

Welsh Highland Railway Limited
Company Limited by Guarantee
Unaudited Financial Statements
31 December 2017



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

Welsh Highland Railway Limited

Company Limited by Guarantee

Financial Statements

Year ended 31 December 2017

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Welsh Highland Railway Limited

Company Limited by Guarantee

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

Year ended 31 December 2017

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 2017.

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 (Resigned 2 June 2018)
Mr A McNicol
Mr R A Sinclair
Mrs E W Williams (Resigned 31 December 2017)

Company secretary C R Willby

Accountants Morris Gregory
Chartered Accountants
County End Business Centre
Jackson Street
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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 2017

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

At the 2017 Annual General Meeting Mr A McNicol and Mr J B Holmes stood down by rotation having completed their elected period. Both stood for re-election, and there being three vacancies, both were re-elected to serve.

Graham Farr subsequently was elected as chairman, and Mark Holden 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.

Welsh Highland Railway Limited

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

Year ended 31 December 2017

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 the narrow-gauge railways in the area and their influence on railway development 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.

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

Year ended 31 December 2017

Achievements and performance

Visitor Numbers

The total number of passenger journeys based on the guard's log for 2017 was almost identical to that for 2016. Up to the end of May 2018 this was similar to the same period in 2017.

Museum

The museum continued to be the centrepiece of what we offer our visitors. It is the home to two very special World War One internal combustion locomotives, possibly the oldest working Simplex locomotive, and the restored Baguley locomotive, one of very few surviving. A display has been set up to represent a typical control office of the War Department Light Railways. This has been refreshed for 2018.

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 continue to be heavily dependent on public and school holidays, with daily patterns fluctuating according to weather conditions. The number of trains each day was reduced in 2017 in order to be able to offer visitors a longer time to visit to the museum but this has not been continued into 2018. 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 in 2018.

An increase in fares raised no comment from passengers, whose public comments suggest we represent good value for money. Fares have been held for 2018, apart from a small upward adjustment to the family fare.

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

Miniature Railway

The miniature railway continues to be very popular with our visitors. Major repairs to the large viaduct over the stream at Gelert's Farm have been completed. Options for providing more reliable motive power are being investigated.

Marketing

We have continued to use 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 continued to participate in the re-invigorated Great Little Trains of Wales marketing panel.

There continues to be a need for better researched information to help inform decisions on marketing strategy.

Welsh Highland Railway Limited

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

Year ended 31 December 2017

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 Those who have expressed a continuing interest in being kept informed are retained on our mailing lists.

The breakdown at the end of 2017 was Life (mailing list only) 258, Senior 226, Full 84, Associate 22, Family 22, Junior 10 and Unwaged 15.

Locomotives and Rolling Stock

Russell

Russell has continued to share steam turns with Gertrude.

Gertrude

Gertrude has continued to be on hire to the company on an annual basis.

Gelert

Gelert, now in the hands of a formally constituted charitable trust and subject of a formal long-term loan arrangement with the Company, is expected to return to service in 2018 having received a new boiler and a mechanical overhaul.

Baldwin

This locomotive, which is the subject of a long-term loan arrangement with the Imperial War Museum, has been moved to the workshops of Vale of Rheidol Trading Ltd., who have contracted to complete its rebuilding. It is anticipated that physical work will begin in 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.

Heritage Train

The rebuild of 'Toastrack' No. 42 has continued, based at Gelert's Farm, with the Gladstone Car being held as a static exhibit pending bodywork repairs. This has resulted in passenger seating capacity issues at peak times, although the Gladstone Car should be available for service when required in 2018 once repairs have been completed.

Welsh Highland Railway Limited

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

Year ended 31 December 2017

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 2017.

Risk Management

Detailed assessments of the risks facing the charity have been drawn up as part of a series of business plans prepared over the years, the most recent having been adopted by the Board in 2009. This is kept under constant review, with the risks identified being 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 2017. 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.

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

Year ended 31 December 2017

Financial review

The results for the year are summarised in the Statement of Financial Activities on page 10, showing a net surplus on unrestricted funds of £89,637 (2016: £86,173), together with donations received for Special Projects of £54,502 (2016: £14,420).

Operating deficit

There was a deficit on operating the railway of £22,566 (2016: £33,058) before donations and other income.

Gross income from operating the Railway, including the contributions from the gift shop and tearoom, amounted to £67,157 (2016: £61,848). Operating costs amounted to £89,723 (2016: £94,906).

Significant items in operating costs include wages £12,622 (2016: £12,650), insurance £13,845 (2016: £13,451), marketing £10,753 (2016: £11,971) and depreciation £23,315 (2016: £21,786).

Other income offsetting the operating deficit consisted of donations to general funds of £112,076 (2016: £12,531) and membership subscriptions of £5,681 (2016: £6,856). The costs of servicing the membership with Journals and other administration expenditure amounted to £5,839 (2016: £6,095).

Significant fixed asset expenditure in the year included £9,300 in respect of the Baldwin, being the initial instalment due under the contract with Vale of Rheidol Engineering Ltd together with transport costs to their works, and £30,414 for Gelert, being the final contract balance due to Israel Newton for the boiler and instalments under the contract with Statfold Engineering Ltd, again together with associated transport costs.

Cwmni Rheilfford Beddgelert cyf

As a charity we are required to operate our book and gift shop through a separate company in order to protect the charity assets from commercial pressures.

Shop sales for the year fell, to £48,173 (2016: £53,528), but against this the gross profit margin improved slightly. After overheads there was a net contribution, covenanted to the parent company, of £4,300 (2016: £3,168). While this is only approximately 10% of the gross sales, it should be noted that the company bears half the staff wages cost of the booking office and shop and all of 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.

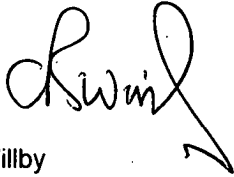
Welsh Highland Railway Limited

Company Limited by Guarantee

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

Year ended 31 December 2017

The trustees' annual report and the strategic report were approved on 14 June 2018 and signed on behalf of the board of trustees by:

A handwritten signature in black ink, appearing to read 'C R Willby', with a long, sweeping flourish extending from the bottom right.

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 2017

I report to the trustees on my examination of the financial statements of Welsh Highland Railway Limited ('the charity') for the year ended 31 December 2017.

Responsibilities and basis of report

As the trustees of the company (and also its directors for the purposes of company law) you are responsible for the preparation of the financial statements in accordance with the requirements of the Companies Act 2006 ('the 2006 Act').


Having satisfied myself that the accounts of the company are not required to be audited under Part 16 of the 2006 Act and are eligible for independent examination, I report in respect of my examination of the charity's accounts as carried out under section 145 of the Charities Act 2011 ('the 2011 Act'). In carrying out my examination I have followed the Directions given by the Charity Commission under section 145(5)(b) of the 2011 Act.

Independent examiner's statement

I have completed my examination. I confirm that no matters have come to my attention in connection with the examination giving me cause to believe:

1. accounting records were not kept in respect of the charity as required by section 386 of the 2006 Act; or
2. the financial statements do not accord with those records; or
3. the financial statements do not comply with the accounting requirements of section 396 of the 2006 Act other than any requirement that the accounts give a 'true and fair' view which is not a matter considered as part of an independent examination; or
4. the financial statements have not been prepared in accordance with the methods and principles of the Statement of Recommended Practice for accounting and reporting by charities applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102).

I have no concerns and have come across no other matters in connection with the examination to which attention should be drawn in this report 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

14 June 2018

Welsh Highland Railway Limited

Company Limited by Guarantee

Statement of Financial Activities (including income and expenditure account)

31 December 2017

		Unrestricted funds £	2017 Restricted funds £	Total funds £	2016 Total funds £
	Note				
Income and endowments					
Donations and legacies	5	122,342	54,502	176,844	37,260
Other trading activities	6	62,857	–	62,857	58,680
Other income	7	–	–	–	105,654
Total income		<u>185,199</u>	<u>54,502</u>	<u>239,701</u>	<u>201,594</u>
Expenditure					
Expenditure on raising funds:					
Costs of raising donations and legacies	8	5,839	–	5,839	6,095
Costs of other trading activities	9	89,723	–	89,723	94,906
Total expenditure		<u>95,562</u>	<u>–</u>	<u>95,562</u>	<u>101,001</u>
Net income		<u>89,637</u>	<u>54,502</u>	<u>144,139</u>	<u>100,593</u>
Transfers between funds		44,572	(44,572)	–	–
Net movement in funds		<u>134,209</u>	<u>9,930</u>	<u>144,139</u>	<u>100,593</u>
Reconciliation of funds					
Total funds brought forward		1,069,715	245,115	1,314,830	1,214,237
Total funds carried forward		<u>1,203,924</u>	<u>255,045</u>	<u>1,458,969</u>	<u>1,314,830</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 14 to 27 form part of these financial statements.

Welsh Highland Railway Limited

Company Limited by Guarantee

Statement of Financial Position

31 December 2017

		2017 £	2016 £
Fixed assets			
Tangible fixed assets	14	1,011,401	989,976
Investments	15	40,003	40,003
		<u>1,051,404</u>	<u>1,029,979</u>
Current assets			
Stocks	17	1,000	4,000
Debtors	18	108,785	174,088
Cash at bank and in hand		327,203	148,645
		<u>436,988</u>	<u>326,733</u>
Creditors: amounts falling due within one year	19	29,423	41,882
Net current assets		<u>407,565</u>	<u>284,851</u>
Total assets less current liabilities		<u>1,458,969</u>	<u>1,314,830</u>
Net assets		<u>1,458,969</u>	<u>1,314,830</u>
Funds of the charity			
Restricted funds		255,045	245,115
Unrestricted funds:			
Revaluation reserve		111,981	112,417
Other unrestricted income funds		1,091,943	957,298
Total unrestricted funds		<u>1,203,924</u>	<u>1,069,715</u>
Total charity funds	22	<u>1,458,969</u>	<u>1,314,830</u>

For the year ending 31 December 2017 the charity was entitled to exemption from audit under section 477 of the Companies Act 2006 relating to small companies.

Directors' responsibilities:

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

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies' regime.

The statement of financial position
continues on the following page.

The notes on pages 14 to 27 form part of these financial statements.

Welsh Highland Railway Limited

Company Limited by Guarantee

Statement of Financial Position *(continued)*

31 December 2017

These financial statements were approved by the board of trustees and authorised for issue on 14 June 2018, and are signed on behalf of the board by:

A handwritten signature in black ink, appearing to read 'RAS', followed by a long horizontal flourish and a small upward curve at the end.

Mr R A Sinclair
Director

The notes on pages 14 to 27 form part of these financial statements.

Welsh Highland Railway Limited

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Statement of Cash Flows

Year ended 31 December 2017

	2017 £	2016 £
Cash flows from operating activities		
Net income	144,139	100,593
<i>Adjustments for:</i>		
Depreciation of tangible fixed assets	23,315	21,786
Government grant income	(285)	(285)
Accrued expenses	–	4,440
<i>Changes in:</i>		
Stocks	3,000	(2,500)
Trade and other debtors	65,303	(42,529)
Trade and other creditors	(12,459)	13,229
Cash generated from operations	223,013	94,734
Net cash from operating activities	<u>223,013</u>	<u>94,734</u>
Cash flows from investing activities		
Purchase of tangible assets	(44,740)	(22,015)
Net cash used in investing activities	<u>(44,740)</u>	<u>(22,015)</u>
Cash flows from financing activities		
Government grant income	285	285
Net cash from financing activities	<u>285</u>	<u>285</u>
Net increase in cash and cash equivalents	178,558	73,004
Cash and cash equivalents at beginning of year	148,645	75,641
Cash and cash equivalents at end of year	<u>327,203</u>	<u>148,645</u>

The notes on pages 14 to 27 form part of these financial statements.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements

Year ended 31 December 2017

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.

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 2017

3. Accounting policies *(continued)*

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.
- income from contracts for the supply of services is recognised with the delivery of the contracted service. This is classified as unrestricted funds unless there is a contractual requirement for it to be spent on a particular purpose and returned if unspent, in which case it may be regarded as restricted.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

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.

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.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

Investments in associates *(continued)*

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 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.

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.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

3. Accounting policies *(continued)*

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.

Where investments in shares are publicly traded or their fair value can otherwise be measured reliably, the investment is subsequently measured at fair value with changes in fair value recognised in income and expenditure. All other such investments are subsequently measured at cost less impairment.

Other financial instruments, including derivatives, are initially recognised at fair value, unless payment for an asset is deferred beyond normal business terms or financed at a rate of interest that is not a market rate, in which case the asset is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

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.

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 members at 31 December 2017 was 637 (2016: 767).

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

5. Donations and legacies

	Unrestricted Funds £	Restricted Funds £	Total Funds 2017 £
Donations and legacies			
General donations and legacies	112,076	–	112,076
Baldwin 590	–	9,539	9,539
Gelert restoration	–	36,213	36,213
Russell restoration	–	7,233	7,233
Heritage train fund	–	240	240
Extension fund	–	1,277	1,277
Miniature railway fund	–	–	–
Grants			
Government grant income	285	–	285
Subscriptions			
Membership subscriptions	5,681	–	5,681
Other donations			
Covenanted donation from subsidiary company	4,300	–	4,300
	<u>122,342</u>	<u>54,502</u>	<u>176,844</u>

	Unrestricted Funds £	Restricted Funds £	Total Funds 2016 £
Donations and legacies			
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			
Covenanted donation from subsidiary company	3,168	–	3,168
	<u>22,840</u>	<u>14,420</u>	<u>37,260</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

6. Other trading activities

	Unrestricted Funds £	Total Funds 2017 £	Unrestricted Funds £	Total Funds 2016 £
Income from traffic	59,377	59,377	55,032	55,032
Cafe franchise fee	3,480	3,480	3,648	3,648
	<u>62,857</u>	<u>62,857</u>	<u>58,680</u>	<u>58,680</u>

7. Other income

	Unrestricted Funds £	Total Funds 2017 £	Unrestricted Funds £	Total Funds 2016 £
Compensation from the Welsh Government	—	—	105,654	105,654
	<u>—</u>	<u>—</u>	<u>105,654</u>	<u>105,654</u>

8. Costs of raising donations and legacies

	Unrestricted Funds £	Total Funds 2017 £	Unrestricted Funds £	Total Funds 2016 £
Journal costs	3,133	3,133	4,761	4,761
Membership administration costs	2,706	2,706	1,195	1,195
Postage	—	—	139	139
	<u>5,839</u>	<u>5,839</u>	<u>6,095</u>	<u>6,095</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

9. Costs of other trading activities

	Unrestricted Funds	Total Funds 2017	Unrestricted Funds	Total Funds 2016
	£	£	£	£
Loco fuel and lubricants	9,515	9,515	9,199	9,199
Wages costs	12,622	12,622	12,650	12,650
Water rates	369	369	320	320
Electricity	3,640	3,640	4,309	4,309
Repairs and maintenance	6,548	6,548	8,077	8,077
Insurances	13,845	13,845	13,041	13,041
Museum costs	340	340	151	151
Telephone	1,847	1,847	1,619	1,619
Other office costs	148	148	265	265
Depreciation	23,315	23,315	21,786	21,786
Marketing costs	10,753	10,753	11,917	11,917
Sundry operating expenses	1,840	1,840	1,960	1,960
Legal and professional fees	3,566	3,566	7,550	7,550
Bank charges	336	336	250	250
Postage	586	586	555	555
Stationery and printing	253	253	1,057	1,057
Software costs	200	200	200	200
	<u>89,723</u>	<u>89,723</u>	<u>94,906</u>	<u>94,906</u>

10. Net income

Net income is stated after charging/(crediting):

	2017 £	2016 £
Depreciation of tangible fixed assets	<u>23,315</u>	<u>21,786</u>

11. Independent examination fees

	2017 £	2016 £
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:

	2017 £	2016 £
Wages and salaries	<u>12,622</u>	<u>12,650</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

12. Staff costs *(continued)*

The average head count of employees during the year was 6 (2016: 6). The average number of full-time equivalent employees during the year is analysed as follows:

	2017 No.	2016 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 (2016: 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 2017	411,512	906,236	1,317,748
Additions	–	44,740	44,740
At 31 December 2017	<u>411,512</u>	<u>950,976</u>	<u>1,362,488</u>
Depreciation			
At 1 January 2017	93,927	233,845	327,772
Charge for the year	5,905	17,410	23,315
At 31 December 2017	<u>99,832</u>	<u>251,255</u>	<u>351,087</u>
Carrying amount			
At 31 December 2017	<u>311,680</u>	<u>699,721</u>	<u>1,011,401</u>
At 31 December 2016	<u>317,585</u>	<u>672,391</u>	<u>989,976</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

15. Investments

	Shares in group undertakings £
Cost or valuation	
At 1 January 2017 and 31 December 2017	<u>40,003</u>
Impairment	
At 1 January 2017 and 31 December 2017	<u>—</u>
Carrying amount	
At 31 December 2017	<u>40,003</u>
At 31 December 2016	<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	
	2017	2016	2017	2016
	£	£	£	£
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

	2017	2016
	£	£
Loco fuel and lubricants	<u>1,000</u>	<u>4,000</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

18. Debtors

	2017	2016
	£	£
Amounts owed by group undertakings	28,824	17,497
Other debtors	79,961	156,591
	<u>108,785</u>	<u>174,088</u>

19. Creditors: amounts falling due within one year

	2017	2016
	£	£
Trade creditors	6,355	20,003
Amounts owed to group undertakings	3	3
Accruals and deferred income	16,663	16,948
Social security and other taxes	1,041	764
Members' loans	2,100	2,100
Other creditors	3,261	2,064
	<u>29,423</u>	<u>41,882</u>

20. Deferred income

	2017	2016
	£	£
At 1 January 2017	7,548	7,833
Amount released to income	(285)	(285)
At 31 December 2017	<u>7,263</u>	<u>7,548</u>

21. Government grants

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

	2017	2016
	£	£
Recognised in creditors:		
Deferred government grants due within one year	<u>7,263</u>	<u>7,548</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 2017

22. Analysis of charitable funds

Unrestricted funds

	At 1 January 2017 £	Income £	Expenditure £	Transfers £	At 31 December 2017 £
General funds	957,298	185,199	(95,562)	436	1,047,371
Revaluation reserve	112,417	–	–	(436)	111,981
	<u>1,069,715</u>	<u>185,199</u>	<u>(95,562)</u>	<u>–</u>	<u>1,159,352</u>

Restricted funds

	At 1 January 2017 £	Income £	Expenditure £	Transfers £	At 31 December 2017 £
Rolling stock	209,390	53,224	–	(44,572)	218,042
Extension fund	35,725	1,278	–	–	37,003
	<u>245,115</u>	<u>54,502</u>	<u>–</u>	<u>(44,572)</u>	<u>255,045</u>

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

22. Analysis of charitable funds *(continued)*

Restricted funds - Rolling stock

	At 1 January 2017 £	Donations received £	Capital expenditure £	Fund transfers £	At 31 December 2017 £
Baldwin 590	(162,153)	(9,539)	9,300	—	(162,392)
Gelert restoration	(15,656)	(36,213)	31,418	—	(20,451)
Russell restoration	(10,201)	(7,233)	—	—	(17,434)
Karen restoration	(4,477)	—	—	—	(4,477)
Heritage train fund	(16,902)	(240)	3,854	—	(13,288)
	<u>(209,390)</u>	<u>(53,224)</u>	<u>44,572</u>	<u>—</u>	<u>(218,042)</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 2018, with completion envisaged in 2019.

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.

Russell

Russell is owned by the company and is the one surviving locomotive from the original Welsh Highland. 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.

Welsh Highland Railway Limited

Company Limited by Guarantee

Notes to the Financial Statements *(continued)*

Year ended 31 December 2017

22. Analysis of charitable funds *(continued)*

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.

23. Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	Total Funds 2017 £	Total Funds 2016 £
Tangible fixed assets	1,011,401	–	1,011,401	989,976
Investments	40,003	–	40,003	40,003
Current assets	181,943	255,045	436,988	326,733
Creditors less than 1 year	(29,423)	–	(29,423)	(41,882)
Net assets	1,203,924	255,045	1,458,969	1,314,830

24. Capital commitments

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

	2017 £	2016 £
Tangible fixed assets	179,640	165,000

25. Related parties

During the year ended December 31, 2017, the company received donations from the trustees totalling £1,140 (2016: 1,406).