

WELSH HIGHLAND RAILWAY LIMITED
(Limited by Guarantee)

DIRECTORS' REPORT
and
FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

Company No. 0790125 (England and Wales)
Registered Charity No. 1039817



WELSH HIGHLAND RAILWAY LIMITED
(Limited by Guarantee)

COMPANY INFORMATION

Directors

D. Allan
A. Blackwell
G. Farr
A. Hughes
D. M. Meller
A. McNicol
P. Thomason
A. Goodwin
R. Ollier

Secretary

A.A. Phelan

Company Number

0790125 (England and Wales)

Registered Charity Number

1039817

Registered Office

Gelerts Farm Works
Madoc Street
Porthmadog
Gwynedd
LL49 9DY

Auditors

Morris Gregory
Chartered Accountants
and
Registered Auditors
368 Lees Road
Oldham
OL4 5ER

Bankers

Girobank Plc
62 Hagley Road
Birmingham
B16 8PE

and

National Westminster Bank Plc
72 High Street
Porthmadog
Gwynedd
LL49 9NR

WELSH HIGHLAND RAILWAY LIMITED
(Limited by Guarantee)

CONTENTS

	Page
Directors' report	1 - 2
Auditors' report	3
Profit and loss account	4
Balance sheet	5
Notes to the financial statements	6 - 11
The following pages do not form part of the financial statements	
Income and expenditure account	12 - 13

DIRECTORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 1998

The directors present their report and financial statements for the year ended December 31, 1998.

Principal activity

The Company's principal activity continued to be the operation and development of its site at Porthmadog. It aims to preserve and illustrate the history of the Welsh Highland Railway, which ceased operations in 1937, and to support the revival of the whole of that scenic route as a railway for the benefit of tourists and residents alike.

Chairman's report

1998 will not be remembered for commercial success. In a year when virtually all businesses in the area (and certainly all narrow gauge railways in Wales) reported low income we have certainly not escaped the same problem. Just how bad it has been is demonstrated by the fact that passengers carried was the lowest figure since the mid 1980's when we certainly had much less to offer our customers than we do now. This poor year has unfortunately come after a succession of annual declines in traffic. Although there is no cause for complacency the board is aware of the changing market and we are making efforts to ensure that the financial results for 1999 are an improvement on last year.

As regards operation of the railway, it has been to a large extent a case of "business as usual", although shortages of volunteers have meant that we have had to employ a guard for a significant part of the season. Train drivers and firemen have continued to be provided from the small band of often hard pressed volunteers, to whom the whole membership owes their thanks. A major difference in what our customers see was the extended station building at Porthmadog containing a vastly improved cafe. This has had to be funded partly by a loan which is being repaid with the rental and, if 1998 had not been such a poor year, a share of the profits. Other improvements to the railway have been minor in themselves, but have generally improved the environment. The running of Santa Specials towards the end of the year was not as successful as had been hoped but valuable lessons were learnt for next year.

There have been a number of changes in personnel administering the Company, which have been mentioned fully in the Journal. A significant achievement by the Board during the latter part of the year was the drawing up of a policy document addressing the future development of the railway. This was circulated to the membership in general, and comments invited. Comments received so far have all generally favoured such a document although there have been some comments about specific aspects of the document, which are being addressed.

The early part of the year saw the signing of an agreement with Festiniog Railway Company, which outlines the route towards co-operation between our companies in the future. The agreement was not unanimously supported by the membership and was the cause of much dissatisfaction during the first half of the year. Although the Company has to date achieved little in the way of tangible benefits from the agreement, the board is committed to ensuring that the Company does benefit in the medium to long term. We shall continue to press FR to ensure that the southern end of the WHR is not forgotten and, most importantly in the short term, to ensure that the museum developments provided for in the agreement proceed as quickly as possible.

DIRECTORS' REPORT
FOR THE YEAR ENDED DECEMBER 31, 1998

Directors

The directors who served during the year were:

D. Allan	- Appointed May 23, 1998
A. Blackwell	- Appointed May 23, 1998
H. J. Chapman	- Resigned May 23, 1998
G. Farr	
A. Hughes	- Appointed May 23, 1998
V. G. Jones	- Resigned February 21, 1998
D. M. Meller	
A. McNicol	
P. Thomason	
A. Goodwin	
T. Sherratt	- Resigned July 11, 1998
R. Ollier	

Constitution

The Company is limited by guarantee and its governing document is its Memorandum and Articles of Association. In the event of a winding up of the company each member shall contribute to the debts and liabilities up to a minimum of £1.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit and loss of the company for that period. In preparing those financial statements, the directors are required to

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

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

Auditors

The auditors, Morris Gregory will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

This report was approved by the board on May 1, 1999 and has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Signed on behalf of the board of directors.



A.A. PHELAN
Secretary

AUDITORS' REPORT
TO THE MEMBERS OF WELSH HIGHLAND RAILWAY LIMITED
(Limited by Guarantee)

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies on page 6.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charity's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the charity's affairs as at December 31, 1998 and of its financial activities and surplus for the year then ended and have been properly prepared in accordance with the provisions of the Companies Act 1985 applicable to small companies.


MORRIS GREGORY
CHARTERED ACCOUNTANTS
and
REGISTERED AUDITORS
OLDHAM

May 1, 1999

**STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 1998**

SUMMARY INCOME AND EXPENDITURE ACCOUNT

	<u>Notes</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u> <u>1998</u>	<u>Total</u> <u>1997</u>
		£	£	£	£
Incoming resources					
Passenger fares and other income	2	-	19,808	19,808	21,939
Covenanted income from subsidiary companies		-	5,167	5,167	7,500
Contribution from subsidiary company		-	3,000	3,000	2,000
Fundraising and subscriptions		2,587	18,547	21,134	23,453
Total income		£ 2,587	£ 46,522	£ 49,109	£ 54,892
Resources expended					
Direct charitable expenditure					
Railway operating costs and projects		1,523	36,905	38,428	39,316
Other expenditure					
Management and administration		-	9,485	9,485	7,779
Total expenditure		£ 1,523	£ 46,390	£ 47,913	£ 47,095
Net income for the year	3	£ 1,064	£ 132	£ 1,196	£ 7,797

There were no recognised gains or losses other than those included in the statement of financial affairs.

The notes on pages 6 to 11 form part of these financial statements.

WELSH HIGHLAND RAILWAY LIMITED
(Limited by Guarantee)

5

BALANCE SHEET
AT DECEMBER 31, 1998

	<u>Notes</u>	<u>1998</u>	<u>1997</u>
		£	£
Fixed assets			
Tangible assets	5	272,050	250,457
Investments	6	18,202	18,202
		<u>290,252</u>	<u>268,659</u>
Current assets			
Stocks		500	-
Debtors	7	4,514	4,198
Cash at bank and in hand		8,639	16,262
		<u>13,653</u>	<u>20,460</u>
Creditors: amounts falling due within one year	8	(29,218)	(33,228)
Net current liabilities		<u>(15,565)</u>	<u>(12,768)</u>
Total assets less current liabilities		<u>274,687</u>	<u>255,891</u>
Creditors: amounts falling due after more than one year	9	(17,885)	-
Deferred grants	10	(12,678)	(12,963)
		<u>£ 244,124</u>	<u>£ 242,928</u>
Capital			
Revaluation reserve	12	120,265	120,701
Restricted income funds	12	10,887	9,823
Unrestricted funds	12	112,972	112,404
Retained funds	13	<u>£ 244,124</u>	<u>£ 242,928</u>

The financial statements have been prepared in accordance with the special provisions relating to small companies within Part VII of the Companies Act 1985.

Approved by the board of directors on May 1, 1999 and signed on its behalf.



D.M. Meller
Director

The notes on pages 6 to 11 form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

1. Accounting policies

1.1 Basis of preparation

The financial statements are prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards and incorporate the results of the principal activity which is described in the directors' report and which is continuing.

The company has taken advantage of the exemption in FRS 1 from the requirement to prepare a cash flow statement on the grounds that it is a small company.

The company and its subsidiary undertakings comprise a small group. The company has taken advantage of the exemption provided by Section 248 of the Companies Act 1985 not to prepare group accounts. The financial statements therefore present information about the company as one individual undertaking and not about its group.

The company is a registered charity under Charity Number 1039817.

1.2 Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less depreciation.

Depreciation is provided at rates calculated to write off the cost or valuation of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Freehold buildings	-	2% straight line basis
Rail, rolling stock, plant and machinery	-	rates between 10% reducing balance basis and 50% straight line basis.

1.3 Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for obsolete and slow moving stocks.

2. Turnover

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts. Turnover is attributable to one continuing activity.

There were no exports during the year.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

3. Operating surplus

The operating surplus is stated after charging or (crediting):

	<u>1998</u>	<u>1997</u>
	£	£
Depreciation of tangible fixed assets		
- owned by the company	7,096	7,358
Life memberships released to income	(1,448)	(1,438)
Grant released to income	(285)	(285)

4. Taxation

There is no corporation tax payable because of the company's charitable status.

5. Tangible fixed assets

	<u>Freehold land and buildings</u>	<u>Rail, rolling stock, plant and machinery</u>	<u>Total</u>
	£	£	£
Cost or valuation			
At January 1, 1998	226,719	107,216	333,935
Additions	24,632	6,427	31,059
Disposals	-	(2,370)	(2,370)
At December 31, 1998	<u>251,351</u>	<u>111,273</u>	<u>362,624</u>
Depreciation			
At January 1, 1998	12,903	70,575	83,478
Charge for the year	2,887	4,209	7,096
At December 31, 1998	<u>15,790</u>	<u>74,784</u>	<u>90,574</u>
Net book values			
At December 31, 1998	<u>£ 235,561</u>	<u>£ 36,489</u>	<u>£ 272,050</u>
At December 31, 1997	<u>£ 213,816</u>	<u>£ 36,641</u>	<u>£ 250,457</u>

Included in the cost or valuation of freehold land and buildings are assets stated at their 1990 valuation of £150,000. The original cost of these assets amounted to £35,549.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

6. Investments

		<u>1998</u>	<u>1997</u>
		£	£
Investment in subsidiary undertakings			
Subsidiary company	- Cwmni Rheilffordd Beddgelert Cyfyngedig	18,100	18,100
	- Cwmni Rheilffordd Caernarfon Cyfyngedig	100	100
	- Welsh Highland Railway Trading Limited	2	2
		<u>£ 18,202</u>	<u>£ 18,202</u>

	<u>Beddgelert</u>	<u>Caernarfon</u>	<u>W H R Trading Ltd</u>
Country of registration	England and Wales	England and Wales	England and Wales
Holding	Ordinary shares	Ordinary shares	Ordinary shares
Proportion held	100%	100%	100%
Aggregate of share capital and reserves			
At December 31, 1998	£ 18,200	£ (3)	£ 2
Profit/(loss) retained for the financial year ended			
December 31, 1998	£ 56	£ (35)	£ Nil
Nature of business	(see below)*	Non-trading	Non-trading

*The raising of funds by various means in order to rebuild, restore and operate the narrow gauge railway between Porthmadog and Dinas. The company also operates the shop.

7. Debtors

	<u>1998</u>	<u>1997</u>
	£	£
Due within one year		
Income tax recoverable	3,439	1,725
Other taxation recoverable	140	-
Other debtors	-	844
Amounts due from subsidiary companies	935	1,201
Prepayments and accrued income	-	428
	<u>£ 4,514</u>	<u>£ 4,198</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998

8. Creditors: amounts falling due within one year

	<u>1998</u>	<u>1997</u>
	£	£
Bank loans and overdrafts (secured)	1,311	2,909
Trade creditors	4,527	6,195
Amounts due to subsidiary company	290	-
Interest free loans	2,100	2,100
Accruals	1,259	1,045
Life memberships reserve	19,731	20,979
	<u>£ 29,218</u>	<u>£ 33,228</u>

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

	<u>1998</u>	<u>1997</u>
Bank loan (secured)	£ 17,885	£ -
Analysis of maturity of debt:		
Within one year	1,311	-
Between one and two years	1,448	-
Between two and five years	5,320	-
After five years	11,117	-
	<u>£ 19,196</u>	<u>£ -</u>

10. Deferred grants

	<u>At January 1, 1998</u>	<u>Received during the year</u>	<u>Released to income</u>	<u>At December 31, 1998</u>
	£	£	£	£
Welsh Development Agency	8,760	-	230	8,530
Welsh Tourist Board	2,243	-	15	2,228
Gwynedd Council	1,960	-	40	1,920
	<u>£ 12,963</u>	<u>£ -</u>	<u>£ 285</u>	<u>£ 12,678</u>
To be released				
Within 12 months				285
After 12 months				12,393
				<u>£ 12,678</u>

The grants will be released back to income over the life of the assets to which they relate.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

11. Liability of members

The number of members at December 31, 1998 is 1,056 (1997 : 1,210) and in the event of a winding up of the company each member shall contribute to the debts and liabilities up to a maximum of £1. In addition to the above there are 73 junior members.

12. Reserves

	<u>Restricted income funds</u>	<u>Unrestricted funds</u>	<u>Revaluation reserve</u>
	£	£	£
At January 1, 1998	9,823	112,404	120,701
Net income for the year	1,064	132	-
Transfer to profit and loss account	-	436	(436)
At December 31, 1998	<u>£ 10,887</u>	<u>£ 112,972</u>	<u>£ 120,265</u>

13. Reconciliation of movement in retained funds

	<u>1998</u>	<u>1997</u>
	£	£
At January 1, 1998	242,928	235,131
Surplus for the year	1,196	7,797
At December 31, 1998	<u>£ 244,124</u>	<u>£ 242,928</u>

14. Special projects

At December 31, 1998 the company had received specific donations of £1,064 (1997 : £7,351) which were held in connection with future expenditure on various projects as follows:

	<u>1998</u>	<u>1997</u>
	£	£
Pedemoura	1,730	1,730
Bagnall 3050	571	511
Bagnall 3023	236	236
Barclay Locos	112	-
Karen	1,835	1,910
Gladstone	631	828
NG15	4,628	2,835
Weighbridge	94	94
Museum	229	229
Membership	821	1,450
	<u>£ 10,887</u>	<u>£ 9,823</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 1998**

15. Analysis of fund balances between the net assets

	<u>Revaluation reserve</u>	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
	£	£	£	£
Tangible fixed assets	120,265	140,898	10,887	272,050
Investments	-	18,202	-	18,202
Net current liabilities	-	(15,565)	-	(15,565)
Creditors due after more than one year	-	(17,885)	-	(17,885)
Deferred grants	-	(12,678)	-	(12,678)
	<u>£ 120,265</u>	<u>£ 112,972</u>	<u>£ 10,887</u>	<u>£ 244,124</u>

16. Capital commitments

At December 31, 1998 the company had capital commitments of £Nil (1997 : £30,000) both authorised and contracted for.