

COMPANY REGISTRATION NUMBER: 00790125
CHARITY REGISTRATION NUMBER: 1039817

Welsh Highland Railway Limited
Company Limited by Guarantee
Unaudited Financial Statements
31 December 2016

MORRIS GREGORY
Chartered Accountants
County End Business Centre
Jackson Street
Springhead
Oldham
Lancashire
OL4 4TZ

TUESDAY



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Welsh Highland Railway Limited

Company Limited by Guarantee

Financial Statements

Year ended 31 December 2016

	Page
Trustees' annual report (incorporating the director's report)	1
Independent examiner's report to the trustees	7
Statement of financial activities (including income and expenditure account)	9
Statement of financial position	10
Statement of cash flows	12
Notes to the financial statements	13

Welsh Highland Railway Limited

Company Limited by Guarantee

Trustees' Annual Report (Incorporating the Director's Report)

Year ended 31 December 2016

The trustees, who are also the directors for the purposes of company law, present their report and the unaudited financial statements of the charity for the year ended 31 December 2016.

Reference and administrative details

Registered charity name Welsh Highland Railway Limited

Charity registration number 1039817

Company registration number 00790125

Principal office and registered office The Station Building
Tremadog Road
Porthmadog
Gwynedd
LL49 9DY

The trustees

Mr M M Chapman

Mr S G W Currinn

Mr G Farr

Mr R W Harrison

Mr S M Holden

Mr J B Holmes

Mr A McNicol

Mr R A Sinclair

Mrs E W Williams

Mr A J Goodwin

(Resigned 30 July 2016)

Company secretary

C R Willby

Accountants

Morris Gregory
Chartered Accountants
County End Business Centre
Jackson Street
Springhead
Oldham
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OL4 4TZ

Welsh Highland Railway Limited

Company Limited by Guarantee

Trustees' Annual Report (Incorporating the Director's Report) *(continued)*

Year ended 31 December 2016

Structure, governance and management

The charity is a company limited by guarantee. The registered company number is 790125 (England and Wales) and the registered charity number is 1039817.

The company's governing document is its Memorandum and Articles of Association. Each member has undertaken to contribute a maximum of £1 to the assets of the company in the event of its winding up.

Directors

The nine members of the Board are each elected by the membership and serve for three years.

At the 2016 Annual General Meeting S Currinn, G Farr and E Williams stood down by rotation having completed their elected period. All stood for re-election, and there being four vacancies, all were re-elected to serve.

Richard Harrison subsequently was elected as chairman, and Graham Farr as deputy.

Statement of Directors' Responsibilities for the Financial Statements

The directors, who are also trustees for the purposes of the Charities Acts, are required by law to prepare financial statements which give a true and fair view of the state of affairs of the charity at the end of the financial year, and of the financial activities and total recognised gains or losses for the year.

The directors are of the opinion that, in preparing the financial statements, appropriate accounting policies have been consistently applied, supported by reasonable and prudent estimates and judgements and all applicable accounting standards have been followed. They are also satisfied that the charity has adequate resources to meet its operational needs for the foreseeable future, and accordingly, we continue to adopt the going concern basis in preparing the financial statements.

The directors are responsible for ensuring that the charity keeps accounting records which disclose with reasonable accuracy the financial position of the charity, and which enable us to ensure that the accounts comply with the Companies Act 2006 and Statement of Recommended Practice; Accounting and Reporting by Charities. The directors are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Objectives and activities

In pursuing the charity's objectives the directors continue to give careful consideration to the advice of the Charity Commission on public benefit. These objectives include:

- a) to advance the education of the public in matters concerning railways; and
- b) for the public benefit to provide or assist in the provision of facilities for the recreation and other leisure time operations in the interest of social welfare and with the object of improving conditions of life, with particular reference to the former narrow gauge railway between Dinas and Porthmadog known as the Welsh Highland Railway.

The charity is continuing to develop its work with visitors to its operation in Porthmadog, including making further improvements to:

- a) its museum/heritage centre, which illustrates the development of narrow gauge railways in the area
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Welsh Highland Railway Limited

Company Limited by Guarantee

Trustees' Annual Report (Incorporating the Director's Report) *(continued)*

Year ended 31 December 2016

and around the world;

b) its demonstration railway which links physically with the re-instated Welsh Highland Railway at Pen-y-mount; and

c) the railway rolling stock and other railway artefacts in its care.

Members' continued support in this is vital, whether as volunteers, donors or simply by supporting from a distance.

Strategic report

The following sections for achievements and performance and financial review form the strategic report of the charity.

Achievements and performance

Visitor Numbers

Gross total of passenger journeys based on the guard's log for the 2016 season showed a significant drop from 15,348 in 2015 to 11,043, a fall of 28%

Suggested reasons include the reduction in the number of days open to the public, fluctuations in the number of visitors to the area, and changing visitor aspirations. There is a need for better researched information to help inform decisions on remedial action.

Museum

The museum continues to be the centrepiece of what we offer our visitors. It is the home to two very special WW1 locomotives, possibly the oldest working Simplex locomotive, and the restored Baguley locomotive, one of very few surviving. As part of a policy of continuous refreshment, for the season a display has been set up to represent a typical control office of the War Department Light Railways.

Train Service

The timetable remains under constant review, both in terms of days of operation, and the service offered. It is clear that our passenger numbers are heavily dependent on public and school holidays, with some days of very light loadings in between. This year we have a) re-instated some of the operating days not included in the 2015 timetable, and b) reduced the number of trains each day in order to be able to offer visitors a longer time to visit to the museum. Passenger reaction will continue to be monitored.

We are continuing to restrict special events to what we could handle from our own resources. The ever popular Halloween and Santa trains were operated last year, and will be offered again this year.

Adult fares have been increased by 5.3% and the family fare by 11.5% and the age limit for free child travel restricted to the under 3s. Interestingly, this increase has raised no comment from passengers, whose public comments suggest we represent good value for money.

All services have operated between Porthmadog and Pen-y-mount.

Miniature Railway

The Miniature Railway, while very popular with our visitors, has presented problems with the reliability of the locomotives, the integrity of its infrastructure, and staffing. Major repairs are currently in progress to the large viaduct over the stream at Gelert's Farm, and the railway is operating over a

Welsh Highland Railway Limited

Company Limited by Guarantee

Trustees' Annual Report (Incorporating the Director's Report) *(continued)*

Year ended 31 December 2016

restricted route.

Marketing

We continue the use of Facebook to provide an almost daily stream of news, photographs and details of new sales items. This costs little more than time and is also a way of engaging instantly with potential customers.

The main means of raising awareness of the railway at a more local level continues to be by printed leaflets, with distribution contracted out. This is supplemented by adverts in a variety of media to try and reach the family market in particular.

In pursuit of our search for new markets, we have been participating in the re-invigorated Great Little Trains of Wales marketing panel. The most obvious result has been the largely UK Government-funded 'Big Train Little Train' project, which encourages visitors to travel to the member railways by standard gauge rail.

Volunteers

A small but faithful band of volunteers maintains the company's operations and infrastructure. We are pleased to have recruited a number of young enthusiastic staff to the railway who constitute a very welcome addition to complement those active but aging retirees who form the other significant group.

The company suffers from the same problems of recruitment which affect other heritage railways, and voluntary organisations in general.

Membership

Membership numbers again showed a small decrease this year. For historic reasons a disproportionate number of our members are life members.

The current membership total is 767, made up of Life 400, Senior 227, Full 80, Associate 22, Family 20, Junior 5 and Unwaged 13.

Locomotives and Rolling Stock

Russell

Russell is now fully operational, sharing steam turns roughly 50/50 with Gertrude.

Baldwin

A contract has been signed with Vale of Rheidol Trading Ltd for the completion of the rebuilding of this locomotive, which is the subject of a long term loan arrangement with the Imperial War Museum. It is anticipated that physical work will begin in early 2018, with completion envisaged in 2019.

Kathy

Overhaul of Kathy continues, based at Gelert's Farm. Completion and commissioning will provide welcome relief for Glaslyn, which has given over thirty five years of service as main or standby passenger diesel locomotive.

Welsh Highland Railway Limited

Company Limited by Guarantee

Trustees' Annual Report (Incorporating the Director's Report) *(continued)*

Year ended 31 December 2016

Gertrude

Gertrude continues to be on hire to the company on an annual basis.

Gelert

Ownership and management of Gelert is now in the hands of a formally constituted charitable trust, the use of the locomotive being subject of a formal long-term loan arrangement with the company. A new boiler has been purchased, and overhaul work is being undertaken away from Gelert's Farm.

Heritage Train

'Toastrack' No. 42 is currently undergoing a complete rebuild, based at Gelert's Farm, with the Gladstone Car in need of significant remedial work. This is resulting in passenger seating capacity issues at peak times.

Health and Safety

The directors take the view that the safety of the travelling public and those working on the railway is paramount. We are pleased that the charity was able to maintain its good safety record during 2016.

Risk Management

A detailed assessment of the risks facing the charity was drawn up as part of the business plan which was adopted by the Board in 2009. This was reviewed during the year. The risks identified are taken into account informally as part of the day to day operation of the company. The directors are working towards the preparation of a new business plan, including a more comprehensive risk management strategy.

Staff and Directors

The directors wish to thank all of our Members, Volunteers and Paid Staff for their contribution during 2016. Our successes could not have been achieved without the hard work of a great many people, whether for just a few hours volunteering or on the full time payroll.

Access to the railway beyond Pen-y-mount

Little progress has been made in negotiations with the Festiniog Railway Company, who have continued to impose preconditions which the directors consider to be unacceptable.

Financial review

The results for the year are summarised in the Statement of Financial Activities on page 9, showing a net surplus on unrestricted funds of £86,173, (2015: deficit £11,475), together with donations received for Special Projects of £14,420 (2015: £20,710). Gross income from operating the Railway, including the contributions from the gift shop and café, amounted to £61,848 (2015: £83,246) a fall of 26%.

Operating days have been reduced when compared with 2015 with the view of reducing variable costs and eliminating some loss making days, and while this did result in a reduction in operating costs to £94,906 (2015: £109,530) there was still a deficit on operating the railway of £33,058 (2015: £26,284). A particular factor was a very poor performance over Easter, which fell very early with unusually disrupted school holiday dates.

Significant overheads include wages £12,650 (2015: £19,533), insurance £13,451 (2015: £14,541),

Welsh Highland Railway Limited

Company Limited by Guarantee

Trustees' Annual Report (Incorporating the Director's Report) *(continued)*

Year ended 31 December 2016

marketing £11,971 (2015: £20,747) and depreciation £21,786 (2015: £20,399).

Other income offsetting the operating deficit consisted of donations to general funds of £12,531 (2015: £13,618) and membership subscriptions of £6,856 (2015: £7,608), though the costs of servicing the membership with Journals and other administration expenditure amounted to £6,095 (2015: £6,702).

There are additional income sources of £105,654 credited in this year to general funds as a result of agreement having been reached on most of the outstanding elements with the Welsh Government in respect of our contribution to the costs of building the Porthmadog bypass. These comprise £75,216 for the work carried by WHR volunteers, together with £30,438 for the granting of an easement in relation to the bypass crossing WHR land.

Fixed asset expenditure in the year included £10,000 for the purchase of the miniature railway and £11,584 for the balance of the cost of Gelert's boiler.

Cwmni Rheilffordd Beddgelert cyf

As a charity we are required to operate our book and gift shop through a separate company in order to protect charity assets from commercial pressures. In line with the fall in our railway operating revenue, shop sales also fell, to £53,528 (2015: £67,379) producing a net contribution, covenanted to the Railway of £3,168 (2015: £9,985) after overheads. Cwmni Rheilffordd Beddgelert cyf bears half the staff wages cost of the booking office and shop plus all the running costs of the building.

Reserves policy

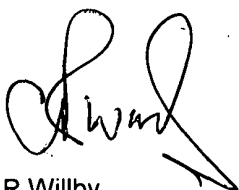
The directors currently have a policy to maintain unrestricted reserves to support an operating season's expenditure costs. This is reviewed based on activities and the nature of the charitable company's income streams.

The calculation of the required reserves is an integral part of the charitable company's planning and budgeting processes and is reviewed on an annual basis. When capital expenditure has been authorised by the Trustees on projects that have been the subject of a specific appeal, the company transfers an equivalent sum from restricted funds to unrestricted reserves in order to recognise the expenditure during the year on the relevant project.

Restricted Funds (Special Projects)

There is a table under note 22 showing the donations received under fundraising for special projects, together with expenditure charged against each fund and the cumulative position.

The trustees' annual report and the strategic report were approved on 26 June 2017 and signed on behalf of the board of trustees by:



C R Willby
Charity Secretary

Welsh Highland Railway Limited

Company Limited by Guarantee

Independent Examiner's Report to the Trustees of Welsh Highland Railway Limited

Year ended 31 December 2016

I report on the financial statements for the year ended 31 December 2016, which comprise the statement of financial activities (including income and expenditure account), statement of financial position, statement of cash flows 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 financial statements. The trustees consider that an audit is not required for this year under section 144(2) of the Charities Act 2011 (the 2011 Act) and that an independent examination is needed. I am qualified to undertake the examination by being a qualified member of the Institute of Chartered Accountants in England and Wales (ICAEW).

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

- examine the accounts under section 145 of the 2011 Act;
- to follow the procedures laid down in the general Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act; and
- to state whether particular matters have come to my attention.

Basis of independent examiner's report

My examination was carried out in accordance with the 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 next statement.

Welsh Highland Railway Limited

Company Limited by Guarantee

Independent Examiner's Report to the Trustees of Welsh Highland Railway Limited *(continued)*

Year ended 31 December 2016

Independent examiner's statement

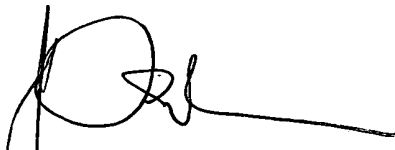
In connection with my examination, no matter has come to my attention:

(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, 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.



MR J.A. ORMISTON F.C.A.
Chartered Accountant

Morris Gregory Chartered Accountants
County End Business Centre
Jackson Street
Springhead
Oldham
Lancashire
OL4 4TZ

26 June 2017

Welsh Highland Railway Limited

Company Limited by Guarantee

Statement of Financial Activities (including income and expenditure account)

31 December 2016

		Unrestricted funds £	2016 Restricted funds £	Total funds £	2015 Total funds £
	Note				
Income and endowments					
Donations and legacies	5	22,840	14,420	37,260	52,206
Other trading activities	6	58,680	–	58,680	73,261
Other income	7	105,654	–	105,654	–
Total income		<u>187,174</u>	<u>14,420</u>	<u>201,594</u>	<u>125,467</u>
Expenditure					
Expenditure on raising funds:					
Costs of raising donations and legacies	8	6,095	–	6,095	6,702
Costs of other trading activities	9	94,906	–	94,906	109,530
Total expenditure		<u>101,001</u>	<u>–</u>	<u>101,001</u>	<u>116,232</u>
Net income		<u>86,173</u>	<u>14,420</u>	<u>100,593</u>	<u>9,235</u>
Transfers between funds		18,306	(18,306)	–	–
Net movement in funds		<u>104,479</u>	<u>(3,886)</u>	<u>100,593</u>	<u>9,235</u>
Reconciliation of funds					
Total funds brought forward		965,236	249,001	1,214,237	1,205,002
Total funds carried forward		<u>1,069,715</u>	<u>245,115</u>	<u>1,314,830</u>	<u>1,214,237</u>

The statement of financial activities includes all gains and losses recognised in the year.
All income and expenditure derive from continuing activities.

The notes on pages 13 to 25 form part of these financial statements.

Welsh Highland Railway Limited

Company Limited by Guarantee

Statement of Financial Position

31 December 2016

		2016 £	2015 £
Fixed assets			
Tangible fixed assets	14	989,976	989,747
Investments	15	40,003	40,003
		<u>1,029,979</u>	<u>1,029,750</u>
Current assets			
Stocks	17	4,000	1,500
Debtors	18	174,088	131,559
Cash at bank and in hand		148,645	75,641
		<u>326,733</u>	<u>208,700</u>
Creditors: amounts falling due within one year	19	41,882	24,213
Net current assets		<u>284,851</u>	<u>184,487</u>
Total assets less current liabilities		<u>1,314,830</u>	<u>1,214,237</u>
Net assets		<u>1,314,830</u>	<u>1,214,237</u>
Funds of the charity			
Restricted funds		245,115	249,001
Unrestricted funds:			
Revaluation reserve		112,417	112,853
Other unrestricted income funds		957,298	852,383
Total unrestricted funds		<u>1,069,715</u>	<u>965,236</u>
Total charity funds	22	<u>1,314,830</u>	<u>1,214,237</u>

For the year ending 31 December 2016 the charity was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Trustees' responsibilities:

- The members have not required the charity to obtain an audit of its financial statements for the year in question in accordance with section 476;
- The trustees acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of financial statements.

The statement of financial position
continues on the following page.

The notes on pages 13 to 25 form part of these financial statements.

Welsh Highland Railway Limited

Company Limited by Guarantee

Statement of Financial Position *(continued)*

31 December 2016

These financial statements were approved by the board of trustees and authorised for issue on 26 June 2017, and are signed on behalf of the board by:

A handwritten signature in black ink, appearing to read 'RA Sinclair', with a long horizontal flourish extending to the right.

Mr R A Sinclair
Director

The notes on pages 13 to 25 form part of these financial statements.

Welsh Highland Railway Limited

Company Limited by Guarantee

Statement of Cash Flows

Year ended 31 December 2016

	2016 £	2015 £
Cash flows from operating activities		
Net income	100,593	9,235
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	21,786	20,399
Government grant income	(285)	(285)
Accrued expenses/(income)	4,440	(940)
<i>Changes in:</i>		
Stocks	(2,500)	2,200
Trade and other debtors	(42,529)	(29,521)
Trade and other creditors	13,229	3,806
Cash generated from operations	94,734	4,894
Net cash from operating activities	<u>94,734</u>	<u>4,894</u>
Cash flows from investing activities		
Purchase of tangible assets	(22,015)	(21,888)
Net cash used in investing activities	<u>(22,015)</u>	<u>(21,888)</u>
Cash flows from financing activities		
Government grant income	285	285
Net cash from financing activities	<u>285</u>	<u>285</u>
Net increase/(decrease) in cash and cash equivalents	73,004	(16,709)
Cash and cash equivalents at beginning of year	75,641	92,350
Cash and cash equivalents at end of year	<u>148,645</u>	<u>75,641</u>

The notes on pages 13 to 25 form part of these financial statements.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements

Year ended 31 December 2016

1. General information

The charity is a private company limited by guarantee, registered in England and Wales and a registered charity in England and Wales. The address of the registered office is The Station Building, Tremadog Road, Porthmadog, Gwynedd, LL49 9DY.

2. Statement of compliance

These financial statements have been prepared in compliance with FRS 102, 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland', the Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (Charities SORP (FRS 102)) and the Charities Act 2011.

3. Accounting policies

Basis of preparation

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain financial assets and liabilities and investment properties measured at fair value through income or expenditure.

The financial statements are prepared in sterling, which is the functional currency of the entity.

Going concern

There are no material uncertainties about the charity's ability to continue.

Transition to FRS 102

The entity transitioned from previous UK GAAP to FRS 102 as at 1 January 2015. Details of how FRS 102 has affected the reported financial position and financial performance is given in note 26.

Consolidation

The charity is not required to prepare consolidated accounts in accordance with the Charities Act 2011, and has taken advantage of the option not to prepare consolidated financial statements contained in Section 398 of the Companies Act 2006 on the basis that the charity and its subsidiary undertakings comprise a small group.

Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported. These estimates and judgements are continually reviewed and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

Fund accounting

Unrestricted funds are available for use at the discretion of the trustees to further any of the charity's purposes.

Designated funds are unrestricted funds earmarked by the trustees for particular future project or commitment.

Restricted funds are subjected to restrictions on their expenditure declared by the donor or through the terms of an appeal, and fall into one of two sub-classes: restricted income funds or endowment funds.

Incoming resources

All incoming resources are included in the statement of financial activities when entitlement has passed to the charity; it is probable that the economic benefits associated with the transaction will flow to the charity and the amount can be reliably measured. The following specific policies are applied to particular categories of income:

- income from donations or grants is recognised when there is evidence of entitlement to the gift, receipt is probable and its amount can be measured reliably.
- legacy income is recognised when receipt is probable and entitlement is established.
- income from donated goods is measured at the fair value of the goods unless this is impractical to measure reliably, in which case the value is derived from the cost to the donor or the estimated resale value. Donated facilities and services are recognised in the accounts when received if the value can be reliably measured. No amounts are included for the contribution of general volunteers.

Resources expended

Expenditure is recognised on an accruals basis as a liability is incurred. Expenditure includes any VAT which cannot be fully recovered, and is classified under headings of the statement of financial activities to which it relates:

- expenditure on raising funds includes the costs of all fundraising activities, events, non-charitable trading activities, and the sale of donated goods.
- expenditure on charitable activities includes all costs incurred by a charity in undertaking activities that further its charitable aims for the benefit of its beneficiaries, including those support costs and costs relating to the governance of the charity apportioned to charitable activities.
- other expenditure includes all expenditure that is neither related to raising funds for the charity nor part of its expenditure on charitable activities.

All costs are allocated to expenditure categories reflecting the use of the resource. Direct costs attributable to a single activity are allocated directly to that activity. Shared costs are apportioned between the activities they contribute to on a reasonable, justifiable and consistent basis.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

Tangible assets

Tangible assets are initially recorded at cost, and subsequently stated at cost less any accumulated depreciation and impairment losses. Any tangible assets carried at revalued amounts are recorded at the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

An increase in the carrying amount of an asset as a result of a revaluation, is recognised in other recognised gains and losses, unless it reverses a charge for impairment that has previously been recognised as expenditure within the statement of financial activities. A decrease in the carrying amount of an asset as a result of revaluation, is recognised in other recognised gains and losses, except to which it offsets any previous revaluation gain, in which case the loss is shown within other recognised gains and losses on the statement of financial activities.

Depreciation

Depreciation is calculated so as to write off the cost or valuation of an asset, less its residual value, over the useful economic life of that asset as follows:

Freehold property	2% straight line
Rail, rolling stock and plant and machinery	Various rates between 10% reducing balance and 2% to 50% straight line

Investments in associates

Investments in associates accounted for in accordance with the cost model are recorded at cost less any accumulated impairment losses.

Investments in associates accounted for in accordance with the fair value model are initially recorded at the transaction price. At each reporting date, the investments are measured at fair value, with changes in fair value taken through income or expenditure. Where it is impracticable to measure fair value reliably without undue cost or effort, the cost model will be adopted.

Dividends and other distributions received from the investment are recognised as income without regard to whether the distributions are from accumulated profits of the associate arising before or after the date of acquisition.

Impairment of fixed assets

A review for indicators of impairment is carried out at each reporting date, with the recoverable amount being estimated where such indicators exist. Where the carrying value exceeds the recoverable amount, the asset is impaired accordingly. Prior impairments are also reviewed for possible reversal at each reporting date.

For the purposes of impairment testing, when it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs. The cash-generating unit is the smallest identifiable group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

For impairment testing of goodwill, the goodwill acquired in a business combination is, from the acquisition date, allocated to each of the cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the charity are assigned to those units.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

Government grants

Government grants are recognised at the fair value of the asset received or receivable. Grants are not recognised until there is reasonable assurance that the charity will comply with the conditions attaching to them and the grants will be received.

Where the grant does not impose specified future performance-related conditions on the recipient, it is recognised in income when the grant proceeds are received or receivable. Where the grant does impose specified future performance-related conditions on the recipient, it is recognised in income only when the performance-related conditions have been met. Where grants received are prior to satisfying the revenue recognition criteria, they are recognised as a liability.

Financial instruments

A financial asset or a financial liability is recognised only when the charity becomes a party to the contractual provisions of the instrument.

Basic financial instruments are initially recognised at the amount receivable or payable including any related transaction costs.

Current assets and current liabilities are subsequently measured at the cash or other consideration expected to be paid or received and not discounted.

Debt instruments are subsequently measured at amortised cost.

Other financial instruments are subsequently measured at fair value, with any changes recognised in the statement of financial activities, with the exception of hedging instruments in a designated hedging relationship.

Financial assets that are measured at cost or amortised cost are reviewed for objective evidence of impairment at the end of each reporting date. If there is objective evidence of impairment, an impairment loss is recognised under the appropriate heading in the statement of financial activities in which the initial gain was recognised.

For all equity instruments regardless of significance, and other financial assets that are individually significant, these are assessed individually for impairment. Other financial assets are either assessed individually or grouped on the basis of similar credit risk characteristics.

Any reversals of impairment are recognised immediately, to the extent that the reversal does not result in a carrying amount of the financial asset that exceeds what the carrying amount would have been had the impairment not previously been recognised.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

4. Limited by guarantee

The charity is a company limited by guarantee, having no issued share capital. In the event of the charity being wound up the liability in respect of the guarantee is limited to £1 per member of the charity. The number of liable members at 31 December 2016 was 762 (2015: 777).

5. Donations and legacies

	Unrestricted Funds £	Restricted Funds £	Total Funds 2016 £
Donations			
General donations	12,531	–	12,531
Baldwin 590	–	4,036	4,036
Gelert restoration	–	161	161
Russell restoration	–	7,492	7,492
Heritage train fund	–	240	240
Extension fund	–	1,231	1,231
Miniature railway fund	–	1,260	1,260
Grants			
Government grant income	285	–	285
Subscriptions			
Membership subscriptions	6,856	–	6,856
Other donations and legacies			
Covenanted donation from subsidiary company	3,168	–	3,168
	<u>22,840</u>	<u>14,420</u>	<u>37,260</u>
	Unrestricted Funds £	Restricted Funds £	Total Funds 2015 £
Donations			
General donations	13,618	–	13,618
Baldwin 590	–	4,757	4,757
Gelert restoration	–	760	760
Russell restoration	–	8,695	8,695
Heritage train fund	–	120	120
Extension fund	–	1,243	1,243
Miniature railway fund	–	5,135	5,135
Grants			
Government grant income	285	–	285
Subscriptions			
Membership subscriptions	7,608	–	7,608
Other donations and legacies			
Covenanted donation from subsidiary company	9,985	–	9,985
	<u>31,496</u>	<u>20,710</u>	<u>52,206</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

6. Other trading activities

	Unrestricted Funds £	Total Funds 2016 £	Unrestricted Funds £	Total Funds 2015 £
Income from traffic	55,032	55,032	72,261	72,261
Cafe franchise fee	3,648	3,648	1,000	1,000
	<u>58,680</u>	<u>58,680</u>	<u>73,261</u>	<u>73,261</u>

7. Other income

	Unrestricted Funds £	Total Funds 2016 £	Unrestricted Funds £	Total Funds 2015 £
Compensation from the Welsh Government	105,654	105,654	—	—

8. Costs of raising donations and legacies

	Unrestricted Funds £	Total Funds 2016 £	Unrestricted Funds £	Total Funds 2015 £
Journal costs	4,761	4,761	3,059	3,059
Membership administration costs	1,195	1,195	2,345	2,345
Postage	139	139	1,298	1,298
	<u>6,095</u>	<u>6,095</u>	<u>6,702</u>	<u>6,702</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

9. Costs of other trading activities

	Unrestricted Funds	Total Funds 2016	Unrestricted Funds	Total Funds 2015
	£	£	£	£
Loco fuel and lubricants	9,199	9,199	7,707	7,707
Wages costs	12,650	12,650	19,533	19,533
Water rates	320	320	718	718
Electricity	4,309	4,309	5,409	5,409
Repairs and maintenance	8,077	8,077	11,050	11,050
Insurances	13,041	13,041	14,541	14,541
Museum costs	151	151	477	477
Telephone	1,619	1,619	2,526	2,526
Other office costs	265	265	250	250
Depreciation	21,786	21,786	20,399	20,399
Marketing costs	11,917	11,917	20,747	20,747
Sundry operating expenses	1,960	1,960	741	741
Legal and professional fees and expenses	7,550	7,550	3,000	3,000
Bank charges	250	250	882	882
Postage	555	555	300	300
Stationery and printing	1,057	1,057	1,250	1,250
Software costs	200	200	–	–
	<u>94,906</u>	<u>94,906</u>	<u>109,530</u>	<u>109,530</u>

10. Net income

Net income is stated after charging/(crediting):

	2016 £	2015 £
Depreciation of tangible fixed assets	<u>21,786</u>	<u>20,399</u>

11. Independent examination fees

	2016 £	2015 £
Fees payable to the independent examiner for: Independent examination of the financial statements	<u>2,400</u>	<u>2,400</u>

12. Staff costs

The total staff costs and employee benefits for the reporting period are analysed as follows:

	2016 £	2015 £
Wages and salaries	<u>12,650</u>	<u>19,533</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

12. Staff costs *(continued)*

The average head count of employees during the year was 6 (2015: 6). The average number of full-time equivalent employees during the year is analysed as follows:

	2016 No.	2015 No.
Number of staff - engineering	1	1
Number of staff - booking office	1	1
	<u>2</u>	<u>2</u>

No employee received employee benefits of more than £60,000 during the year (2015: Nil).

13. Trustee remuneration and expenses

No remuneration or other benefits from employment with the charity or a related entity were received by the trustees.

14. Tangible fixed assets

	Freehold property £	Plant and machinery £	Total £
Cost			
At 1 January 2016	411,512	884,221	1,295,733
Additions	—	22,015	22,015
At 31 December 2016	<u>411,512</u>	<u>906,236</u>	<u>1,317,748</u>
Depreciation			
At 1 January 2016	88,023	217,963	305,986
Charge for the year	5,904	15,882	21,786
At 31 December 2016	<u>93,927</u>	<u>233,845</u>	<u>327,772</u>
Carrying amount			
At 31 December 2016	<u>317,585</u>	<u>672,391</u>	<u>989,976</u>
At 31 December 2015	<u>323,489</u>	<u>666,258</u>	<u>989,747</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

15. Investments

	Shares in group undertaking s £
Cost or valuation	
At 1 January 2016 and 31 December 2016	<u>40,003</u>
Impairment	
At 1 January 2016 and 31 December 2016	<u>—</u>
Carrying amount	
At 31 December 2016	<u>40,003</u>
At 31 December 2015	<u>40,003</u>

All investments shown above are held at valuation.

16. Investment entities

Subsidiaries and other investments

	Class of share	Percentage of shares held
Subsidiary undertakings		
Cwmni Rheilffordd Beddgelert Cyfyngedig	Ordinary	100
Ashbury Railway Carriage & Iron Company Limited	Ordinary	100
North Wales Narrow Gauge Railways Limited	Ordinary	100

The results for subsidiaries and other undertakings are as follows:

	Capital and reserves		Profit/(loss) for the year	
	2016 £	2015 £	2016 £	2015 £
Subsidiary undertakings				
Cwmni Rheilffordd Beddgelert Cyfyngedig	40,000	40,000	—	—
Ashbury Railway Carriage & Iron Company Limited	2	2	—	—
North Wales Narrow Gauge Railways Limited	<u>1</u>	<u>1</u>	<u>—</u>	<u>—</u>

17. Stocks

	2016 £	2015 £
Loco fuel and lubricants	<u>4,000</u>	<u>1,500</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

18. Debtors

	2016 £	2015 £
Amounts owed by group undertakings	17,497	82,986
Gift Aid recoverable	44,127	46,017
Compensation payments receivable	105,564	-
Other debtors	6,900	2,556
	<u>174,088</u>	<u>131,559</u>

19. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	20,003	3,645
Amounts owed to group undertakings	3	3
Accruals and deferred income	16,948	12,793
Social security and other taxes	764	1,221
Members' loans	2,100	2,100
Other creditors	2,064	4,451
	<u>41,882</u>	<u>24,213</u>

20. Deferred income

	2016 £	2015 £
At 1 January 2016	7,833	8,118
Amount released to income	(285)	(285)
At 31 December 2016	<u>7,548</u>	<u>7,833</u>

21. Government grants

The amounts recognised in the financial statements for government grants are as follows:

	2016 £	2015 £
Recognised in creditors:		
Deferred government grants due within one year	<u>7,548</u>	<u>7,833</u>
Recognised in income from donations and legacies:		
Government grants income	<u>285</u>	<u>285</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements (continued)

Year ended 31 December 2016

22. Analysis of charitable funds

Unrestricted funds

	At 1 Jan 2016	Income	Expenditure	Transfers	At 31 Dec 2016
	£	£	£	£	£
General funds	852,383	187,174	(101,001)	18,742	957,298
Revaluation reserve	112,853	—	—	(436)	112,417
	<u>965,236</u>	<u>187,174</u>	<u>(101,001)</u>	<u>18,306</u>	<u>1,069,715</u>

Restricted funds

	At 1 Jan 2016	Income	Expenditure	Transfers	At 31 Dec 2016
	£	£	£	£	£
Rolling stock	209,371	11,929	—	(11,911)	209,389
Extension fund	34,495	1,231	—	—	35,726
Miniature railway	5,135	1,260	—	(6,395)	—
	<u>249,001</u>	<u>14,420</u>	<u>—</u>	<u>(18,306)</u>	<u>245,115</u>

Restricted funds - Rolling stock

	At 1 Jan 2016	Donations received	Capital expenditure	Fund transfers	At 31 Dec 2016
	£	£	£	£	£
Baldwin 590	158,117	4,036	—	—	162,153
Gelert restoration	27,079	161	(11,584)	—	15,656
Russell restoration	3,036	7,492	(327)	—	10,201
Karen restoration	4,477	—	—	—	4,477
Heritage train fund	16,662	240	—	—	16,902
	<u>209,371</u>	<u>11,929</u>	<u>(11,911)</u>	<u>—</u>	<u>209,389</u>

The Restricted Funds above arise from appeals for donations to enable the Trustees to undertake specific capital expenditure which is beyond the resources of the everyday operation of the railway.

Baldwin 590

This locomotive is on long term loan from the Imperial War Museum on the understanding that it will be returned to operation on our railway, in the guise of 590, one of the original three locomotives on the Welsh Highland. To date we have purchased a boiler and a contract has been signed with Vale of Rheidol Trading Ltd for the completion of the rebuilding of this locomotive, which is the subject of a long term loan arrangement with the Imperial War Museum. It is anticipated that physical work will begin in early 2018, with completion envisaged in 2019.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

Gelert

Ownership and management of Gelert is now in the hands of a formally constituted charitable trust, the use of the locomotive being subject of a formal long-term loan arrangement with the company. A new boiler has been purchased, and overhaul work is being undertaken away from Gelert's Farm.

Russell

Russell is owned by the company and is the one surviving locomotive from the original Welsh Highland. Although the rebuilding costs exceeded donations received by the balance sheet date, donations continue and the Trustees wish this fund to continue in order to assist in future maintenance as well as the major rebuild.

Karen

Karen is owned by a consortium of members and the company, and is currently an important exhibit in the museum. Karen was the first steam locomotive operated by the company in 1983.

Heritage Train Fund

This fund was instigated to raise funds for the restoration and maintenance of rolling stock other than locomotives, including the original Welsh Highland Buffet Car and replica coach 25. Recently fundraising has continued in order to restore and construct other Welsh Highland rolling stock in the future.

Extension Fund

This fund commenced more than 20 years ago to raise funds for the rebuilding of the part of the original Welsh Highland trackbed that extends from our boundary to Pont Croesor. The company expended £158,263 of the funds raised, plus volunteer labour, but expenditure ceased when the Festiniog Railway took possession of the trackbed, requiring the company to eliminate the value of this work from the balance sheet. Many donors have generously continued their donations to the fund, although no further expenditure can be made. The Trustees have raised the matter with the Charity Commission in order to ascertain how these donations may be re-allocated.

Miniature Railway

Fundraising to date has fallen short of the initial purchase price of the miniature railway, necessitating a transfer from general funds.

As referred earlier to in the Trustee's Report further costs are being incurred in 2017 in order to maintain and improve the infrastructure of this important feature of the Railway.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2016

23. Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	Total Funds 2016 £
Tangible fixed assets	989,976	–	989,976
Investments	40,003	–	40,003
Current assets	81,618	245,115	326,733
Creditors less than 1 year	(41,882)	–	(41,882)
Net assets	1,069,715	245,115	1,314,830

24. Capital commitments

Capital expenditure contracted for but not provided for in the financial statements is as follows:

	2016 £	2015 £
Tangible fixed assets	165,000	19,974

25. Related parties

During the year ended December 31, 2016, the company received donations from the trustees totalling £1,406 (2015: 6,059).

At December 31, 2016 the company was owed £2,917 by the Russell Tearoom, a franchise owned by Mrs. E.W. Williams, a trustee.

26. Transition to FRS 102

These are the first financial statements that comply with FRS 102. The charity transitioned to FRS 102 on 1 January 2015.

No transitional adjustments were required in the retained funds or income or expenditure for the year.