

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

REPORT AND FINANCIAL STATEMENTS 2016

CONTENTS

	Page
Officers and Professional advisers	2
Notice of Meeting	3
Chairman's Report	6
Strategic Report	8
Report of the Directors	13
Statement of Directors' Responsibilities	15
Report of the Independent Auditors	16
Income Statement	18
Balance Sheet	19
Statement of Changes in Equity	20
Statement of Cash Flows	21
Notes to the Financial Statements	23



WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

OFFICERS AND PROFESSIONAL ADVISERS

VICE PRESIDENT

D T Morgan MBE TD MCIT

DIRECTORS

R B Auger BSc CEng MICE MStructE (Infrastructure)

C W Bolt CB MSc (Econ) BA (Finance Director and IT)

I K Coleby (Vice chairman)

K J Davidge (Safety Audit)

G W Evens

B J Grellier BSc (Volunteer Development)

P D Hancock BA, QPM (Operations)

Prof J Irven MA PhD CSci CChem FRSC (Chairman)

A D Nicholson-Florence BSc CEng MIMechE (Commercial)

G W Pateman BSc (Econ), CPFA (Governance)

S V Williams MSc MHSM (Strategy, Planning & Partnerships and Inward Investment)

ASSOCIATE DIRECTOR

P W Conibeare MIRO (General Manager)

REGISTERED OFFICE

The Railway Station

Minehead

TA24 5BG

AUDITORS

A C Mole & Sons

Chartered Accountants

& Statutory Auditor

Stafford House

Blackbrook Park Avenue

Taunton TA1 2PX

BANKERS

Lloyds Bank plc

5 Long Street

Williton TA3 3QH

Barclays Bank PLC

46 North Street

Taunton TA1 1LZ

SOLICITORS

Pardoes

West Quay House

Northgate

Bridgwater TA6 3EU

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

WEST SOMERSET RAILWAY PLC - ANNUAL GENERAL MEETING

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN of the forty-fifth Annual General Meeting of the Company which will be held at The Hobby Horse Ballroom, The Esplanade, Minehead, Somerset TA24 5QP on Saturday 24 June 2017 at 2.00 pm to transact the business shown in the Agenda below.

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.

AGENDA

- To receive the minutes of the 2016 Annual General Meeting (attached)
- To consider the Company's Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2016
- To elect Directors

In accordance with the Articles of Association, Messrs R B Auger, C W Bolt, J Irven and G W Pateman retire from office; Messrs R B Auger, J Irven and G W Pateman, being eligible, offer themselves for re-election.

To confirm the appointment of Messrs B J Grellier, P D Hancock and A D Nicholson-Florence who have been co-opted to the Board since the last Annual General Meeting

- To appoint A C Mole & Sons as Auditors to the Company and to authorise the Directors to agree their remuneration
- To transact any other business which may be properly transacted at an Annual General Meeting
- To confirm the date and venue of the 2018 Annual General Meeting

Consideration of the accounts, balance sheets and reports of the Directors and Auditors, the election of directors in place of those retiring and the appointment and the fixing of the remuneration of the Auditors are, under the Articles of Association of the company, ordinary business, requiring a simple majority in the event of a vote. All other matters considered at General Meetings are deemed as special business, requiring a 75% majority in the event of a vote.

Following the formal business, the Chairman will give an update on current issues, and invite questions from shareholders.

S V Williams

Director

30 March 2017

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

MINUTES OF THE 44th MEETING HELD AT HOBBY HORSE HOTEL, MINEHEAD ON SATURDAY 25 JUNE 2016 AT 2.00 p.m

01. The Chairman welcomed Shareholders to the meeting.

- i) 111 Shareholders in attendance including 11 Directors and 2 Associate Directors
- ii) Total number of shares represented at the meeting (including Directors and Associate Directors shares): 5,077,487
- iii) David and Jill Baker were appointed as tellers for the meeting
- iv) Apologies were received from the following Directors: GW Evens, S V Williams

02. The meeting was asked to receive the minutes of the 2015 Annual General Meeting

Proposed: Michael Rowe Seconded: Peter Darke

Approved: Unanimous

03. The meeting was asked to accept the Company's Financial Statements and the Reports of Directors and Auditors for the year ended 31 December 2015 (No poll was requested)

Proposed: John Glover Seconded: Paul Whitehouse

Approved: No votes against in the meeting

In respect of proxy votes: 174 in favour (1,683,620 shares),
2 abstentions (14,800 shares).

04. The meeting was asked to appoint A C Mole as Auditors to the Company and to authorise the Directors to agree to its remuneration.

Proposed: Nigel Adams Seconded: Colin Southern

Approved: No votes against in the meeting

In respect of proxy votes: 173 in favour (1,678,620 shares), 3 abstentions (19,800 shares)

05. The meeting was asked to re-elect the following Directors:

Geoff Evens: Proposed: Paul Smale Seconded: John Kavanagh

Approved: No votes against in the meeting

In respect of proxy votes: 164 in favour (1,650,620 shares), 1 against (1,000 shares) & 11 abstentions (46,800 shares).

Steve Williams: Proposed: Chris Austin Seconded: John Cronin

Approved: No votes against in the meeting

In respect of proxy votes: 165 in favour (1,660,620 shares), 1 against (1,000 shares) & 10 abstentions (36,800 shares)

06. The meeting was asked to confirm the appointment of the following directors who had been co-opted to the Board since the 2015 AGM.

Ian Coleby: Proposed: Alan Stanistreet Seconded: Nigel Adams

Approved: Unanimous in the meeting

In respect of proxy votes: 171 in favour (1,682,670 shares), 1 against (1,000 shares) & 4 abstentions (14,750 shares)

Ken Davidge: Proposed: Robin White Seconded: John Kavanagh

Approved: Unanimous in the meeting

In respect of proxy votes: 164 in favour (1,655,520 shares), 4 against (4,100 shares) & 8 abstentions (38,800 shares)

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

MINUTES OF THE 44th MEETING HELD AT HOBBY HORSE HOTEL, MINEHEAD ON SATURDAY 25 JUNE 2016 AT 2.00 p.m - Continued

07. A special resolution was put to the meeting that Article 3 of the Articles of Association of the Company be amended by the following:

As from 25th day of June 2016 being the date of alteration of these Articles by passing of a Special Resolution, the authorised share capital of the company be increased from £2,500,000 to £3,500,000 by the creation of an additional 10,000,000 Ordinary Shares of 10p each.

Approved: Unanimous in the meeting

In respect of proxy votes: 170 in favour (1,679,120 shares) & 6 abstentions (19,300 shares)

08. The Chairman's Report highlighted a number of themes which included:

- a) The strengthening of the safety function with the appointment of a Director, Ken Davidge, to hold the Safety portfolio.
- b) Significant progress in installing the Williton loop extension
- c) Completion of the 1st phase of the covered shed at Bishops Lydeard
- d) Start of the Bishops Lydeard Station Farm initiative
- e) The acquisition of the new locomotive 4110 in 2015 funding for which will feature in the 2016 appeal
- f) A return of Tornado to the WSR in the 2015 autumn gala
- g) Re-affirmation from Somerset County Council that the WSR freehold sale offer had now been withdrawn and significant progress had been made, via a protection clause in the lease agreement, towards ensuring security of the freehold for the WSR family
- h) A significant improvement in the relationship between the Plc and the WSRA
- i) A brief outline of the financial performance in 2015 including:
 - (i) Railway income for 2015: £2,903,000 (in 2014: £2,895,000)
 - (ii) The contribution from retail operations 2015: £98,000 (in 2014: £106,000)
 - (iii) Operating costs and overheads in 2015: £2,859,000 (in 2014: £2,841,000)
 - (iv) Other operating income 2015: £122,000 (in 2014: £178,000)
 - (v) Profit after taxation 2015: £44,000 (2014: £68,000)
 - (vi) Allotted and fully paid ordinary shares purchased during 2015: £56,000 (2014: £27,000)
 - (vii) £122,000 was received from donations and legacies during 2015. (£178,000 in 2014)
 - (viii) The Chairman thanked the various station Friends groups who had donated substantial amounts for various projects
 - (ix) The Chairman indicated that the final result for 2015 was satisfactory
- j) The Chairman concluded his report by thanking those Directors who were retiring at this AGM, Geof Cox and David Baker. In respect of David Baker the Chairman referenced his significant contribution of many years of service for the WSR particularly as Director and Vice Chairman. He was delighted that David had agreed to continue as Share Registrar and Long Service Awards Scheme administrator.

09. The Company Secretary informed the meeting that the Board is proposing that the 2017 AGM would be held on Saturday 24 June. Following a discussion it was proposed that the 2017 meeting also be held at Minehead. This proposal was confirmed by a good show of hands.

10. The Chairman then took questions from the floor.

11. The Chairman concluded the meeting by proposing a vote of thanks to Jill and David Baker for their superb work in the organisation of this meeting.

CHAIRMAN'S REPORT 2016

2016 continued to be a challenging year, especially arising from some of the unexpected political and economic changes that have occurred. As in previous years, we have continued to focus on how we can continue to develop our railway into a sustainable activity whilst operating it efficiently and safely. The financial performance contained within our report and accounts demonstrates that with good management we could meet our goal of achieving an underlying profit surplus on our operations. This was achieved by achieving good revenues whilst controlling costs, and demonstrates our commitment to achieving a sustainable future. The Strategic Report details the reasons why in 2017 we have agreed a budget with an underlying operating loss for one year only, to make investments in key staff and capabilities that will help ensure our sustainability in years ahead.

Following some safety incidents this year we set up a Safety Project Group, reporting to the Board, to review and identify where our overall systems might need to be improved. The Group was chaired by our Governance Director, with directors and the General Manager as members. This complements the work of the Safety Audit Committee, whose remit is to verify that we are meeting our safety requirements. As a result, we have used an independent external audit of our capabilities to complement internal assessments to identify areas requiring attention, particularly the training, assessment, and certification of staff involved in safety critical activities.

Our Infrastructure Engineering department completed the main phase of the Minehead track relay, with the first phase of the Seaward Way level crossing upgrade to follow in November 2017, funded by Somerset County Council. The final phase of the Williton Loop project including signalling upgrades was also completed successfully. Additionally, at Bishop's Lydeard we have completed the covered shed to provide an improved working environment for volunteers working on locomotives and rolling stock. The temporary building and workshop for maintenance and engineering, together with support accommodation, was completed in time to accommodate those staff needing to vacate Brunel House when the WSRA lease expired in March.

Mechanical Engineering saw the retirement of Andy Forster, our CME, and the recruitment of Dave Horton as Head of Mechanical Engineering. Activities involved the continued work on 44422 and 9351, and an unexpected need to undertake boiler work on 7828. Locomotive 4160 went off for its scheduled overhaul. Plans for 2017 include the hiring of 7822 Foxcote Manor & 7820 Dinmore Manor to complement our home fleet.

Operations group managed expertly to keep the services running, with only two days when the full scheduled service was not operated. One of these was the result of a security alert at Watchet Station for a suspected unexploded device, which led to the closure of the station, Watchet town centre and WSR operations whilst it was dealt with by the emergency services. Fortunately it was a false alarm, but our staff responded magnificently in helping passengers manage the disruption caused.

The Commercial Services department delivered strong revenue performance which enabled us to achieve our financial position highlighted in the financial report. Marketing highlights included the signing of an agreement with Great Western Railway, who now promote and sell through-ticketing from GWR mainline stations linked to day trips on the WSR. In May 2017 we will host the 40th anniversary Antiques Roadshow TV special from Minehead station, which will generate significant publicity and increase the profile of the WSR. In September 2017 we are looking forward to a visit from Flying Scotsman, to further enhance this position.

In terms of partnerships, our renewed relationships with the WSRA have continued to flourish, with support demonstrated at their AGM for continuing to rebuild working relations. In 2017 the PLC is marketing, operating and promoting the dining train service, with WSRA retaining the QB coaching assets. We are in continued discussions over how to jointly fundraise on locomotives and heritage

CHAIRMAN'S REPORT 2016 - Continued

projects and are pursuing how to operate on the Williton and Bishops Lydeard sites linked to the working groups of the Partnership Development Group, where Paul Whitehouse as WSRA representative will be taking over as chair. We continue to work on arrangements for the return of operational management for the Bishops Lydeard site, with the West Somerset Railway Steam Trust taking on management of the Gauge Museum.

After the long running saga the freehold has been finally resolved satisfactorily. I have executed an agreement on behalf of the railway with Somerset County Council such that if ever the freehold were to be sold in the future, it must be offered to the WSR 'family' via the Partnership Development Group and its membership. Only a bidder, bidders or suitable new vehicle for holding the freehold endorsed by PDG would be allowed by SCC to proceed to 'due diligence' assessment. The agreement calls further on the endorsement of the Office of Rail and Road, our regulator, and the Heritage Railway Association as industry peer group to provide independent scrutiny and validation of any proposal. This 'triple lock' ensures that any sale would only be in the best interest of the WSR family, and ensures the longer-term protection for our railway.

Although we have been unable at this point in time to agree commercially an extension of the term of the current lease held by the PLC, SCC has confirmed that we are able to enter into leases, licences and memoranda of understanding with railway partners up to the remaining term of the lease. This has allowed us to enter such an agreement with the WSSRT to give them security of tenure and use of facilities, such that they can bid with PLC as partners for HLF funding for upgrade of the Gauge Museum. This will be used as a model to extend to other partner organisations on the railway, who continue to provide stalwart support both through funding and volunteer support.

Future development plans have focussed on our ideas for the proposed Bishops Lydeard 'Southern Gateway' development. This is an ambitious scheme to improve facilities for passengers arriving at our southern terminus, in the form of car parking, toilets and reception area, new facilities for a visitor centre and linked to the museum upgrade. All this is in process of consultation with stakeholders, and execution will require significant funds from sources outside the operational revenues and normal donations and contributions that the WSR receives, together with partnering with railway and local authority groups. The Board has agreed to consider a wider potential source of fundraising in addition to our normal methods including our annual shareholder appeal.

This year we saw the retirement of two stalwart directors of the WSR PLC, Humphrey Davies who has retired and moved to Worcestershire, and Mark Smith who will continue to provide liaison for us in his HRA role. In addition, Roger Savill who had stepped down as director but continued as Chief Accountant, will also retire from this voluntary role in 2017, and the company has recruited Richard Maw to the new position of Head of Finance. This is a further development and strengthening of the management team going forward. In addition, we had a number of directors standing down, including Richard Lillis and Ian Harrison. I would like to thank them all for their contribution as voluntary directors. We continued with our approach of advertising vacant board portfolios, interviewing and selecting replacement directors. As a result, I recommend those directors standing for election at this AGM, as well as those standing for re-election.

John Irlen

Chairman

West Somerset Railway PLC

30 March 2017

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The directors present their strategic report for the company for the year ended 31 December 2016.

The purpose of the Strategic Report is to inform shareholders about developments in the company and to enable them to assess how the directors have performed their duties under the Companies Act to promote the success of the company.

The West Somerset Railway operates as a heritage and tourist railway, using predominantly steam hauled trains between the termini at Minehead and Bishops Lydeard, but also at times having charter passenger and freight trains coming onto our line through our connection to the national network at Norton Fitzwarren. It is the longest heritage line in England, and the longest standard gauge heritage line in the UK. The freehold of the line continues to be held by Somerset County Council, on which the WSR PLC has a 99-year lease until 2088. The PLC is the duty holder for its operation under the provisions of a Light Railway Order issued in 1975.

REVIEW OF BUSINESS

As a heritage railway, there are three main measures of success for the West Somerset Railway.

The first is in its re-creation of past eras of railway operation, for example as a major holiday route for the Great Western Railway operated by steam traction and as a branch line of the Western Region of British Rail. As an operating heritage railway, rather than as a static museum, the directors seek to protect that heritage through the provision of fully operational steam locomotives and rolling stock, together with period buildings and infrastructure of track, bridges and buildings, some of which have listed status. The Heritage Committee established in 2015, which is a subgroup of the Partnership Development Group and therefore reflects collaboration with all railway partners, is charged with ensuring that specific commitments will be developed and undertaken to maintain, restore and enhance the preservation of the WSR heritage, and continues to oversee the maintenance of this heritage.

The PLC has also supported, and is a partner in, the application by the West Somerset Steam Railway Trust for a grant from the Heritage Lottery Fund to re-present and develop the Gauge Museum at Bishops Lydeard.

The second measure of success is attracting sufficient fare-paying passengers and generating other income to enable the railway to operate safely and to maintain its assets effectively for the future. 2016 was a more successful year than 2015 on this measure.

A modest recovery in passenger numbers had been projected for 2016 which, together with the further increase in fares, resulted in a budget for fares 8% higher than the 2015 outturn. In the event, passenger numbers for the year as a whole were about 2% higher than in 2015 (186,603 compared with 182,764), although this is still well below the passenger numbers in 2014. Because of the increase in fares, fares revenue increased by just over 6%, to £2,179,000 (2015: £2,049,000), only about 1½% below the budget. Most of this difference was as a result of fares income for galas being below budget.

Income from the operation of dining trains was lower than in 2015, as was income from line access (reflecting in part the reduced volume of spent ballast delivered to the recycling facility at Norton Fitzwarren operated by the West Somerset Railway Association). However, income from steam experience courses increased significantly, from £42,000 in 2015 to £61,000.

A stronger performance in catering, driven by our strengthening of the commercial, marketing and retail and catering organisation, saw a growth in contribution of £18,000 (18%), from £98,000 in 2015 to £116,000.

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 - Continued

Costs were again subject to careful review. Operating costs were held to 99% of the budget although this still represented an increase of £108,000 (just over 4%) compared with 2015.

During the year, a new long-term hire agreement for locomotive 53808 was agreed with the Somerset and Dorset Railway Trust. As a consequence, and reflecting the requirements of FRS102, the statutory accounts show an exceptional credit of £309,000, representing the funds previously earmarked for future overhaul of the locomotive at the end of the previous agreement, which the Railway will now have benefit of, through the new agreement. This is matched by creation of an asset in the balance sheet, which will be depreciated over the period of the agreement, reflecting the value to the railway of use of this locomotive.

Although this accounting treatment will in future years give a better reflection of the costs of using the locomotive, in the year of transition the statutory accounts show a very significant profit which is not reflective of the underlying performance of the business.

In addition, the statutory accounts include a deferred tax charge of £92,000. Because of the scale of capital allowances available to the company on its capital expenditure, the directors do not consider that this tax charge will become payable in the foreseeable future.

The directors have therefore reviewed the underlying profitability of the business, adjusting for the exceptional credit of £309,000 and deferred tax charge of £92,000, and also recognising that profit is measured in the statutory accounts after allowing for donations and legacies received in respect of capital projects of £53,000, which are not therefore available to meet revenue costs. After adjusting for these items, the underlying profit for 2016 was £12,000 (2015: £78,000 loss).

Although the directors consider that this is a good outcome for the year, they remain concerned that the underlying profit is not sufficient to fund the increased programme of infrastructure maintenance envisaged in the corporate plan, which is needed to ensure the medium and longer term serviceability of track, signalling and structures. In connection with the visit to the railway in 2017 of the Flying Scotsman, the Board has therefore approved a programme of surveys and assessments of infrastructure assets, in particular bridges, as a basis for a medium term asset management strategy.

Capital expenditure continued at a high level in 2016, totalling £605,000 (2015: £556,000). The two largest items were completion of the initial overhaul of locomotive 44422 and costs associated with provision of a temporary building at Bishops Lydeard to replace the workshop and storage facilities at Brunel House, given the expiry of the lease on that building in March 2017. Further expenditure was incurred in respect of the Williton Loop project, which was completed in March 2017, although planned relays at Blue Anchor and Doniford were delayed because of the lack of manpower and project management resource. The Board also approved a major relay project at Minehead to take place over the winter period, with initial expenditure on ground surveys incurred in 2016.

The third measure of success is in respect of compliance with health and safety obligations, and the avoidance of accidents involving staff or the general public. The West Somerset Railway is, like all heritage railways, subject to regulation by the Office of Road and Rail (ORR), and must develop, maintain and act in accordance with its Safety Management System. During 2016, the railway experienced three incidents (2015: four) which were reportable to ORR. One incident was investigated by ORR, but it concluded that no action in addition to that already identified by the company was required as a result.

Safety remains the first key item discussed at each Board meeting. All directors are aware of their individual and corporate accountabilities to operate the railway safely, and are managing that responsibility through the work of the Safety Audit Committee and through a Safety Project Group

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 - Continued

that was established during the year to address some specific issues relating to competencies following one of the reportable incidents, and identified by subsequent internal and external safety audits. A detailed project plan was developed and implemented. Additional measures were put in place to ensure that major projects, such as the Minehead relay, could be managed and delivered safely. Incident reporting has now been expanded to capture near miss and safety concerns.

MAIN RISKS AND UNCERTAINTIES

The company faces a number of risks. These include financial risks, both in terms of revenue and costs, management and staffing risks, and risks from operations in particular in relation to safety.

As an example of the asset risks facing the company, problems were identified with the boiler of locomotive 7828 (Odney Manor) which required it to be taken out of service. Options for addressing these problems have been assessed by the Head of Mechanical Engineering, but will inevitably result in additional expenditure. Meanwhile, the company has entered into additional hire agreements to ensure the availability of sufficient locomotives during the peak operating season.

The Audit and Risk Committee met three times in 2016, and continued the process of reviewing risks across the different parts of the railway. A corporate risk register has also been developed, which has been reviewed both by the Committee and the Board. This process will continue in 2017.

Safety risks are monitored by the Safety Audit Committee. A new incident tracker was introduced during the year to enable more effective management of actions arising from incidents. The Safety Management System is also being reviewed, with a new structure of supporting documents and document control system.

Major projects are overseen by Project Boards chaired by a director. The remit of these Project Boards is to provide assurance to directors that there is effective management of risks, including safety, financial and timing risks.

As part of its management of risk, the Board introduced in 2016 a formal set of Key Performance Indicators, covering financial, safety, punctuality and staff measures. The KPI report is updated monthly, and is reviewed both at management meetings and Board meetings. Financial performance is monitored at a more detailed level against the budgets set for each department through monthly management accounts. The format of these accounts is kept under review to ensure that they facilitate effective monitoring and control, and allow timely decisions to be taken in the event that adverse variances arise.

A key measure of the financial resilience of the company is its cash balance. The company had total cash funds (investments and cash in hand) of £769,000 at 31 December 2016 (2015: £858,000). The company experiences a significant cash outflow in the first quarter of each calendar year, both to meet routine revenue costs in particular staffing and to fund capital projects undertaken over the winter period, and this outflow will be greater in 2017 than in previous years because of limited services over the February half-term period (with the closure of Minehead station in connection with the relay project) and because the Spring Gala has been pushed back until the end of April.

Given this, and the need to protect funds earmarked to meet future obligations for locomotive overhauls, the directors will continue to monitor the cash position closely, against the monthly cash flow projections. They are concerned to ensure that the downward trend in cash balances does not continue in the medium term.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016 - Continued

PROSPECTS AND PLANS FOR 2017 AND FUTURE YEARS

Building on the process initiated in 2015, a three year business plan for 2017-19 and detailed budgets for 2017 were developed in the second half of the year and formally approved by the Board in November. The plan and budget summary were subsequently published.

Although directors initially sought, as in previous years, to set a balanced budget for 2017, with operating costs covered by income, it was in the event agreed to run to a small deficit to fund a number of one-off strategic initiatives in particular to address issues arising from the safety audits and to create greater resilience in terms of administration resource.

The directors also decided, in the light of uncertainties around the cash position during 2017, not to approve any new capital projects to start in 2017 beyond those approved in 2016. Major projects to be completed in 2017 include the new temporary building at Bishops Lydeard, the new signalling at Williton to allow full use to be made of the lengthened loop installed in 2016, the Minehead relay, with the first phase completed in March 2017 and renewal of the level crossing track and road surface to follow in November 2017, and work on locomotives 9351 and 7828.

New procedures have been introduced to allow additional projects to be approved within the year if there is a sound business case and funds are available. The business cases will be reviewed by an Investment Panel before Board approval is sought.

The base budget for 2017 did not provide for an increase in expenditure on infrastructure assets, as would be required to meet the corporate plan targets for asset maintenance and renewal. However, the budget also did not include additional costs and revenues expected to derive from the visit to the railway of Flying Scotsman in September 2017, and the Board agreed that the surplus arising from that visit should be earmarked for infrastructure maintenance and renewal. The directors have also accepted that some additional expenditure will need to be incurred on infrastructure assets, such as rail replacement, in advance of the Flying Scotsman visit.

The directors are satisfied that the amounts remaining in earmarked funds for locomotive overhauls are sufficient to meet the expected costs attributable to them, including obligations under locomotive hire agreements. The directors also believe there are no material uncertainties which have not been considered in setting budgets, and as a consequence are satisfied that the company is able to continue in business as an operational heritage railway for the foreseeable future.

When the asset management strategy now under development has been completed and approved, the directors will establish an earmarked fund for infrastructure renewals, on the same basis that has been for a number of years for locomotive overhauls.

The company will continue to improve staff development, and has been trialling a system of better defined job descriptions, with the use of targets and appraisals, together with coaching and development of staff to achieve what is expected of them. This has been piloted at General Manager level, and will be extended to management level during 2017. A volunteer strategy has been developed to address how the company recruits, trains and retains volunteers, and will be working in 2017 its implementation.

A new Head of Finance has been appointed to replace the Chief Accountant, who is retiring. Recruitment of a new Head of Operating is also under way.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

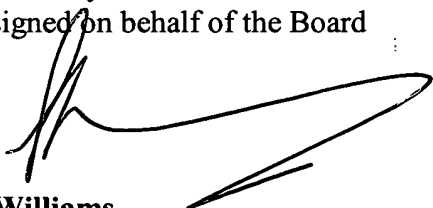
STRATEGIC REPORT FOR THE YEAR ENDED 31 DECEMBER 2016- Continued

PROSPECTS AND PLANS FOR 2017 AND FUTURE YEARS

New commercial initiatives in 2017 include direct management of dining trains by the company, under an agreement with the West Somerset Railway Association as owners of the dining set. Planning continues on a potential shuttle service between Taunton and Bishops Lydeard. Subject to the availability of rolling stock, it is hoped that this may commence in 2018.

Consultation has also started with staff and volunteers, local authorities and residents and other stakeholders on the Southern Gateway project to develop visitor and operating facilities at Bishops Lydeard. To support these initiatives, the directors have agreed a new investment policy, which allows the company to consider a wider range of funding sources, including borrowing where this can be serviced by future income.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'S V Williams', written over a horizontal line.

S V Williams
Director

30 March 2017

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

DIRECTORS' REPORT 2016

The directors present their annual report and audited financial statements for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

The principal activity of the company is the operation of the West Somerset Railway as a heritage railway between Minehead and Bishops Lydeard in the County of Somerset.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £282,000 (2015: £44,000).

In accordance with Clause 4 (44) of the Memorandum of Association, the members of the company are not entitled to a dividend.

ISSUES OF SHARES

The company issued a further 466,300 (2015: 556,100) 10p ordinary shares at par for cash consideration in order to provide additional capital.

GOING CONCERN

The company has total cash funds of £769,000 at 31 December 2016 (2015: £858,000). Based on passenger forecasts, budgets and plans for 2017 the Directors believe there are no material uncertainties that lead to significant doubt about the Company's ability to continue in business as an operational heritage railway for the foreseeable future. Accordingly, the financial statements continue to be prepared on a going concern basis.

DIRECTORS

The directors of the company on 1 January 2016 and 31 December 2016 were as follows:

R B Auger
D E Baker (resigned 1 July 2016)
C W Bolt
I K Coleby
G Cox (resigned 1 July 2016)
H R Davies (resigned 31 December 2016)
K J Davidge
G W Evens
I F Harrison (appointed 1 July 2016, resigned 30 October 2016)
Prof J Irven
R P Lillis (resigned 24 December 2016)
G W Pateman
M L Smith (resigned 29 October 2016)
S V Williams

In accordance with the Articles of Association, Messrs R B Auger, C W Bolt, J Irven and G W Pateman retire from office; Messrs R B Auger, J Irven and G W Pateman, being eligible, offer themselves for re-election.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

DIRECTORS' REPORT 2016 (continued)

BOARD OF DIRECTORS

The company currently has a Board of Directors of eleven non-executive directors, none of whom are employed by the company, and which the Board believes is appropriate for the company at the current time. The Board meets formally on a regular basis. 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.

COMMITTEES

The Board has established a number of committees with specific mandates which directly report to the Board. The composition and terms of reference of these committees are determined by the Board, and nominations to these committees are made by the Board.

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 pay all suppliers within 30 days of the month end in which the goods or services were supplied. The company's year-end trade creditors correspond to 31 days (2015: 29 days) of credit purchases.

FINANCIAL RISKS

The main risks to which the company is exposed are set out in the Strategic Report. The company does not have any material financial risks for which financial risk management objectives and policies are in place.

POLITICAL DONATIONS

The company has made no political donations in 2016 (2015: £nil)

POST END YEAR EVENTS AND LIKELY FUTURE DEVELOPMENTS

Relevant events following the end of the financial year are set out in the Strategic Report.

RESEARCH AND DEVELOPMENT

The company does not have any research and development activities.

ACQUISITION OF SHARES

The company has not acquired any of its own shares in 2016.

STATEMENT ON INDEMNITY PROVISIONS

The company has contributed to a qualifying third party indemnity insurance policy on behalf of the directors during the year.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information of which the company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

DIRECTORS' REPORT 2016 – Continued

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the strategic report and the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland (FRS 102). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRS 102 have been followed; subject to any material departures disclosed and explained in the financial statements,
- notify its shareholders in writing about the use of disclosure exemptions, if any, of FRS 102 used in the preparation of financial statements; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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 appointment of A C Mole & Sons of Taunton as the company's auditor was confirmed at the 2016 Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board


S V Williams
Director

30 March 2017

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

REPORT OF THE INDEPENDENT AUDITORS

TO THE MEMBERS OF THE WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

We have audited the financial statements of West Somerset Railway Public Limited Company for the year ended 31 December 2016 on pages 18 to 32. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

REPORT OF THE INDEPENDENT AUDITORS - Continued

TO THE MEMBERS OF THE WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Alexandra Shore

Alexandra Shore FCA CTA (Senior Statutory Auditor)

for and on behalf of A C Mole & Sons

Chartered Accountants

& Statutory Auditor

Stafford House

Blackbrook Park Avenue

Taunton

Somerset

TA1 2PX

30 March 2017

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

INCOME STATEMENT

Year ended 31 December 2016

	Notes	2016 £'000	2015 £'000
TURNOVER		2,949	2,781
Other operating income	2	107	122
		<hr/>	<hr/>
GROSS PROFIT		3,056	2,903
Staff costs	4	(830)	(793)
Depreciation	7	(235)	(182)
Other operating charges		(1,926)	(1,884)
Other income from recognition of other receivables	3	309	-
		<hr/>	<hr/>
OPERATING PROFIT		374	44
Interest receivable and similar income		2	6
Interest payable and similar charges		-	(9)
		<hr/>	<hr/>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	376	41
Tax (charge)/ credit on profit on ordinary activities	6	(94)	3
		<hr/>	<hr/>
PROFIT FOR THE FINANCIAL YEAR		282	44
OTHER COMPREHENSIVE INCOME		-	-
		<hr/>	<hr/>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		282	44
		<hr/>	<hr/>

The notes on pages 22 to 32 form part of the financial statements

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

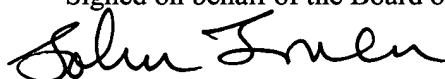
BALANCE SHEET

At 31 December 2016

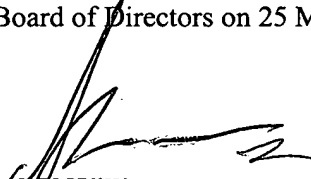
	Notes	2016		2015	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Tangible assets	7		3,061		2,691
CURRENT ASSETS					
Stocks	9	107		87	
Debtors – within one year	10	161		298	
Debtors – after one year	10	374		-	
Investments - term deposits		420		703	
Cash at bank and in hand		349		155	
		1,411		1,243	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(387)		(321)	
NET CURRENT ASSETS			1,024		922
TOTAL ASSETS LESS CURRENT LIABILITIES			4,085		3,613
PROVISIONS FOR LIABILITIES	13		(466)		(309)
DEFERRED INCOME	14		(198)		(211)
NET ASSETS			3,421		3,093
CAPITAL AND RESERVES					
Called up share capital	15		2,187		2,141
Profit and loss account			1,234		952
SHAREHOLDERS' FUNDS			3,421		3,093

These financial statements were approved by the Board of Directors on 25 March 2017

Signed on behalf of the Board of Directors



J Irven
Director



S V Williams
Director

Company Registration Number 1010188

The notes on pages 22 to 32 form part of the financial statements

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2016

	Called up Share Capital £'000	Retained Earnings £'000	Total Equity £'000
Balance at 1 January 2015	2,085	908	2,993
Changes in equity			
Total comprehensive income	-	44	44
Issue of ordinary share capital	56	-	56
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2015	2,141	952	3,093
	<hr/>	<hr/>	<hr/>
Changes in equity			
Total comprehensive income	-	282	282
Issue of ordinary share capital	46	-	46
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2016	2,187	1,234	3,421
	<hr/>	<hr/>	<hr/>

The notes on pages 22 to 32 form part of the financial statements

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

STATEMENT OF CASH FLOWS

Year ended 31 December 2016

Cash flows from operating activities	Notes	2016 £'000	2015 £'000
Cash generated from operations	1	468	72
Net cash from operating activities		468	72
Cash flows from investing activities			
Purchase of tangible fixed assets		(605)	(556)
Interest received		2	6
Finance charge on provision		-	(9)
Net cash used in investing activities		(603)	(559)
Cash flows from financing activities			
Issue of ordinary share capital		46	56
Net cash from financing activities		46	56
(Decrease) in cash and cash equivalents		(89)	(431)
Cash and cash equivalents at beginning of year	2	858	1,289
Cash and cash equivalents at end of year	2	769	858

The notes on pages 22 to 32 form part of the financial statements

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE STATEMENT OF CASH FLOWS

Year ended 31 December 2016

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2016 £'000	2015 £'000
Profit before taxation	376	41
Depreciation less amortisation of grant	222	169
	<u>598</u>	<u>210</u>
(Increase)/decrease in stocks	(20)	15
(Increase) in trade and other debtors	(237)	(119)
Increase/(decrease) in trade and other creditors	62	1
Increase/(decrease) in locomotive repair provision	65	(35)
	<u></u>	<u></u>
Cash generated from operations	<u>468</u>	<u>72</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Year ended 31 December 2016

	31.12.16 £'000	1.1.16 £'000
Cash at bank and in hand	349	155
Short-term investments - treasury deposits	420	703
	<u>769</u>	<u>858</u>

Year ended 31 December 2015

	31.12.15 £'000	1.1.15 £'000
Cash at bank and in hand	155	288
Short-term investments - treasury deposits	703	1,001
	<u>858</u>	<u>1,289</u>

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016

1. ACCOUNTING POLICIES

General information

West Somerset Railway Public Limited Company operates a heritage railway between Minehead and Bishops Lydeard in the County of Somerset.

The company is a public limited company and is incorporated and domiciled in the UK. The address of the registered office is The Railway Station, Minehead, Somerset, TA24 5BG.

West Somerset Railway is a public benefit entity whose primary objective is to provide goods or services for the general public, community or social benefit and any equity is provided with a view to supporting the entity's primary objectives rather than with a view to providing a financial return to equity providers, shareholders or members.

Statement of compliance

These financial statements have been prepared in accordance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and the Companies Act 2006, under the provision of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI 2008/410).

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Basis of preparation

These financial statements have been prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit or loss in accordance with FRS 102.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed within note 1.

Revenue recognition

Revenue relates to income from the operation of the Railway and is measured at the fair value of the consideration received or receivable. Other operating income comprises cash donations and legacy income and is measured at fair value. Donations received towards revenue costs are recognised in the period in which they are received and disclosed as 'other operating income'. Donations and legacies received towards capital costs are either recognised in the period in which they are received or where they are received in advance of the project are recognised in the period in which the capital costs are incurred and are also disclosed as 'other operating income'.

Other income

Where the company receives or becomes entitled to other income this is recognised in the year in which the company becomes entitled to the income.

Non- exchange transactions

The Company receives non-exchange transactions in the form of donations of services from volunteers, cash and legacies. Income from cash and legacy receipts which do not impose any conditions is recognised in income when the cash or donations are received or receivable. Income from donations of services from volunteers cannot be measured reliably and the costs of measuring and therefore recognising such donations as income is considered to outweigh the benefit of doing so and therefore such donations are not recognised within income.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016 (continued)

1. ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is charged on a straight-line basis over the estimated useful economic life of each asset, or the estimated useful economic life of individual major components.

Useful economic life is principally as follows

Freehold and Long Leasehold land, buildings and improvements	25 to 50 years
Rolling stock	5 to 25 years
Tracks and signalling	8 to 25 years
Plant, vehicles and equipment	3 to 20 years

Subsequent costs, including major inspections or overhaul, are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that economic benefits associated with the item will flow to West Somerset Railway PLC and the cost can be measured reliably. Costs include labour costs of own employees arising directly from the major inspection or overhaul of the specific asset.

Stocks

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

Taxation

Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax arises from timing differences between taxable profits and total income as stated in the financial statements. These timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

Government grants

Government grants are recognised in accordance with the accrual model set out in FRS 102. Government grants relating to 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.

Provision for liabilities

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow will be required to settle the obligation; and the amount of the obligation can be estimated reliably. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision is recognised as a finance cost.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016 (continued)

1. ACCOUNTING POLICIES (continued)

Locomotive and Rolling Stock

As part of the operating agreements for the hire of locomotives and rolling stock the company is obliged to undertake periodic overhauls of certain engines. Where the terms of an agreement result in an obligation to undertake work such as initial or interim overhaul, then a provision is recognised for the expected costs of these works. For initial overhauls a provision is recognised on signature of the related agreement. For interim or final overhauls a provision is recognised on an annual basis, in line with the mileage of the locomotive, to reflect when the cost is incurred through use of the locomotive. Where the company will not obtain the benefit of the overhaul, for example with a final overhaul at the end of an agreement, then the provision is charged to the income statement as recognised.

Where the company will obtain the benefit of an initial or interim overhaul through ongoing use of the locomotive, then an amount is recognised within other receivables to reflect the asset that the company will have access to. The value of the asset is equal to the provision recognised. When an overhaul is completed and brought into use the respective balance is transferred from other receivables into tangible fixed assets, capitalised as a component asset and depreciated over its useful economic life, being the period over which the Railway will continue to use the locomotive and benefit from the overhaul.

Due to the time period between the initial recognition of a provision and other receivables, and when the overhaul is undertaken and brought into use, it is necessary to account for interest on these balances, to reflect the time value of money. Interest on other receivables is calculated using the effective interest rate method and recognised in the income statement as part of interest receivable and similar income. Interest on provisions is calculated using the effective rate method and recognised in the income statement as part of interest payable and similar charges.

Leases

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease.

Segmental reporting

The results for the current and prior year are derived from one class of business in the United Kingdom.

Financial instruments

The company has chosen to adopt the Sections 11 of FRS 102 in respect of financial instruments. Basic financial assets, including trade and other debtors, cash and bank balances and investments in term deposits, are initially recognised at transaction price. Such assets are subsequently carried at amortised cost using the effective interest rate method.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publically traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Basic financial liabilities, including trade and other creditors, are initially recognised at transaction price. Trade and other creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016 (continued)

1. ACCOUNTING POLICIES (continued)

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits and other short-term highly liquid investments that are readily convertible to known amounts of cash with insignificant risk of change in value.

Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. These are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The critical accounting estimates and judgments within these accounts are considered to be:

(a) Useful economic lives of tangible fixed assets.

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of the assets. The useful economic lives and residual values are re-assessed annually. They are amended when necessary to reflect current estimates, based on technological advancement, future investments, economic utilisation and the physical condition of the assets. See note 7 for the carrying amount of the tangible fixed assets and note 1 for the useful economic life of each class.

(b) Locomotive repair provision

The locomotive repair provision is in accordance with the company's and its supplier's best estimates of costs involved and based on the locomotives usage to date. See note 13 for the carrying value of the provision.

2. OTHER OPERATING INCOME

	2016 £'000	2015 £'000
Donations revenue	41	42
Donations capital	48	72
Legacies & Grants	18	8
	<u>107</u>	<u>122</u>

The sums received in respect of capital donations have been allocated to the costs of the projects specified by the donors.

3. INCOME FROM RECOGNITION OF OTHER RECEIVABLES

	2016 £'000	2015 £'000
Income from recognition of other receivables	<u>309</u>	<u>-</u>

During the year the Company reached an agreement to extend an existing agreement to operate a locomotive by ten years. The original agreement included an obligation for the Company to undertake a final overhaul on the locomotive at the end of the agreement. Accordingly the Company had previously been making a provision for this final overhaul and charging the provision to the income statement as it would not have access to use the locomotive and therefore benefit from the overhaul at the end of the agreement. Following the extension to the agreement the Company will now benefit from the overhaul, which is expected to have a useful economic life of ten years. Accordingly an asset has been recognised within other receivables, of £308,581, being the value of the provision at the year-end date and the value of the overhaul which the company will now have the benefit of. This has resulted in a credit to the income statement in the year of the same amount, which has been shown within other income as "Income from recognition of other receivables". There was no cost to the Company of extending the agreement.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016 (continued)

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2016 £'000	2015 £'000
Directors' emoluments (as employees):		
Remuneration (including benefits in kind)	-	-
Contributions to defined contribution pension scheme	-	-
	£'000	£'000
Employee costs during the year (including directors):		
Wages and salaries	785	759
Social security costs	54	51
Pension costs	31	29
	<u>870</u>	<u>839</u>

Included within the above is £40,440 (2015: £8,913) of our own wages which have been capitalised as part of the restoration of locomotive "9351" (£11,660) and part construction of a new bridge and extension for the Williton Loop (£28,780), and is therefore not reflected in the profit and loss charge for the year. No further wage costs were capitalised in 2016 (2015 £36,611 was capitalised in respect of the restorations of locomotives "53808" and "44422" which were in operation for the 2016 season).

Average number of persons employed:	No.	No.
Railway	35	38
Shop	3	5
	<u>38</u>	<u>43</u>

The average number of persons employed includes all full-time and part-time employees.

In addition, the railway receives tremendous support from over 1000 unpaid volunteers without whose services it could not operate as a financially viable commercial operation.

5. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2016 £'000	2015 £'000
Profit on ordinary activities before taxation is after charging/(crediting):		
Rentals under operating leases - rolling stock	200	228
Rentals under operating leases - plant and machinery	16	16
Rentals under operating leases - land and buildings	11	11
Depreciation - owned assets	235	182
Auditors' remuneration - audit fee	8	8
Auditors' other services	4	-
Amortisation of government grant relating to fixed assets	(13)	(13)

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016 (continued)

6. TAX CHARGE/ (CREDIT) ON PROFIT ON ORDINARY ACTIVITIES

	2016 £'000	2015 £'000
Analysis of charge in year		
United Kingdom corporation tax at 20% (2015: 20%)	2	-
Deferred taxation charge/(credit)	92	(3)
Tax charge/(credit) on profit on ordinary activities	<u>94</u>	<u>(3)</u>

Factors affecting tax charge in year

The standard rate of tax for the year, based on the UK standard rate of corporation tax, is 20% (2015: 20%). The actual tax for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation:

	2016 £'000	2015 £'000
Profit on ordinary activities before tax	<u>376</u>	<u>41</u>
Tax charge on profit on ordinary activities at standard rate	75	8
Legacies & Capital Donations not subject to corporation tax	(11)	(16)
Adjustment to tax charge in respect of prior years	30	-
Unrelieved tax losses utilised	-	5
Tax charge/(credit) for the year	<u>94</u>	<u>(3)</u>

7. TANGIBLE FIXED ASSETS

	Freehold & long leasehold land, buildings and improvements £'000	Rolling stock £'000	Plant, vehicles and equipment £'000	Track and signalling £'000	Total £'000
Cost					
At 1 January 2016	1,107	1,717	829	1,179	4,832
Additions	219	232	41	113	605
At 31 December 2016	<u>1,326</u>	<u>1,949</u>	<u>870</u>	<u>1,292</u>	<u>5,437</u>
Accumulated depreciation					
At 1 January 2016	525	492	608	516	2,141
Charge for the year	37	83	55	60	235
At 31 December 2016	<u>562</u>	<u>575</u>	<u>663</u>	<u>576</u>	<u>2,376</u>
Net book value					
At 31 December 2016	<u>764</u>	<u>1,374</u>	<u>207</u>	<u>716</u>	<u>3,061</u>
At 31 December 2015	<u>582</u>	<u>1,225</u>	<u>221</u>	<u>663</u>	<u>2,691</u>

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016 (continued)

7. TANGIBLE FIXED ASSETS (continued)

Included in Freehold and long leasehold land, buildings and improvements are the following assets with a net book value at 31 December 2016; freehold buildings £148,000, freehold land £61,000, leasehold buildings £151,000 and leasehold improvements £404,000.

8. INVESTMENTS

The company held the following shares as at 2016 and 2015: one of £500 in 5542 Limited; 418 of £10 in Dinmore Manor Locomotive Limited; 120 of £1 in Severn Valley Railway (Holdings) plc; 940 of 25p in Great Central Railway plc; and 126 of £1 in North Norfolk Railway plc. All shares were given to the company and therefore have a nil cost. As these shares are not publicly traded and their fair value cannot be measured reliably they are held at cost.

9	STOCKS	2016 £'000	2015 £'000
	Raw materials and consumables	55	43
	Goods for resale	52	44
		<hr/> 107	<hr/> 87
10	DEBTORS	2016 £'000	2015 £'000
	Amounts falling due within one year:		
	Trade debtors	49	50
	Valued added tax	22	25
	Other debtors	2	9
	Prepayments	88	214
		<hr/> 161	<hr/> 298
	Amounts falling due after more than one year:		
	Other receivables	374	-
		<hr/>	<hr/>
	Aggregate amounts	<hr/> 535	<hr/> 298

Included in prepayments in 2016 is £ nil (2015 £123,866) in relation to the overhaul costs of locomotive 44422 as the locomotive was not in use at 31 December 2015. The restoration was complete in 2016 and these costs have been capitalised together with further costs in 2016 giving an overall cost of £180,317 included with fixed assets.

In line with the accounting policies now adopted (Note 1) for the treatment of locomotives under long term hire agreements, provisions for future overhauls from which the company will benefit are recognised as having an asset value equal to the value of the unused provisions to date. At 31 December 2016 unused provisions totalled £373,581 and a similar value is thus included as Other receivables due after one year. This figure included £308,581 relating to the unused provision at 31 December 2016 remaining after completion of the overhaul of locomotive 53808 and its return to operation with the company in March 2016. To reflect this accounting policy and to carry it forward as an asset under Other receivables at 31 December 2016, the change of treatment is shown within other income as "Income from recognition of Other receivables" in the Income Statement for 2016 (Note 3).

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016 (continued)

11	CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2016	2015
		£'000	£'000
	Trade creditors	265	219
	Tax and social security costs	17	13
	Other creditors	63	56
	Accruals	42	33
		<hr/>	<hr/>
		387	321
		<hr/>	<hr/>
12	FINANCIAL INSTRUMENTS	2016	2015
		£'000	£'000
	The company has the following financial instruments:		
	Financial assets that are debt instruments measured at amortised cost		
	Trade debtors	49	50
		<hr/>	<hr/>
		49	50
		<hr/>	<hr/>
	Financial liabilities measured at amortised cost		
	Trade creditors	265	219
	Other creditors	63	56
		<hr/>	<hr/>
		328	275
		<hr/>	<hr/>
13	PROVISIONS FOR LIABILITIES		
		Balance at	Balance at
		1 January	31 December
		2016	2016
		£'000	£'000
	Locomotive repair provision	309	374
	Deferred taxation	-	92
		<hr/>	<hr/>
		309	466
		<hr/>	<hr/>
	The locomotive repair provision relates to Locomotives 53808 and 44422 for which long-term contracts are in place requiring the company to carry out all repairs and overhauls during the duration of the contract. This provision is then treated as a receivable (Note 10) to reflect the accounting policy now adopted.		
	Deferred taxation	2016	2015
		£'000	£'000
	The amount of deferred taxation provided in the financial statements is as follows:		
	Excess capital allowances over depreciation	321	298
	Less taxable losses carried forward	(229)	(298)
		<hr/>	<hr/>
	Total provision	92	-
		<hr/>	<hr/>
	Balance at the beginning of the year	-	3
	Charge/(Credit) to profit and loss account	92	(3)
		<hr/>	<hr/>
	Balance at the end of the year	92	-
		<hr/>	<hr/>

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016 (continued)

14	DEFERRED INCOME	2016 £'000	2015 £'000
	Deferred income: Government grants relating to fixed assets	198	211
	The movements in the year in respect of the government grants are as follows:		
		£'000	£'000
	Balance at beginning of year	211	224
	Grant received	-	-
	Amortised to profit and loss account	(13)	(13)
	Balance at end of year	198	211

15	CALLED UP SHARE CAPITAL	2016 £'000	2015 £'000
	Allotted and fully paid		
	21,872,843 (2015: 21,406,543) ordinary shares of 10p each	2,187	2,141

During the year 466,300 ordinary shares were issued at par for a total value of £46,630

In accordance with the Company Articles, the members of the company shall not be invited to participate in the income or profit of the company by way of dividends (other than by the issue of free or complimentary rail travel) and no action shall be taken by the company or its members which would have the effect directly or indirectly of participation by the members in the income or profits of the company or any successor to the company by way of dividends. Shareholders with fewer than 1,000 shares will not qualify for free or complimentary rail travel warrants.

If upon the winding up of the company there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same may not be paid or distributed amongst its members. Such proceeds, land, premises or assets, shall be given or transferred to some other institution or institutions having objectives similar to West Somerset Railway PLC and which shall also prohibit the distribution of its income, profit or assets amongst its members to an extent at least as great as imposed on this company by virtue of this clause.

16 OPERATING LEASE COMMITMENTS

At 31 December 2016, the company was committed to annual payments expiring within one year of £2,734 (2015: £10,937), and expiring after more than one year, but less than five years £ nil (2015: £2,734) under land and property leases. The lease which expires in March 2017 is not being renewed by the landlord.

The company was also committed to the following annual payments under rolling stock hire agreements expiring within one year of £72,905 (2015: £44,780) and expiring after more than one year, but less than five years of £125,120 (2015: £56,250).

The company was committed to the following annual payments in respect of office equipment within one year of £10,177 (2015: £9,882) and expiring after more than one year, but less than five years of £7,712 (2015: £4,271).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2016 (continued)

17 PENSION SCHEMES

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The pension charge represents contributions payable by the company to the fund in the year. £2,951 was owed to the pension scheme at 31 December 2016 (2015: £2,611).

18 TRANSACTIONS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

M L Smith is a director of the Heritage Railway Association from whom supplies and services were obtained of £575 in the year (2015 £684). C W Bolt and I Coleby are directors of the West Somerset Steam Trust Ltd from whom during the year supplies and services were obtained of £ nil (2015 £2,572), a grant received of £1,000 (2015: £5,050) and sales were made of £1,220 (2015 £ nil). At 31 December 2016 no balances were outstanding with either Heritage Railway Association or West Somerset Steam Railway Trust Ltd (2015: Nil).

During the year key management personnel received £174,000 (2015: £164,000) for services provided to the company.

19 CAPITAL COMMITMENTS

At 31 December 2016 £Nil (2015 £172,000) had been contracted but not provided.

ADDITIONAL INFORMATION

The additional information on the following pages has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements and is unaudited, it should be read in conjunction with them and the independent auditors' report thereon.