2V 6DZ

REPORT OF THE COUNCIL OF MANAGEMENT

The Council members, who are also directors of the charitable company for the purposes of the Companies Act, have pleasure in presenting their report and the financial statements for the year ended 31 January 2011. They have adopted the provisions of the Statement of Recommended Practice (SORP) 'Accounting and Reporting by Charities' issued in March 2005 in preparing the annual report and financial statements of the charity.

Structure, Governance and Management

Governing Document and Constitution

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

Recruitment and Appointment of New Council members

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

Induction and Training of New Council members

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

Organisational Structure and Decision Making

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

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

Relationships with related parties

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

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

REPORT OF THE COUNCIL OF MANAGEMENT – Continued

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

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

Major Risks

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

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

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

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

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

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

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

Objectives and Activities

Objects

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

REPORT OF THE COUNCIL OF MANAGEMENT – Continued

Aims

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

Public Benefit

In the exercise of its powers in relation to the above objects and aims, Council has paid due regard to the published guidance from the Charity Commission on the operation of the Public Benefit requirements under the Charities Act 2006.

Main Objectives for the Year

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

- to advance public education by the restoration, preservation and exhibition of railway locomotives, carriages, rolling stock, equipment, artefacts, documents and records utilising the facilities of the NNR which enable these to be achieved;
- scheduled running of locomotives, carriages and rolling stock for public access, mainly on the NNR but occasionally at other locations;
- where possible to contract restoration and maintenance works to the NNR’s engineering facilities at Weybourne but to use outside specialist contractors where considered appropriate;
- operating the ‘The William Marriott Museum’ at Holt, thereby enlarging the display of artefacts, documents and records; and
- increasing the number of Society own lines in publications of an historical and educational nature.

Strategies for Achieving Objectives

The Society continues to support specific projects undertaken by the NNR which, in Council’s opinion, are in line with the Society’s charitable activities. As part of the strategic alliance between the two organisations and to strengthen the partnership and Board representation, the Society has invested in NNR shares. During the year no shares were purchased but 300 shares were gifted to the Society.

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

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

Over time, the investment has aided the provision of a permanent home for the Society’s other equipment, artefacts, documents and records, enabling more of these to be publicly exhibited than had previously been possible due to the lack of adequate display facilities. Thus, the investment continues to be particularly relevant to the Society in meeting its charitable aims and members should be aware that, because of the not for profit constitution of the NNR, there will not be any dividend or distribution return relevant to this method of investment. Council also plans to develop its new grants policy by awarding grants for suitable small heritage projects undertaken by the NNR or by volunteers where they are appropriate to the Society’s objectives.

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

REPORT OF THE COUNCIL OF MANAGEMENT – Continued

Significant Activities Contributing to Achievement of the Stated Objectives

The most significant activities contributing to achievement of objectives are:

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

Volunteers

The Society relies entirely on volunteers to achieve its aims and objectives and has no paid staff, although until 31 January 2011 the Museum Curator role carried a monthly allowance for time spent and expenses incurred to reflect the registration and administration duties. Volunteers are involved with restoration and maintenance projects, running the Society's Museum, sales and fund-raising, marketing, finance, governance and administration. Volunteers of the Society are members but there are many others who are also volunteers for the NNR.

Achievements and Performance

Review of Charitable Activities in the Year

Restoration – Work continued on restoration of M&GN brake van no. 12, M&GN Coach no. 3 and the final touches to the Wisbech Coach. Both No. 12 and Wisbech Coach have seen operation on the NNR on special occasions late last year.

Operation – The 'J15' steam locomotive again performed reliably The 'B12' boiler and tender overhauls were completed late last year but completion of the chassis overhaul and complete reassembly are continuing. Steady progress has again been made on steam locomotive 'Wissington' with hoped-for completion this late summer. The Class '31' diesel saw only limited operation again. 'Gresley Buffet' still awaits a tidy up and roof repaint. 'Quad Art', 'Pigeon Van' and M&GN no. 129 operated occasionally.

Museum – 'The William Marriott Museum' had a successful year of openings and attracted just over 6,000 visitors. With some small grant funding, additional facilities have been provided in the building and one of the restored heritage vehicles has again provided an extra display alongside under the 'lean-to'.

Other education – 'Joint Line' continues to produce a quality quarterly journal for members and the public. An extension of educational publishing was the production of 'M&GN in Colour Vol. I' in February 2009, followed by Vol. II in February 2010 and Vol. III in February 2011. Other publications have been a book on the history of 'Wissington' and a republished booklet from early 20th Century about 'The Eastern & Midland Railway'.

Fundraising Activities

Income from regular donations and contributions to special interest clubs continue to provide valuable funds for restoration and maintenance. The ongoing restoration of 'Wissington' was recognised by a monetary award from The Transport Trust.

Factors Outside the Society's Control in Achieving Objectives

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

REPORT OF THE COUNCIL OF MANAGEMENT – Continued

Financial Review

Reserves Policy

Council is aware of the need to maintain sufficient unrestricted free reserves to meet ongoing direct and administrative expenditure for a minimum period of at least 12 months. At 31 January 2011 the balance on General Fund is £187,911, of which approximately £178,000 is represented by free reserves. The annual costs of publishing the four issues of 'Joint Line' and of educational, other general promotion, asset insurance and governance costs are about £40,000 and Council considers its minimum free reserves policy is being achieved.

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

Funding Sources and Expenditure

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

Total incoming resources amounted to £177,430 (2010 £167,395) which, after total expenditure of £212,309 (2010 £225,181) resulted in a deficit before transfers and investments of £34,879 (2010 £57,786). At the end of the period, the Society had net assets of £1,431,151 (2010 £1,466,030).

There was no major external grant funding this year. Steaming fees from the operational locomotives was the main source of income but reduced due to withdrawal of the 'WD' on failing its boiler exam. Members' subscriptions was the next significant source followed by donations and associated gift aid tax reclaims.

Direct charitable expenditure amounted to just over £181,000, comprising education, restoration, maintenance, museum running costs and asset insurance. The ongoing 'B12' overhaul cost £87,000 this year, 'Wissington' restoration costs were £11,972 and carriage and wagon restoration costs were £9,850. Grants for heritage projects were £7,728. Other expenditure amounted to just under £31,000 on generating funds and governance costs. Details of changes in fixed assets, including investments, are shown in notes 6 and 7.

Investment Policy

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

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

Social, Environmental and Ethical Considerations

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

Plans for Future Periods

The principal aims and objectives of the Society will remain the same. Progress with the 'B12' overhaul has again been much slower than planned due to additional work found necessary but Council is aiming for completion by late summer 2011. Subject to funding, 'Wissington' may be back in steam about the same time. An urgent priority is to secure funding for locomotive boiler overhauls, firstly for the 'J15' in 2011/12 followed by the 'WD' which is already 'out of traffic'. Council will be focussing on future strategies and policies to enable the Society to continue restoration, maintenance and operation of its heritage assets. It will look to extend the Society's charitable activities by means of educational publishing and provision of grant funding to external small projects that fall within its objectives.

MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

REPORT OF THE COUNCIL OF MANAGEMENT – Continued

Statement of Council Responsibilities

The Council (who also act as directors of Midland and Great Northern Joint Railway Society for the purposes of company law) is responsible for preparing the Council's Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company and charity law requires the Council to prepare financial statements for each financial year. Under that law Council has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the Council are required to:

- select suitable accounting policies and apply them consistently;
- observe the methods and principles in the Charities SORP;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The Council is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable it to ensure that the financial statements comply with the Companies Act 2006. It is also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Council of Management (Directors)

The directors who served on the Council of Management during the year to 31 January 2011 were:

D Harris	Chairman	D Greeno	(co-opted 20 March 2010)
S Ashling		H Harkett	
A M Barrs		I A C Lake	
A E Dewey	Treasurer	N A Scarlett	
A Galpin		N Sharpe	Vice Chairman
G J Gowing	(co-opted 20 March 2010)		

D Harris has indicated his intention to relinquish the Chairmanship and retire from Council at the Annual General Meeting. Council has voted G J Gowing to succeed as Chairman.

Pursuant to Articles 36 and 38, one-third of the remaining directors, being A M Barrs, I Lake and N A Scarlett offer themselves for re-election at the forthcoming Annual General Meeting.

As at 31 January 2011 D Harris, A E Dewey and A Galpin were the three Society representatives on the NNR Board.

REPORT OF THE COUNCIL OF MANAGEMENT – Continued

Auditor

Anderson & Co were reappointed Auditor at the 2010 Annual General Meeting but the Society's Council has elected to dispense with an audit for these financial statements. Council has requested Anderson & Co to carry out an independent examination in place of an audit.

Exemption Statement

This report has been prepared in accordance with the provisions of the Companies Act 2006 applicable to smaller companies subject to the small companies regime.

D Harris – Chairman
14 May 2011

MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

**STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)
FOR THE YEAR ENDED 31 JANUARY 2011**

	Note	Unrestricted funds £	Restricted funds £	Endowment fund £	2011 £	2010 £
INCOMING RESOURCES						
Incoming resources from						
Generated funds						
<i>Voluntary income</i>						
Members' subscriptions		32,146	-	-	32,146	28,597
Donations, gifts and bequests		11,051	58,968	-	70,019	50,057
<i>Activities for generating funds:</i>						
Support Clubs		-	13,058	-	13,058	13,708
Shop and Joint Line sales		7,603	1,401	-	9,004	10,789
Bank and other interest		1,439	511	-	1,950	4,604
Income from generated funds		<u>52,239</u>	<u>73,938</u>	<u>-</u>	<u>126,177</u>	<u>107,755</u>
Incoming resources from						
Charitable activities:						
Locomotive steaming fees		31,820	3,600	-	35,420	43,125
Grants	3	-	2,606	-	2,606	1,687
Museum entry fees		5,113	-	-	5,113	7,150
Educational publishing and tours		7,114	-	-	7,114	7,678
Other income		1,000	-	-	1,000	-
Total Incoming Resources		<u>97,286</u>	<u>80,144</u>	<u>-</u>	<u>177,430</u>	<u>167,395</u>
RESOURCES EXPENDED						
Costs of generating funds:						
Costs of generating voluntary income	4	18,556	5,552	-	24,108	22,427
Fundraising trading:						
Cost of goods sold	4	2,874	387	-	3,261	5,282
<i>Costs of generating funds</i>		<u>21,430</u>	<u>5,939</u>	<u>-</u>	<u>27,369</u>	<u>27,709</u>
Charitable activities	4	61,771	119,595	-	181,366	193,355
Governance costs	4	3,574	-	-	3,574	4,117
Total Resources Expended	4	<u>86,775</u>	<u>125,534</u>	<u>-</u>	<u>212,309</u>	<u>225,181</u>
Net incoming (outgoing) resources before transfers						
	5	10,511	(45,390)	-	(34,879)	(57,786)
Transfers between funds	14	(4,600)	4,300	300	-	-
Net Movement in Funds		<u>5,911</u>	<u>(41,090)</u>	<u>300</u>	<u>(34,879)</u>	<u>(57,786)</u>
Funds brought forward		634,846	542,617	288,567	1,466,030	1,523,816
Funds carried forward		<u>640,757</u>	<u>501,527</u>	<u>288,867</u>	<u>1,431,151</u>	<u>1,466,030</u>

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

MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY
Company Limited by Guarantee Registered Number 03355411

BALANCE SHEET AS AT 31 JANUARY 2011

	<i>Notes</i>	<i>2011</i>	<i>2010</i>
		<i>£</i>	<i>£</i>
Fixed Assets			
Heritage assets		230,941	260,941
Other fixed assets	6	476,479	486,303
Investments	7	253,046	252,746
		<u>960,466</u>	<u>999,990</u>
Current Assets			
Stock		7,736	6,466
Debtors	9	9,377	18,625
Cash at bank and in hand		459,381	446,385
		<u>476,494</u>	<u>471,476</u>
Creditors: Amounts falling due within one year	10	5,809	5,436
Net Current Assets		<u>470,685</u>	<u>466,040</u>
Total Assets less Current Liabilities being Net Assets		<u><u>1,431,151</u></u>	<u><u>1,466,030</u></u>
 Funds of the charity			
Endowment fund	14	288,867	288,567
Restricted funds	11	501,527	542,617
General funds: designated	12	452,846	469,702
unrestricted	13	187,911	165,144
Total Funds		<u><u>1,431,151</u></u>	<u><u>1,466,030</u></u>

These financial statements have been prepared in accordance with the provisions of the Companies Act 2006 applicable to smaller companies subject to the small companies regime and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

Approved by the Council of Management on 14 May 2011 and signed on its behalf by:

D Harris – Chairman

A E Dewey - Treasurer

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011

1. Accounting policies

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008), the Companies Act 2006 and follow the recommendations in 'Accounting and Reporting by Charities': Statement of Recommended Practice issued March 2005. The principle accounting policies adopted are as follows:

Incoming Resources

Subscriptions, donations etc., income from support clubs, shop and other sales, commission and museum entry fees are included at the point of receipt. Locomotive steaming and rolling stock hire fees represent fees earned during the period exclusive of VAT. Grants are included at the point of receipt or are accrued for if awarded by the end of the period. Gift Aid tax reclaimed is included if received during the period and also if claims have been lodged but settled after the end of the period. Interest represents income received from bank and COIF deposits and the latter is allocated to funds maintaining positive average balances of at least £10,000 throughout the period. Educational publishing and tour income are included at the point of invoicing.

Resources Expended

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

Tangible Fixed Assets and Depreciation

Donated items are included at no value or cost associated with acquisition. Restoration costs of heritage assets are not capitalised as the expense is intended to restore the items to original condition and not enhance or alter them. Depreciation is only charged on these historic artefacts and items where the carrying value is considered to be greater than the residual value. For operational heritage assets, depreciation is provided at the rate of 10% straight line. Other items are depreciated on a straight line basis as follows: storage facilities 10%, office equipment 33⅓%, museum fittings and equipment 10% and carriage sheds 2%.

Museum lease

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

Intangible Income

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

Fund Accounting

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

Stock

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011
continued

2. Status

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

3. Grants Received

	2011	2010
	£	£
Transport Trust – Wissington	1,500	-
Transport Trust – M&GN No. 12	-	500
Norfolk County Council – Museum	1,106	1,187
	2,606	1,687

4. Total Resources Expended

		Voluntary Income	Generating Funds	Preservation and Restoration	Locomotive Operating	Museum And Other Display	Governance	2011 Total	2010 Total
	Basis of Allocation	£	£	£	£	£	£	£	£
Journal publishing costs	Direct	15,446	-	-	-	-	-	15,446	14,184
Support club prizes	Direct	-	3,967	-	-	-	-	3,967	4,066
Promotional	Direct	603	669	-	-	-	-	1,272	685
Printing	Direct	157	-	-	-	-	341	498	582
Postage	Direct	1,128	91	-	-	-	-	1,219	1,483
Stationery/office supplies	Direct	462	410	-	-	-	-	872	754
Professional fees	Direct	60	-	-	-	-	30	90	760
Bank charges	Direct	700	-	-	-	-	-	700	578
Sundries	Direct	415	-	-	-	150	-	565	974
Goods for resale	Direct	-	3,261	-	-	-	-	3,261	5,282
Educational	Direct	-	-	-	-	3,698	-	3,698	5,890
Museum Curator	Direct	-	-	-	-	2,400	-	2,400	2,400
Maintenance	Direct	-	-	-	95,789	1,407	-	97,196	113,221
Restoration	Direct	-	-	22,879	-	-	-	22,879	22,972
Grants	Direct	-	-	1,928	-	5,800	-	7,728	380
Subscriptions	Direct	-	-	-	-	42	-	42	30
Insurance	Values	-	-	1,504	2,508	1,003	-	5,015	5,183
Depreciation	Direct	-	-	7,868	30,000	4,162	-	42,030	42,361
Website maintenance	Direct	-	-	-	-	228	-	228	228
Examination/Audit	Direct	-	-	-	-	-	1,750	1,750	1,900
Trustee indemnity insurance	Direct	-	-	-	-	-	787	787	726
Council meetings	Direct	-	-	-	-	-	666	666	542
		18,971	8,398	34,179	128,297	18,890	3,574	212,309	225,181

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011
continued

5. Net incoming (outgoing) resources before transfers

This is stated after charging:

	2011	2010
	£	£
Depreciation	42,030	42,361
Indemnity insurance for Council Members*	90	90
Expenses reimbursed to Council Members	1,485	2,976
Auditors' remuneration	-	1,900
Independent Examiner's remuneration	1,750	-

* The amount for 2011 was a proportion of the directors, officers and trustees liability premium which totalled £788 (2010 £460 which included professional indemnity cover).

6. Tangible Fixed Assets

	Heritage Assets	Carriage Sheds	Museum Building	Museum Fittings	Storage Facility	Other Equip.	Total
	£	£	£	£	£	£	£
Cost beginning of year	380,941	393,362	105,031	18,712	6,600	3,642	908,288
Additions in year	-	-	-	179	-	2,027	2,206
Less: Disposals at cost	-	-	-	-	-	-	-
Cost end of year	<u>380,941</u>	<u>393,362</u>	<u>105,031</u>	<u>18,891</u>	<u>6,600</u>	<u>5,669</u>	<u>910,494</u>
Depreciation start of year	<u>120,000</u>	<u>15,736</u>	<u>8,093</u>	<u>6,975</u>	<u>6,599</u>	<u>3,641</u>	<u>161,044</u>
Charge for the year	30,000	7,868	2,175	1,879	-	108	42,030
Depreciation end of year	<u>150,000</u>	<u>23,604</u>	<u>10,268</u>	<u>8,854</u>	<u>6,599</u>	<u>3,749</u>	<u>203,074</u>
Net book value end of year	<u>230,941</u>	<u>369,758</u>	<u>94,763</u>	<u>10,037</u>	<u>1</u>	<u>1,920</u>	<u>707,420</u>
Net book value start of year	<u>260,941</u>	<u>377,626</u>	<u>96,938</u>	<u>11,737</u>	<u>1</u>	<u>1</u>	<u>747,244</u>

Heritage assets (and their cost/net book value) comprise historical locomotives (£364,555/£214,555), carriages and wagons (£15,442/£15,442) and artefacts/collections (£945/£945) held for preservation and educational purposes. Locomotives and some carriages and wagons are included at cost of acquisition; no value is included for donated items as this is usually not available. The ages range from about 50 to 130 years. Locomotives and some other rolling stock is operational subject to completion of restoration or overhaul; the remainder is for static or museum display.

7. Investments

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

At 31 January 2010 the total number of shares purchased was 214,090 and the total shareholding 251,746. During the year the Society was gifted 300 shares. At 31 January 2011 the total number of shares purchased was 214,090 and the total shareholding including gifted shares was 252,046. The Society is the largest single shareholder owning 35.7% (2010 35.7%) of the issued share capital.

MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2010
continued

Subsidiary Undertaking

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

8. Related Parties

During the year there were sales to NNR amounting to £44,871 (2010 £54,827) and purchases of £18,626 (2010 £40,793) excluding shares. Amounts owed to the Society by NNR amounted to £1,000 (2010 £nil). Amounts owed by the Society to the NNR were £2,520 (2010 £nil). The figures exclude VAT; the net amount owed by the Society including VAT is £1,786 (2010 £nil). The Society commissioned construction of a pair of M&GN-style gates at a cost of £5,800 and donated them to the NNR'S level crossing by way of a grant.

There are leases in place between the NNR and the Society in respect to its Museum Building and Carriage Sheds with provision for peppercorn ground rents payable by the Society to the NNR.

The amounts represented by the Society's 35.7% (2010 35.7%) proportion of the Share Capital and profits/(losses) of the NNR are:

	<i>2011</i>		<i>2010</i>	
	£	%	£	%
Share Capital	252,046	35.6	251,746	35.7
Profit and loss account (loss)	(15,897)	35.6	(70,755)	35.7
Net profit for the year	54,660	35.6	66,870	35.7

The above figures are disclosed in accordance with the requirements of Companies Act 2006. It should be noted that even if there is a share of profits, the not for profit constitution of the NNR precludes payment of any dividend or distribution on the Society's investment. The benefits that have derived from the investment are stated throughout the Report of the Council of Management. These include access to covered accommodation and engineering facilities for restoration and storage, a secure and appropriate base for the Society's assets and a venue to exhibit them to the public either operationally or static in accordance with the charitable objectives.

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

9. Debtors

	<i>2011</i>	<i>2010</i>
	£	£
Trade Debtors	1,003	83
Other Debtors	6,456	12,427
Prepayments	1,918	6,115
	9,377	18,625

10. Creditors

	<i>2011</i>	<i>2010</i>
	£	£
Trade Creditors	3,107	1,769
Accruals and income received in advance	1,900	2,865
Amount due to subsidiary	802	802
	5,809	5,436

MIDLAND AND GREAT NORTHERN JOINT RAILWAY SOCIETY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011
continued

11. Restricted Funds : movement in the year

	Balance at beginning of year £	Income £	Expenditure £	Transfers and Investment £	Balance at end of year £
J15	10,116	4,079	1,960	-	12,235
B12	8,728	5,066	15,285	2,500	1,009
W1500 Club	54,324	5,167	56,834	(2,500)	157
B12 Boiler Appeal	460	8,588	8,885	-	163
Wissington	13,833	15,819	11,972	-	17,680
90775/Dub Dee Club	1,510	2,469	116	-	3,863
31 Club	15,459	5,423	621	-	20,261
RM04	7,702	-	-	-	7,702
Heritage Coach Fund	31,704	9,034	9,221	1,017	32,534
Quad Art Set	6,961	137	-	-	7,098
Wisbech Coach	941	50	974	(17)	-
Mk1 Suburbans	-	12,701	-	-	12,701
Museum	3,683	2,707	4,415	2,400	4,375
Holt Development	2,534	6,476	-	-	9,010
Carriage Sheds	377,627	-	7,868	-	369,759
Society Grants	7,035	2,428	7,383	900	2,980
	542,617	80,144	125,534	4,300	501,527

The income of the funds relates to donations, other contributions and bank interest, except for Wissington which received a Transport Trust award of £1,500, 31 Club to which Council has also designated the locomotive's 'steaming fees' of £3,600 and Museum which received a grant of £1,106 from Norfolk County Council.

12. Designated Funds : movement in the year

	Balance at beginning of year £	Income £	Expenditure £	Transfers and Investment £	Balance at end of year £
Locomotives	184,827	32,890	16,341	-	201,376
WD Purchase	180,000	-	30,000	-	150,000
Operation Phoenix	96,345	684	2,000	-	95,029
Museum Fit-out	7,629	-	-	(1,188)	6,441
Home Front Recall	901	-	-	(901)	-
	469,702	33,574	48,341	(2,089)	452,846

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011
continued

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

As reported in previous financial statements, the NNR provided £10,052 in-kind towards the Museum fitting-out costs. Further small grants have subsequently been received from other bodies towards additional fitting-out costs. These have been credited to a designated fund above and are being released to general funds over a period of ten years in line with depreciation.

13. Unrestricted Funds : movement in the year

	Balance at beginning of year £	Income £	Expenditure £	Transfers and Investment £	Balance at end of year £
General funds	165,144	63,712	38,434	(2,511)	187,911
	_____	_____	_____	_____	_____

14. Transfers between funds

Endowment Fund – The transfer to this fund comprises £300 of shares in NNR gifted to the Society

The transfer of £2,500 between the W1500 Club and B12 fund relates to part of the locomotive boiler overhaul costs charged to the W1500 Club but moved to the B12 fund as W1500 Club funds are almost fully spent.

A private donation of £1,000 in October 2008 has been attributed to a 'Railway Cottage' project at Holt Station. The Society has contributed to the project in kind and with grants towards the expenditure from Heritage Coach Fund and the value of the donation has been transferred from General Fund to Heritage Coach Fund.

Restoration of the Wisbech Coach was virtually completed in the year and the small balance on the fund of £17 has been transferred to Heritage Coach Fund from which any residual costs will be met.

The residual balance on Home Front Recall fund of £901 has been transferred as to £900 to Society Grants for future use and £1 to General Fund in respect of the net book value of the IT equipment originally acquired.

General Fund made net transfers out of £2,511, being £2,400 to Museum Fund to cover the costs of the Curator, £1,000 to Heritage Coach Fund for the 'Railway Cottage' and £300 to Endowment Fund re gifted shares, less £1,188 from Museum Fit-out designated fund towards the annual depreciation of the Museum fitting-out costs (see note 12) and £1 from Home Front Recall mentioned above.

The £300 of NNR shares gifted in the year is included as income to general funds but then transferred to Endowment Fund as stated above.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JANUARY 2011
continued

15. Analysis of net assets between funds

	Designated Funds	General Fund	Restricted Funds	Endowment Fund	Total Funds
	£	£	£	£	£
Tangible fixed assets	292,441	9,400	369,758	35,821	707,420
Investments	-	-	-	253,046	253,046
Net Current Assets	160,405	178,511	131,769	-	470,685
	<u>452,846</u>	<u>187,911</u>	<u>501,527</u>	<u>288,867</u>	<u>1,431,151</u>

16. Contracts and Commitments

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

Chatham Steam Ltd for the ten year boiler overhaul. The original contract sum was £92,677 but additional work found necessary has increased this to £135,755. Work to the value of £131,355 had been carried out and paid for by 31 January 2011; and

North Norfolk Railway plc for mechanical works to the locomotive tender. The contract sum was £37,920 but subsequent omissions have reduced this to £31,869. All work under this contract had been carried out and paid for by 31 January 2011; and

Riley & Son (E) Ltd for mechanical works to and painting of the locomotive. The contract sum is £61,439 and work to the value of £37,752 had been carried out and paid for by 31 January 2011. Since the year end the contract has been extended to cover final reassembly of the locomotive but with omission of the painting and the revised contract sum is £80,432.

The painting of the locomotive has not yet been contracted.

17. Post balance Sheet Events

Apart from the changes to the B12 contract with Riley & Son (E) Ltd described in note 16 above, no post balance sheet events materially affect these financial statements.

**INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31
JANUARY 2011**

We report on the accounts of the company for the year ended 31 January 2011 which comprise the Statement of Financial Activities (incorporating Income and Expenditure), Balance Sheet and the related notes

Respective Responsibilities of Trustees and Examiner

The trustees (who are also the directors of the company for the purposes of company law) are responsible for the preparation of the accounts. The trustees consider that an audit is not required for this year under section 43(2) of the Charities Act 1993 (the 1993 Act) and that an independent examination is needed.

Having satisfied myself that the charity is not subject to an audit under company law and is eligible for independent examination, it is my responsibility to:

- examine the accounts under section 43 of the 1993 Act;
- follow the procedures laid down in the general Directions given by the Charity Commission (under section 43(7)(b) of the Act, as amended).

state whether particular matters have come to my attention.

Basis of Independent Examiner's Statement

My examination was carried out in accordance with general directions given by the Charity Commission. An examination includes a review of the accounting records kept by the charity and a comparison of the accounts presented with those records. It also includes consideration of any unusual items or disclosures in the accounts and seeking explanations from you as trustees concerning any such matters. The procedures undertaken do not provide all the evidence that would be required in an audit and consequently no opinion is given as to whether the accounts present a 'true and fair view' and the report is limited to those matters set out in the statement below.

Independent Examiner's Statement

In connection with my examination, no matter has come to my attention:

- 1 which gives me reasonable cause to believe that in any material respect the requirements:
 - to keep accounting records in accordance with section 386 of the Companies Act 2006; and
 - to prepare accounts which accord with the accounting records, and comply with the accounting requirements of section 396 of the Companies Act 2006 and with the methods and principles of the Statement of Recommended Practice: Accounting and Reporting by Charities

have not been met; or

- 2 to which, in my opinion, attention should be drawn in order to enable a proper understanding of the accounts to be reached.

**INDEPENDENT EXAMINER'S REPORT TO THE TRUSTEES FOR THE YEAR ENDED 31
JANUARY 2011 continued**

Frederick Anderson

for and on behalf of
Anderson & Co.
Chartered Accountants

Sumpter House
Station Road
Histon
Cambridge
CB24 9LQ

18 May 2011