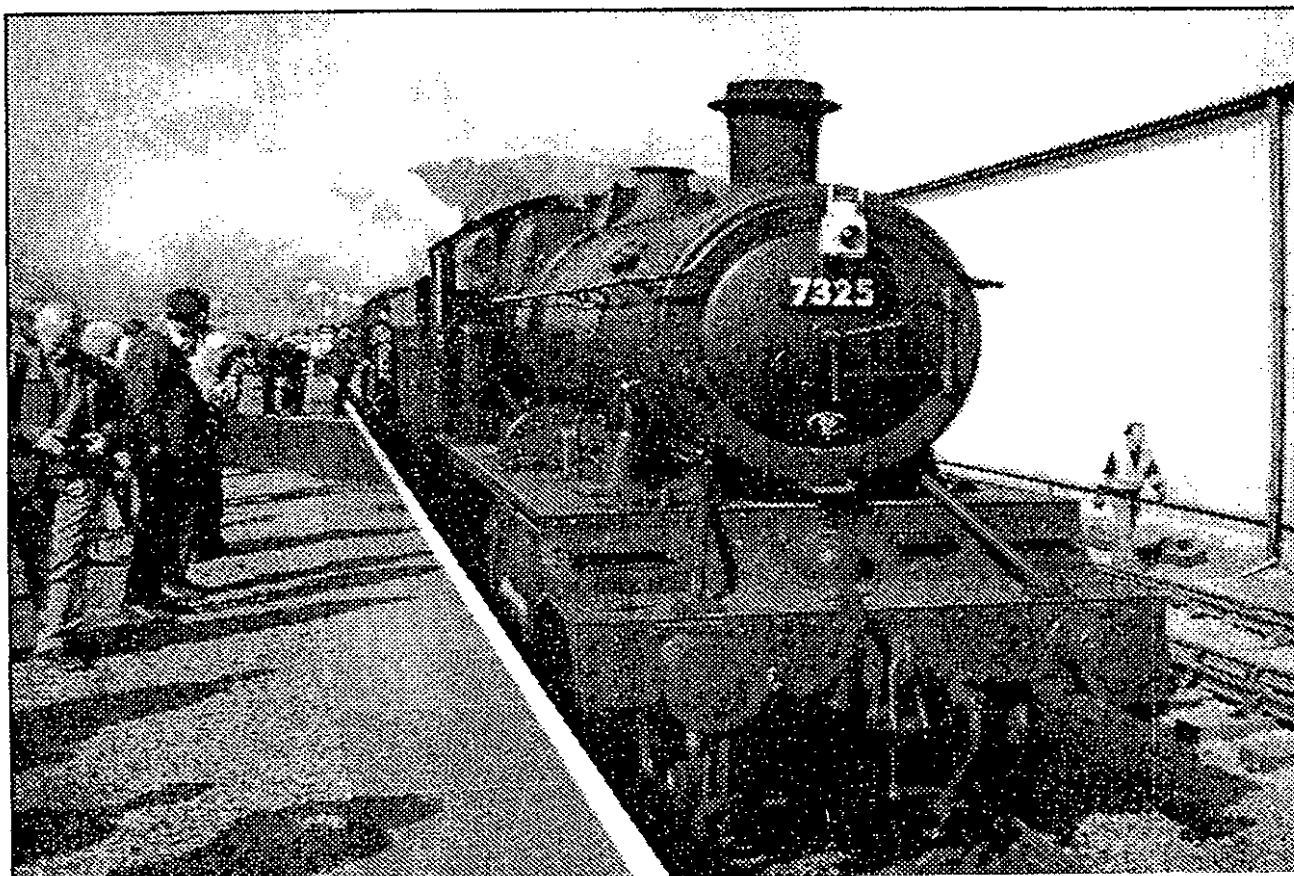


1010188

# West Somerset Railway

Public Limited Company



## Report and Financial Statements

for the year ended 31st December 1998



West Somerset Railway Public Limited Company

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# Company Information

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## DIRECTORS

‡D. H. Taylor F.C.I.S., F.Inst.Mgt., F.Inst. Pet. Chairman

øM. L. Smith Managing Director

\*†øD. T. Morgan T.D., M.C.I.T. Deputy Chairman

C. W. J. Dowrick A.C.I.B.

†R. L. Lizars A.C.I.B. Secretary

\*Mrs. A. M. Short F.C.A. (W.S.R.A. Representative)

\*†J. M. Donner

\*øC. A. Austin M.A., M.C.I.T.

\*øB. J. Crudge (W.S.R.A. Representative)

\*†‡P. T. Swan F.C.A.

N. I. Lowther F.C.A.

\*H. R. Davies I.Eng., M.I.B.F. (W.S.R.A. Representative)

\*†R. S. Savill F.C.A.

\* Non Executive Director

† Member of Audit Committee

‡ Member of Remuneration Committee

ø Member of Safety Audit Committee

## REGISTERED OFFICE

The Railway Station

Minehead

Somerset TA24 5BG

Telephone 01643 704996

## AUDITORS

Deloitte & Touche

Queen Anne House

69 - 71 Queen Square

Bristol BS1 4JP

## BANKERS

Lloyds Bank Plc

19 The Parade

Minehead

Somerset TA24 5LU

West Somerset Railway Public Limited Company

# Notice of Meeting

NOTICE IS HEREBY GIVEN of the twentyseventh Annual General Meeting of the Company which will be held at The Hobby Horse Inn, Sea Front, Minehead on Saturday, 26th June 1999 at 2.30 p.m. to transact the following business:

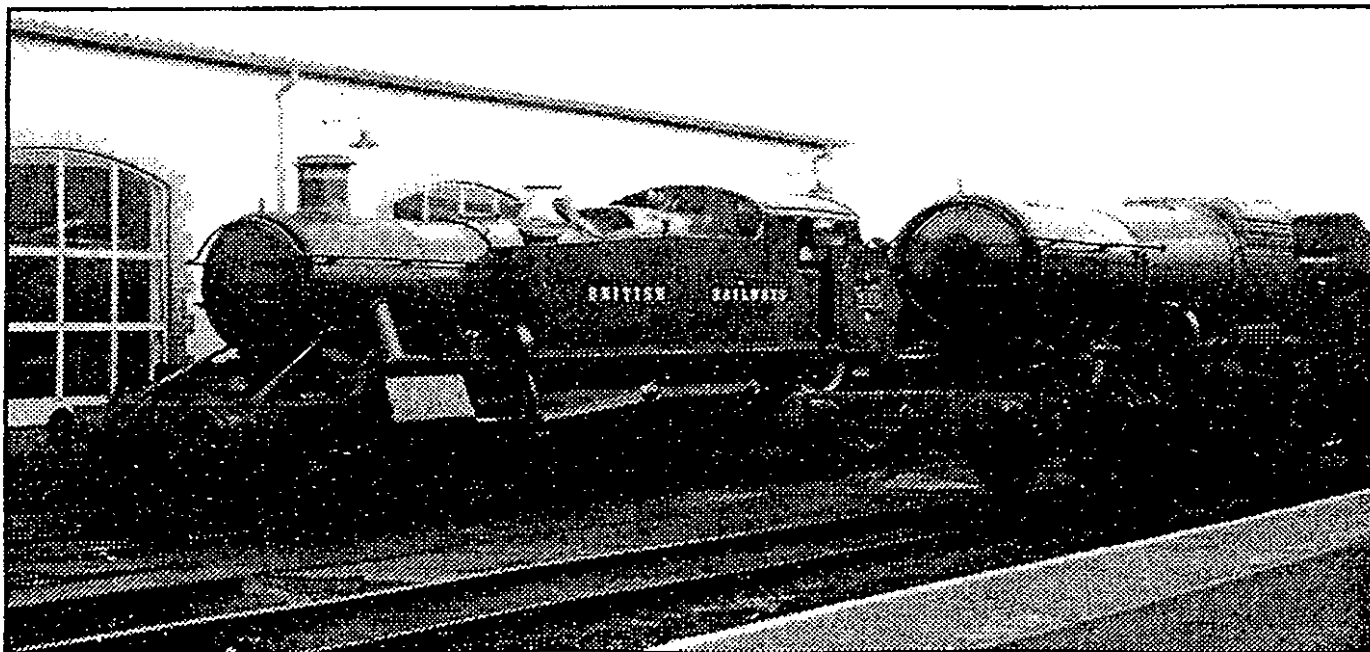
1. To consider the Company's financial statements and the Reports of the Directors and Auditors for the year ended 31st December 1998.
2. To elect Directors (see Directors' Report).
3. To re-appoint Messrs. Deloitte & Touche as Auditors to the Company and to authorise the Directors to agree their remuneration.
4. To transact any other business which may be properly transacted at an Annual General Meeting.



By Order of the Board  
R. L. Lizars A.C.I.B.  
Secretary  
27th March 1999

The Railway Station, Minehead, Somerset TA24 5BG

**NOTE:** Any member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.



# Chairman's Report

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The first duty we have as a Board is to ensure that we run a financially successful Company, as well as a successful heritage steam railway, based as it is, on a former Great Western branch line.

On behalf of the Board I would again thank you, our shareholders, for your support together with all those, both the paid staff and volunteers who contribute so much to your Company's continued success, not only in 1998, but over many years. Success as a Company would not be achieved without such support. Indeed the increased input of our volunteers has done so much to ensure our development.

Whilst passenger numbers were slightly down in 1998, to 144,160 from 146,883, this was due in part to our not being able to run trains so early in the season as a result of the building of our new engineering facility. Nevertheless a Nett Profit of £42,896 before taxation was achieved compared with £55,732 in 1997. Both years of course included a contribution from the stone traffic, now completed. Fares from service trains increased to £714,879 from £708,379. We now show a surplus on our Profit & Loss Account of £31,659 as opposed to carrying a Loss forward as we have for so many years. The Nett Worth of the Company is now £1,032,281.

Those of you who visit the line cannot fail to be impressed at the giant steps forward all along the line to ensure we present to the public a realistic reproduction of the former Great Western Railway days, both on the line and off. It is now well worth your seeing in its own right.

We identified in our last Share Prospectus the need for owning our own Steam Locomotive. After years of searching we have been successful in purchasing No. 5193, a Large Prairie, Class 5101, 2-6-2 tank engine at a cost of £50,000. The additional cost of restoring the engine will be some £115,000, and I ask for your support in this important development by purchasing further shares in your Company. A separate appeal letter and Share Application Form is enclosed with this report.

It has to be remembered that the Cash sums shown in the Balance Sheet will have diminished sharply by the end of March 1999. So much of that figure is already committed. Some £160,000 will be spent on renovating 53808 and providing improved signalling at Bishops Lydeard, being in the latter case our contribution to the expected improved connection to the main line at Norton Fitzwarren. The coastal erosion at Doniford will result in a call on our finances, but as I write we do not know when the work will commence.

In 1998 we completely overhauled a rail over main road bridge at a cost of £12,000. There are another four bridges to be overhauled.

West Somerset Railway Public Limited Company

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# Chairman's Report (continued)

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Repetition I accept, but I must again remind you just how much Government legislation affects your Company and its finances. We have complied, and will comply with all these requirements whether as a Company or as a railway and they will add to our costs. We cannot forecast what lies round the corner. It is incumbent on your Board to exercise financial prudence so as to be prepared to deal with any further unexpected happenings along the line.

Your Board looks forward with some confidence to 1999 and the years beyond and with your support we will continue to move your Company forward.

Dennis H. Taylor  
Chairman

27th March 1999



## West Somerset Railway Public Limited Company

# Directors' Report

The Directors present their report and the audited financial statements for the year ended 31st December 1998.

### Activities

The principal activity of the Company is to operate the West Somerset Railway between Minehead and Bishops Lydeard in the County of Somerset.

### Results and Dividends

The profit for the year is as stated in the profit and loss account. The Directors do not recommend the payment of a dividend.

### Issue of Shares

The Company issued a further 251,250 10p ordinary shares at par for cash consideration in order to provide additional capital.

### Review of Developments and Future Prospects

A review of activities for the year and likely future developments is included in the Chairman's report on page 3 which is deemed to form part of this report.

### Directors

The Directors and their interests in the Share Capital of the Company on 1st January 1998 and 31st December 1998 were as follows:

	Ordinary Shares of 10p each	
	31st December 1998	1st January 1998
D. H. Taylor	8,200	7,700
D. T. Morgan	4,050	4,050
C. W. J. Dowrick	17,750	16,750
R. L. Lizars	21,800	21,800
M. L. Smith	15,000	14,000
Mrs. A. M. Short	12,000	12,000
J. M. Donner	50,000	50,000
C. A. Austin	7,500	7,500
B. J. Crudge	50	50
P. T. Swan	10,000	10,000
N. I. Lowther	1,000	1,000
H. R. Davies	1,000	1,000
R. S. Savill	9,000	7,800

In accordance with the Articles of Association Messrs. Austin, Davies and Lowther retire from office and, being eligible, offer themselves for re-election.

### Corporate Governance

The Cadbury Committee's report on the financial aspects of corporate governance contained a Code of Best Practice. Whilst there is no requirement on the Company to do so, the Directors have reviewed the Company's practices in respect of those recommendations contained in the Code which they believe to be most relevant to the Company. The following information is presented as voluntary disclosures for the benefit of the shareholders. The Company has not complied with, and has not attempted to comply with, the full requirements of the Code.

## Directors' Report (continued)

### *Board of Directors:*

The Company has a Board of Directors of five executive and eight non executive Directors which the Board believes is appropriate for the Company at the current time. The Board meets formally on a regular basis, normally each month. Written procedures have been approved by the Board covering matters which require specific Board approval. Similarly, there are written procedures enabling Board members to seek independent professional advice in furtherance of their duties.

### *Remuneration Committee:*

The Remuneration Committee consists of one Non-Executive Director and one Executive Director. Apart from the Managing Director all directors are unpaid. The remuneration of the Managing Director is decided by the Remuneration Committee.

### *Audit Committee:*

The Audit Committee consists of four Non-Executive Directors and the Company Secretary who is also secretary of the Audit Committee. Other Board members also have the right to attend. However, at least once each year, the Committee meets with the external auditors without Executive Board members being present, except by invitation.

### *Safety Audit Committee:*

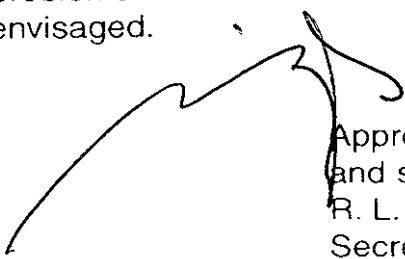
It is the Board's policy to oversee the safe operation of the railway, and it has appointed a committee of three Non-Executive Directors and the Managing Director to supervise all matters relating to safety concerns.

### *Payment Policy:*

It is Company policy to comply with the terms of payment agreed with a supplier. Where terms are not negotiated the company endeavours to adhere to the supplier's standard terms. The company's year end trade creditors correspond to 22 days of credit purchases.

### *Year 2000:*

The Company is actively reviewing areas where the advent of the year 2000 might affect its business and operations. No problems have been identified to date, and no substantial costs have been incurred or are envisaged.



Approved by the Board of Directors  
and signed on behalf of the Board  
R. L. Lizars A.C.I.B.  
Secretary  
27th March 1999

# West Somerset Railway Public Limited Company

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## Statement of Directors' Responsibilities

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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 as at the end of the financial year and of the profit or 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;
- state whether applicable accounting standards have been followed;
- 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.

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## Auditors' Report

### to the members of the West Somerset Railway Public Limited Company

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We have audited the financial statements on pages 8 to 13 which have been prepared under the accounting policies set out on page 10.

#### **Respective responsibilities of directors and auditors**

As described above 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 company's circumstances, consistently applied and adequately disclosed.

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

#### **Opinion**

In our opinion the financial statements give a true and fair view of the company's affairs as at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

DELOITTE & TOUCHE  
Chartered Accountants  
and Registered Auditors  
29th March 1999



Queen Anne House  
69-71 Queen Square  
Bristol BS1 4JP



West Somerset Railway Public Limited Company

# Profit and Loss Account

for the year ended 31st December 1998

	Note	1998 £	1997 £
<b>Turnover</b>		1,082,522	1,160,876
Staff costs	(2)	(276,175)	(284,472)
Depreciation		(45,936)	(45,507)
Amortisation of government grant		2,291	1,388
Other operating charges		(756,259)	(808,710)
Interest receivable		36,453	32,157
<b>Profit on ordinary activities before taxation</b>	(3)	42,896	55,732
<b>Taxation</b>	(4)	(9,600)	(12,023)
<b>Profit on ordinary activities after taxation</b>	(13)	33,296	43,709

The company has no recognised gains or losses other than those included in the Profits above and therefore no separate statement of total recognised gains and losses has been presented.  
All items relate to continuing operations.

# Balance Sheet

as at 31st December 1998

	Note	1998 £	1997 £
<b>Fixed Assets</b>	(5)	599,659	491,253
<b>Current Assets</b>			
Stocks	(7)	51,029	61,562
Debtors and prepayments	(8)	33,463	111,674
Cash at bank and in hand		695,568	586,484
		<u>780,060</u>	<u>759,720</u>
<b>Creditors: Amounts Falling Due Within One Year</b>	(9)	150,670	143,148
<b>Net Current Assets</b>		629,390	616,572
<b>Total Assets Less Current Liabilities</b>		1,229,049	1,107,825
Provisions for Liabilities and Charges	(10)	(143,163)	(100,642)
Accruals and Deferred Income	(11)	(53,605)	(33,323)
		<u>1,032,281</u>	<u>973,860</u>
<b>Capital and Reserves</b>			
Called up share capital	(12)	1,000,622	975,497
Profit and loss account	(13)	31,659	(1,637)
Equity shareholders' funds		<u>1,032,281</u>	<u>973,860</u>

The financial statements on pages 8 to 13 were approved by the Board of Directors on 27th March 1999.  
Signed on behalf of the Board of Directors

D. H. TAYLOR  
M. L. SMITH

Directors

*D. H. Taylor*  
*D. H. Taylor*

*Mark Smith*  
*Mark Smith*

West Somerset Railway Public Limited Company

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# Statement of Cash Flows

for the year ended 31st December 1998

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	Note	£	1998 £	£	1997 £
<b>Net cash inflow from operating activities</b>	(17)		155,668		110,083
<b>Returns on investments and servicing of finance</b>					
Interest received			36,453		32,157
<b>Taxation</b>					
Corporation tax paid		(11,345)		(3,640)	
Corporation tax repaid		—	(11,345)	245	(3,395)
<b>Capital Expenditure</b>					
Purchase of tangible fixed assets		(154,342)		(160,602)	
Proceeds from sale of tangible fixed assets		241		558	
Grants received for purchase of fixed asset		57,284	(96,817)	—	(160,044)
			83,959		(21,199)
<b>Financing</b>					
Issue of ordinary share capital			25,125		48,270
<b>Increase in cash</b>	(18)		109,084		27,071



West Somerset Railway Public Limited Company

# Notes to the Financial Statements

for the year ended 31st December 1998

## 1. Accounting Policies

The financial statements have been prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

### ACCOUNTING CONVENTION

The financial statements are prepared under the historical cost convention.

### TANGIBLE FIXED ASSETS

Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Long leasehold land & buildings	2% per annum
Rolling Stock	13-30% per annum
Plant and machinery	10-33% per annum
Fixtures and fittings	20-50% per annum
Motor vehicles	33-40% per annum
Track and pointwork	10-13% per annum
Leasehold improvements	4% per annum

No depreciation has been charged on the unrestored locomotive purchased in November 1998.

### DEFERRED TAXATION

Deferred taxation is provided at the anticipated tax rates on differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements to the extent that it is probable that a liability or asset will crystallise in the future.

### STOCKS

Stocks are valued at the lower of cost and net realisable value.

### GOVERNMENT GRANTS

Government grants made as a contribution towards expenditure on fixed assets are recognised in the balance sheet as deferred income and amortised to the profit and loss account in equal annual instalments over the estimated lives of the assets to which they relate.

### PENSION COSTS

Pension costs relating to the company's defined contribution pension scheme are charged against profits as they become payable.

## 2. Information Regarding Directors and Employees

	1998 £	1997 £
Directors' emoluments (as employees):		
Remuneration (including benefits in kind)	26,610	26,330
Contributions to defined contribution pension scheme	2,661	2,583
	<u>29,271</u>	<u>28,913</u>

One director only received any remuneration and is a member of the pension scheme.

### Employee costs during the year:

Wages and salaries	247,571	254,726
Social security costs	15,918	17,541
Pension costs	12,686	12,205
	<u>276,175</u>	<u>284,472</u>

### Average number of persons employed:

Railway	No. 23	No. 24
Shop	3	3
Total (full time equivalents)	<u>26</u>	<u>27</u>

West Somerset Railway Public Limited Company

# Notes to the Financial Statements

(cont.) for the year ended 31st December 1998

## 3. Profit on Ordinary Activities Before Taxation

	1998 £	1997 £
Profit on ordinary activities before taxation is after charging:		
Rolling stock hire	131,317	136,569
Auditors' remuneration – audit fee	3,100	3,200
– non audit work	1,000	1,075
Rentals under operating leases	7,833	7,833

## 4. Taxation

	1998 £	1997 £
United Kingdom Corporation Tax at 21%(1997 21.75%) based on the profit for the year	7,940	13,250
Deferred taxation	1,951	(203)
Adjustment in respect of prior years – Corporation tax	(1,887)	(245)
– Deferred tax	1,596	(779)
	<u>9,600</u>	<u>12,023</u>

The tax charge is disproportionately high in relation to the profit for the year because of the incidence of depreciation on assets not qualifying for capital allowances.

## 5. Tangible Fixed Assets

	Total £	Long Leasehold Land & Buildings £	Fixtures & Fittings £	Leasehold Improve- ments £	Plant & Machinery £	Rolling Stock £	Motor Vehicles £	Track & Point Work £
COST								
As at 1.1.98	840,339	210,000	28,882	261,708	63,156	95,011	7,777	173,805
Additions	154,342	–	1,149	78,597	3,742	54,298	–	16,556
Disposals	(11,448)	–	–	–	(4,143)	(7,305)	–	–
As at 31.12.98	<u>983,233</u>	<u>210,000</u>	<u>30,031</u>	<u>340,305</u>	<u>62,755</u>	<u>142,004</u>	<u>7,777</u>	<u>190,361</u>

### ACCUMULATED DEPRECIATION

As at 1.1.98	349,086	35,700	25,486	47,230	55,732	77,328	2,593	105,017
Charge for year	45,936	4,200	2,302	12,601	3,156	3,666	2,592	17,419
	<u>395,022</u>	<u>39,900</u>	<u>27,788</u>	<u>59,831</u>	<u>58,888</u>	<u>80,994</u>	<u>5,185</u>	<u>122,436</u>
Disposals	(11,448)	–	–	–	(4,143)	(7,305)	–	–
As at 31.12.98	<u>383,574</u>	<u>39,900</u>	<u>27,788</u>	<u>59,831</u>	<u>54,745</u>	<u>73,689</u>	<u>5,185</u>	<u>122,436</u>

### NET BOOK VALUE

As at 31.12.98	<u>599,659</u>	<u>170,100</u>	<u>2,243</u>	<u>280,474</u>	<u>8,010</u>	<u>68,315</u>	<u>2,592</u>	<u>67,925</u>
As at 31.12.97	<u>491,253</u>	<u>174,300</u>	<u>3,396</u>	<u>214,478</u>	<u>7,424</u>	<u>17,683</u>	<u>5,184</u>	<u>68,788</u>

## 6. Investments

The company holds one £500 share in 5542 Limited and two £500 shares in Dinmore Manor Locomotive Limited which were given to the company and therefore have nil cost.

## 7. Stocks

	1998 £	1997 £
Raw materials and consumables	18,011	25,074
Goods for resale	33,018	36,488
	<u>51,029</u>	<u>61,562</u>

West Somerset Railway Public Limited Company

# Notes to the Financial Statements

(cont.) for the year ended 31st December 1998

## 8. Debtors

	1998 £	1997 £
Trade debtors	17,752	52,635
Value Added Tax	9,372	15,130
Other debtors	3,609	41,091
Prepayments	2,730	2,818
	<u>33,463</u>	<u>111,674</u>

## 9. Creditors

	1998 £	1997 £
Trade creditors	60,488	64,950
Tax and social security	12,302	22,931
Other creditors	19,893	20,550
Accruals	57,987	34,717
	<u>150,670</u>	<u>143,148</u>

## 10. Provisions for Liabilities and Charges

	Balance at 1st January 1998 £	Charged/ (credited) to profit and loss account £	Balance at 31st December 1998 £
Deferred maintenance (locomotive repair)	94,274	38,974	133,248
Deferred taxation	6,368	3,547	9,915
	<u>100,642</u>	<u>42,521</u>	<u>143,163</u>

### Deferred Taxation

The amount of deferred taxation provided in the accounts is as follows:

	1998 £	1997 £
Excess of capital allowances over depreciation	<u>9,915</u>	<u>6,368</u>

There were no unprovided amounts

## 11. Accruals and Deferred Income

	1998 £	1997 £
Government grant	£	£
Balance at 1 January 1998	33,323	—
Receivable during the year	22,573	34,711
Amortised to profit and loss account	(2,291)	(1,388)
Balance at 31 December 1998	<u>53,605</u>	<u>33,323</u>

## 12. Called Up Share Capital

	1998		1997	
	No.	£	No.	£
Authorised ordinary shares of 10p each	15,000,000	1,500,000	15,000,000	1,500,000
Allotted and fully paid:				
Balance at beginning of year	9,754,970	975,497	9,272,270	927,227
Ordinary shares issued in year	251,250	25,125	482,700	48,270
Balance at end of year	<u>10,006,220</u>	<u>1,000,622</u>	<u>9,754,970</u>	<u>975,497</u>

During the year a further 251,250 ordinary shares were issued at par.

West Somerset Railway Public Limited Company

# Notes to the Financial Statements

(cont.) for the year ended 31st December 1998

## 13. Combined reconciliation of movement in Shareholders' Funds and movements in Reserves

	Called up share capital £	Profit and loss account £	Total £	1997 Total £
Balance as at 1st January	975,497	(1,637)	973,860	881,881
Shares issued in year	25,125	—	25,125	48,270
Retained profit for year	—	33,296	33,296	43,709
Balance at 31st December	<u>1,000,622</u>	<u>31,659</u>	<u>1,032,281</u>	<u>973,860</u>

## 14. Operating Lease Commitments

At 31st December 1998 the Company was committed to payments of £7,000 p.a. for the next 4 years under a land lease.

## 15. Contingent Liabilities

Provision has now been made for the anticipated costs of the Company's contribution to sea defence work in the Watchet area.

## 16. Capital Commitments

Capital expenditure of £14,210 has been contracted for but not provided at 31st December 1998 (1997 £65,120).

## 17. Reconciliation of Operating Profit to Net Cash Inflow from Operating Activities

	1998 £	1997 £
Profit before tax	42,896	55,732
less Interest receivable	<u>(36,453)</u>	<u>(32,157)</u>
Operating profit before interest	6,443	23,575
Profit on sale of fixed assets	(241)	(556)
Depreciation less amortisation of grant	43,645	44,119
Provisions created	38,974	56,774
Decrease in stock	10,533	3,974
Decrease/(increase) in debtors	43,500	(38,022)
Increase in creditors	<u>12,814</u>	<u>20,219</u>
Net cash inflow from operating activities	<u>155,668</u>	<u>110,083</u>

## 18. Analysis of Changes in Cash during the year.

	1998 £	1997 £
Balance at 1st January	586,484	559,413
Net cash inflow	<u>109,084</u>	<u>27,071</u>
Balance at 31st December	<u>695,568</u>	<u>586,484</u>

West Somerset Railway Public Limited Company

# Detailed Profit and Loss Account

for the year ended 31st December 1998

	1998 £	1997 £
<b>Revenue</b>		
Fares from service trains	714,879	708,379
Freight income	53,577	117,701
Wine and dine haulage	13,631	11,615
Driver training	20,039	16,801
Rent and wayleaves	8,221	7,846
Shop and buffet	202,263	219,609
Ticket printing sales	8,610	8,811
Other trading income	61,302	70,114
Interest receivable	36,453	32,157
Profit on sale of fixed assets	241	556
	<u>1,119,216</u>	<u>1,193,589</u>
<b>Expenditure</b>		
Salary and related costs	263,489	272,267
Pension costs	12,686	12,205
Operating: Fuel	93,173	96,615
Water and sewerage	13,273	11,221
Stock hire	131,317	136,569
Stock maintenance	129,629	131,945
Coach hire	5,739	5,643
Track maintenance	75,562	116,415
Bridge, road and building maintenance	26,051	21,115
Signal and telegraph	5,359	5,730
Driver training	897	717
Other operating costs	10,505	16,452
Establishment: Rent and rates	18,012	12,749
Light and heat	10,237	11,315
Insurance	23,211	22,453
Depreciation, less amortisation of grant	43,645	44,119
Shop and buffet supplies	136,783	144,965
Administration: Post and telephone	11,385	10,940
AGM and audit	6,986	7,742
Legal and professional	6,625	4,271
Other administration	25,351	27,531
Publicity	26,405	24,878
	<u>1,076,320</u>	<u>1,137,857</u>
<b>Profit before Taxation</b>	42,896	55,732
Taxation	(9,600)	(12,023)
<b>Profit after Taxation</b>	<u>33,296</u>	<u>43,709</u>

## Directors' Statement

The additional information on this page has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the Auditors' Report thereon.

