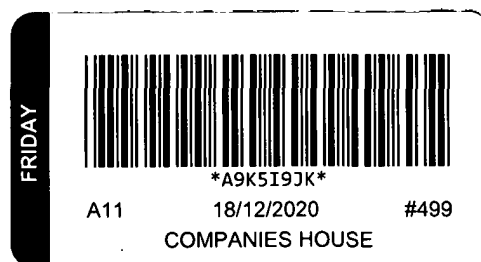


Registration number: 01010188

West Somerset Railway Public Limited Company

Annual Report and Financial Statements

for the Year Ended 31 March 2020



West Somerset Railway Public Limited Company

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West Somerset Railway Public Limited Company

Company Information

Directors	J Jones-Pratt M L Smith M H Brown J J M Kerr-Peterson S V Williams A J Castledine
Company secretary	Four Fifty Partnership Limited
Registered office	The Railway Station Minehead Somerset TA24 5BG
Solicitors	Clark Wilmott Blackbrook Gate Blackbrook Park Avenue Taunton TA1 2PG
Auditors	A C Mole & Sons Chartered Accountants & Statutory Auditors Stafford House Blackbrook Park Avenue Taunton Somerset TA1 2PX

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2020

Dear Shareholders

It is my privilege to write again as Chairman and to report on a period that has seen greater stability for the West Somerset Railway (WSR) following the challenging circumstances of the previous year. I am grateful again to my fellow Directors, Mark Smith (Vice Chairman), Martin Brown and Bob Meanley for the tremendous support that they have provided.

I would also like to pay tribute to all our staff and volunteers who have really worked incredibly hard to keep the railway running and to enable us to sustain the WSR until of course COVID-19 raised its ugly head in March this year.

This does not diminish the achievements of the 12 months under review which saw us end the year with a trading surplus which reflects the benefits of being able to operate a heritage railway whilst at the same time applying the rigour and disciplines of good business practice. This model is the only way in which we will be able to grow and develop the Company and provide a sustainable financial future working in partnership with our WSR family organisations.

Trading in the 12 months to 31 March 2020

The financial headlines for the 12 month period make more comfortable reading, but we still have a long way to go;

- Turnover of £2,854,642 (2019 - 15 month period £3,247,682)
- A trading surplus before tax of £333,122 (2019 - loss before tax of £927,040)
- Cash balances of £448,616 (2019 - £292,917)
- Capital Expenditure of £115,292 (2019 - £233,540)

The overall position reflects a renewed and constant focus on ensuring that we control costs and target expenditure on the priorities that the Company needs to invest in. Our commercial activities were very successful during the year and made a major contribution both to the operation of the railway and the trading surplus. The Company also benefited from significant donations from WSR family organisations. The commercial impact of the acquisition of Restorations at Williton also began to be realised. Conversely, fare box income fell, reflecting the fact that there were fewer running days over the period.

Developing the Board and Appointment of General Manager

The work on developing the Board continued during the year with the preparation of Director portfolios in late autumn/early 2020 which would enable me together with existing Directors to proceed to recruit additional Board Members with the requisite skills, capacity

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2020

and competence to lead and direct the Company. This led to the appointment of Bob Meanley, a nationally known and hugely respected figure in the world of heritage railway engineering as the Director of Engineering.

As many people know, we had to take the difficult decision in early 2019 to part with the services of Paul Conibeare as General Manager. However, after a very rigorous and extensive recruitment process, which also involved the Association and the Steam Trust, in January 2020 we were able to secure the services of Justin Kerr-Peterson as the new General Manager for the railway. Justin has a long and distinguished association with the WSR and everyone looks forward to working with him in 2020/21.

Finance

I went into some detail in my last Report with regard to the steps that the new Board had to take to secure the short-term financial stability of the Company. This involved some very difficult decisions around staff redundancies and other cost saving measures which were unfortunately necessary for the Company to survive. Those actions, together with additional steps during 2019/20, have resulted in employment costs reducing to £874,411 this year compared to £1,410,851 in the 15 month period last year.

The new accounting system has been in place for the whole year and has been a great help in terms of financial control. We also made new arrangements for insuring the business including the assets and liabilities of WSR family organisations and groups.

The major event that was of course totally unexpected was the emergence of COVID-19. On 11 March 2020, COVID-19 was declared a pandemic by the World Health Organisation, shortly thereafter the UK Government issued guidance restricting the movement of people to help reduce the impact of COVID-19. This led to the decision not to reopen the railway before the end of the financial year. It was also unclear at the year end whether in fact the railway would be able to open at all during the 2020/21 year. Clearly, the financial implications of not being able to operate throughout the season were enormous. We have re forecast the 2020/21 year on a number of different scenarios to determine how long our cash resources would last and then determined to 'plug the gap'. Placing the railway into a care and maintenance position still requires significant cash.

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2020

Acquisition of WSRA Restorations and the Shop and Cafe at Bishops Lydeard

Following negotiations with the West Somerset Railway Association, the Plc was able to acquire the shop and café at Bishops Lydeard with effect from 1st December 2019 and the Restorations business at Williton with effect from 1st January 2020, including in both cases, the transfer of the affected staff. The initial impact of COVID-19 on the business in March this year has meant that we have not been able to see the full benefit of these important and valued additions to the Company. I am in no doubt that Williton will make a significant contribution to the development of the mechanical engineering function both in terms of operations and commercial activities. I also expect the cafe and shop at Bishops Lydeard, working in combination with the services and facilities at Minehead, to have a similar impact in terms of improving the customer offer and enhance income through expanded retail services.

Business Planning

During 2019/20 the Board embarked on a major piece of work to create a 10 year strategic vision and three-year business plan for the Company. This work will be concluded during 2020 and the document and implementation plan will be published. The impact of COVID-19 has however disrupted and inevitably slowed the pace of progress and the Board will need to review and update the contents as the uncertainties created by the coronavirus pandemic become clearer in the next financial year.

Operations

The reopening of the line in March 2019, initially as far as Watchet and then later to Minehead brought publicity and the all-important passenger fare income.

We were able to build on the experience of our partnership with GWR in 2018 and introduce a regular scheduled service between Taunton and Bishops Lydeard from July to October 2019. This was a great success and it proved that such an initiative could be both popular and commercially viable. The timetable worked well with our home locomotive fleet being supplemented by a variety of visiting locomotives which added extra appeal to our galas and, other than some timekeeping issues, our train services have operated reliably.

The Quantock Belle service had another successful season. During the year we developed a new operating model which would have seen more QB services in 2020/21 in conjunction with Claire's Kitchen, but this was put on hold by the COVID-19 challenges. At the time of writing, it is uncertain as to whether the QB will run again in 2020/21 and if so, in what form.

The end of October 2019 saw the provision of a static Halloween train for visitors which was a great success for the local community and our thanks go to the volunteers and others who were involved in its creation.

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2020

The full operational service of Christmas Special trains ran through December and offered an important source of revenue at this lean time of year.

As with last winter, the possession of the permanent way was then given over to the engineering team for a schedule of work to be completed with the intention of reopening the line in the spring. An aspiration that was thwarted by the impact of COVID-19.

Notwithstanding this, the Board continues to forward plan for an ongoing programme of much greater permanent way investment in future years following a period when investment has fallen short.

Tackling the Infrastructure Challenge

Either side of Christmas, work on the heavier upgrades and maintenance of the track and rolling stock was taking place. Repainting of the carriage stock began and was well underway when all activities stopped because of the COVID-19 pandemic. What was done looked really good and this work has now recommenced. When finished, we will have some much smarter carriages for when the trains restart. One obvious and longer term need though is better protection for the carriages, as the weather and the local seagulls do degrade the great work that is done. A programme of building more carriage sheds around the railway therefore becomes increasingly important.

Locomotives

Those who know me are aware of my great passion for steam engines! It has been another great year in this department. We ran with a small fleet of engines - 53808, 7828, 9351 (from August 2019), 7752 and 7822 - all ran well with no issues.

A major milestone for me personally was the 40 years of the Railway Line as a preserved railway, which we celebrated and which made all the efforts of the past 18 months worthwhile and gave me fresh determination with which to continue.

Developing Partnerships

2019 saw a 40s remembrance and celebration weekend held in Minehead, organised by Robin Witchard, and supported by Minehead BID. This was a great festival of remembrance of the period, with music, dance and some demonstrations of life at that time. Robin Witchard is to be congratulated on all he did to make this happen.

The Company began to develop far stronger links with Visit Somerset, Minehead BID, the Somerset Council and other tourist groups and businesses in the county. This is something we must do more of to link us up with the key players in Somerset Tourism.

A special part of the WSR are the Friends Groups, who look after the individual stations, manage their upkeep and provide the great refreshment and gift shops we are blessed with. They all do great work for the railway, but a special mention must be made to the Friends of Minehead Station (FOMS), who this year managed to reach their milestone fundraising target through the Readers Halt Book Shop. What a great effort!

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2020

I want to thank everybody again for all their dedication and hard work. People are the lifeblood and centre of the railway and without your efforts, we would not be here today. I truly hope that everybody connected with the WSR feels able to continue to work hard to secure its future and to support the Company in enabling the railway to play its full role in the economic life of Somerset West and Taunton and the communities it serves.

Going Concern

The financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for a period of at least twelve months from the date of approval of the financial statements.

Our original 2020/21 forecasts showed the Company's ability to trade profitably and build on the results achieved during the 2020 year. However, when the World Health Organisation declared COVID-19 a pandemic on 11 March 2020, followed by the UK Government issuing guidance restricting movement of people and lockdown, it became immediately apparent that these forecasts would be impossible to achieve. This has obviously been a huge set back and all efforts have gone into stabilising the financial position of the Company.

The Company has taken full advantage of the Government schemes available such as the Coronavirus Job Retention Scheme and the Local Authority Retail, Leisure and Hospitality Grant. In addition, the Company has sought the support of its Bankers and has been granted a loan under the Coronavirus Business Interruption Loan Scheme. The Company has also been awarded a £864,901 grant from the Cultural Recovery Fund for Heritage which will ensure staff costs and overheads of £476,275 can be met, additional costs due to COVID-19 can be covered and the critical maintenance required to reopen can be carried out. The Company will continue to seek any grants or funding to which it may be eligible.

The Company has also been most generously supported by its associated organisations, by its members and by the public. An appeal put out in March 2020 has generated significant donations.

The Company has reduced expenditure wherever possible and sought extended payment terms from creditors. Following discussions with West Somerset Railway Association, the cost of the acquisition for the shop and café at Bishops Lydeard and the Restorations business at Williton has been converted into a formal loan agreement.

All of these measures are detailed in the Directors' Report and have enabled the Company to plan a way forward, but the Railway's future viability is dependent on the business being able to operate profitably in the 2021 season.

In addition, the Railway remains in need of regular and significant capital investment. In recent years this investment has been financed from cash reserves as the level of profit generated has not been sufficient. In the future, the company will need to generate more profit or identify other ways to finance this continued investment in the Railway.

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2020

Whilst this is a somewhat negative point to finish on, it is a necessary evil to draw your attention to the impact of COVID-19 on our beloved railway and that these events and conditions indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern.



J Jones-Pratt

Chairman

West Somerset Railway PLC

.....
21/11/2020

West Somerset Railway Public Limited Company

Strategic Report for the Year Ended 31 March 2020

The directors present their strategic report for the year ended 31 March 2020.

Review of the business

The West Somerset Railway operates as a heritage and tourist railway, using predominantly steam hauled trains between 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 is held by Somerset County Council, from whom 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.

Fundraising

Acquiring sufficient resources to sustain the operation of the railway and to protect its future continued to be at the forefront again this year. We were fortunate in having our two support charities, the West Somerset Railway Association (WSRA) and West Somerset Steam Railway Trust (WSSRT) to help us particularly in respect of heritage infrastructure renewal.

However there is much more to be done and following discussion, agreement was reached with the WSRA and the WSSRT to establish a Joint Fundraising Group to coordinate external applications for large bids to complement the income raised from the fare box and other normal sources. Clearly, the fact that the railway did not reopen in March 2020 has made this initiative even more important as we face the uncertainties created by COVID-19.

Strengthening PLC Commercial Resilience

As referred to by the Chairman, during the year negotiations with the WSRA on the transfer of the shop and cafe at Bishops Lydeard and the Williton restoration business moved forward, and from late 2019, the Plc started operating the Bishops Lydeard shop. We were able to welcome Kate Beard and her dedicated group of volunteers into the Plc and begin to understand the great benefits that the shop can bring. The Restoration business has had a bit of a false start due to COVID-19 but has continued with the restoration of locomotive 4561 and other commercial projects, increasingly working in collaboration with the engineering team at Minehead.

Running the railway

During the year the Board become much more analytical about our services and how we can make them more effective. An example was how our commercial team and other volunteers looked in detail at our timetables and realised that there were some days, even some weeks, when we were making quite large losses. This led to some changes in the year and would have seen more significant ones in 2020/21 had the railway been able to open. These changes would have meant not running on some Mondays and Fridays, which would have also allowed the more intrusive Permanent Way work that is required to keep bringing the track up to the operating level we need, to continue.

West Somerset Railway Public Limited Company

Strategic Report for the Year Ended 31 March 2020

A big event for the Company at the start of the financial year was the re-opening of the full Bishops Lydeard to Minehead line, after the service initially only ran from Bishops Lydeard to Watchet, following major Infrastructure works overrunning from the previous winter. This work had been complicated by financial constraints and there were unforeseen problems to overcome. However, 19th April 2019 saw the Chairman arrive as a working footplate man over the Easter Weekend, which also saw the Paw Patrol event as a centre piece.

As the Chairman has indicated in his Report, following a huge amount of hard work and cooperation between the WSR, Great Western Railway and Network Rail, the Company was able to run a series of Summer Shuttles from Taunton to Bishops Lydeard, which then connected with the WSR service to Minehead. Enthusiasts and holiday makers came from far and wide to use the service and the feedback was very positive indeed. Chris Austin at the WSSRT and Matt Barnes at GWR were instrumental in making this all happen and they deserve much credit for the way they overcame the obstacles to achieve this. We look forward to running a similar service in 2021. This shows how we can open up a whole new connectivity between Taunton and Bishops Lydeard. It is not a through service from Minehead to Taunton but showed how this could further expand the links between the Railway and the Mainline.

Staff and supporters of the railway continued to demonstrate their creativity and innovative approach to events and activities on the WSR. During the year the Company supported and engaged with a number of much loved events; Murder Mystery Dinners, the Vintage Car Rally, Diesel and Winter Steam Festival.

Although we could not run the Steam Gala as planned due to the engineering work at the Minehead end of the line, 2019/20 saw a number of new events such as the PJ Masks Day, the exciting Steam and Scream Spooktacular at Watchet during the Halloween period (29-31 Oct) and a new Christmas 'Snowcombe' event. Snowcombe showed what the people on the railway can achieve in a short period of time and a limited budget. Once it became clear the event previously planned for Christmas was not going to work, there was a short and hectic period to plan and deliver something new. This was an event that stretched our capabilities, and resilience at times, but there was some great customer feedback and the team involved learned a lot about what can be achieved when everyone pulls together.

Retail & Catering

Minehead gift shop traded well during the year. Spending was kept in line with budget while focusing sales on higher margin products and reducing lower margin lines from sale. Consequently, all budgeted targets were exceeded. Sales were strong and the business saw customers purchase more lower priced items which nonetheless produced high margins.

West Somerset Railway Public Limited Company

Strategic Report for the Year Ended 31 March 2020

The Company undertook an overhaul of the gift shop in early 2020 to enhance the retail space and had just re-opened the shop when the pandemic arrived. The retail team also launched the new re-branded WSR web shop in late February 2020 to add further retail income generating potential. Retail activities contributed £33,343 of profit in the year (2019 - 15 month period, profit of £21,647).

Catering sales performed well in all areas during the year despite the lack of footfall at Minehead station at the start of the year when trains were only running as far as Watchet. With a need to increase revenue into the business, prices were reviewed to a competitive level in early 2019 alongside a refresh of the range of offers available to customers that included seeing some lines removed in order to improve margins on key product lines in the Turntable Café and on train buffets. The catering team continue to look at how it can improve the catering offering and outlets to ensure we meet and exceed customer demand. Buffet and catering contributed £92,554 of profit in the year (2019 - 15 month period, profit of £70,032).

Profit after tax for the year ended 31 March 2020 was £231,904 (2019 - 15 month period, loss of £807,909) with a cash in hand position of £448,616 (2019 - £292,917) as at the balance sheet date. Further narrative in respect of the performance during the year is included in the Chairman's Report.

Key Performance Indicators

The board use a range of KPIs to monitor the performance of the business. These KPIs address the following criteria;

- Health & safety
- Customer complaints
- Running costs per mile
- Capacity utilisation
- Staff cost to gross earned income

Principal risks and uncertainties

Specific business risks faced by the business include the following;

Legal and regulatory risk

The Directors are aware of the continual change in laws and regulations and the increasing demands of compliance. In the period under review much work has been carried out in conjunction with the ORR to ensure compliance with all operational regulations and especially in regard to safe operation of the railway. Our relationship with the ORR is on solid foundations now and we continue a dialogue with the regulator to be certain of maintaining compliance.

West Somerset Railway Public Limited Company

Strategic Report for the Year Ended 31 March 2020

Litigation and claims risk

The Company has two main insurance risks, third party claims arising from general operations and employee or volunteer injuries. The Company has a very strong focus on safety at all levels and manages this kind of risk through its safety-based culture.

Infrastructure risk

A key risk in the business is maintaining our 140-year old Victorian railway architecture on such a long heritage track. Great investment is needed in the permanent way every year and whilst the Plc trade is able to generate a surplus to make some provision for that investment, the WSR is also reliant on funds generated through associated entities such as the WSRa and WSSRT. Without the fund-raising efforts of all our support arms the funds available for track investment would be inevitably impacted.

Coronavirus Pandemic Risk (COVID-19)

The emergence of COVID-19 in the middle of March 2020 bringing with it the inability to reopen the railway, created a new risk which was unprecedented in terms of the Company's experience. The Company has taken immediate steps to stabilise the financial implications of not being able to open and is developing plans to create a safe environment which would enable trains to run whilst allowing visitors to maintain social distance, including contactless payment facilities, hand sanitisers at all stations and onboard trains. The directors are however mindful that the outcome of the pandemic is uncertain, and they continue to monitor the position closely.

Future developments and strategy

In March 2020, the longer term impact of COVID-19 on the railway was unknown. What was clear however was that, inevitably, many of the plans that were drawn up for 2020/21 would remain on hold. However, notwithstanding the uncertainties, the Board anticipates that it will be proceeding with:

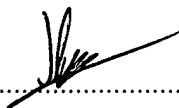
- Developing detailed plans for reopening the Railway when Government guidance, the law and social distancing allow.
- Putting into place urgent arrangements for donations to the Company and through the support charities for funds to enable the railway to continue as a trading entity in the absence of commercial income,
- Complying with Government requirements in relation to precaution and prevention around COVID-19 to ensure we keep our staff and volunteers safe,
- Continuing to develop and complete the 10 year Strategic Framework and three-year business plan ready for implementation as soon as circumstances allow,

West Somerset Railway Public Limited Company

Strategic Report for the Year Ended 31 March 2020

- Retaining its tight grip and control on finances, reducing expenditure where possible and seeking financial help from both national and local government and other sources to help manage the business and maintain it as a going concern,
- Continuing to maintain the railway on a “care and maintenance” basis using volunteers and staff with safety critical experience to ensure that all necessary steps are taken to secure infrastructure, rolling stock and other assets on a continuous basis,
- Continuing to work with its WSR family partners to find ways of sustaining the railway during the pandemic and to maintain and support the enthusiasm and commitment of staff and volunteers whilst the railway remains closed.

Approved by the Board on 21 November 2020 and signed on its behalf by:



.....
J Jones-Pratt
Director
.....

West Somerset Railway Public Limited Company

Directors' Report for the Year Ended 31 March 2020

The directors present their report and the financial statements for the year ended 31 March 2020.

Directors of the company

The directors who held office during the year were as follows:

J Jones-Pratt

P W Conibeare (ceased 28 June 2019)

R B Auger (ceased 2 May 2019)

M L Smith

M H Brown

R Meanley (appointed 14 December 2019 and ceased 30 July 2020)

F Courtney (ceased 30 April 2019)

The following directors were appointed after the year end:

J J M Kerr-Peterson (appointed 23 April 2020)

S V Williams (appointed 9 June 2020)

A J Castledine (appointed 30 July 2020)

Principal activity

The principal activity of the company is operating a heritage railway between Minehead and Bishops Lydeard.

Results and dividends

The profit for the year after taxation amounts to £231,904 (2019 - loss of £807,909). In accordance with Clause 4 (44) of the Memorandum of Association, the members of the company are not entitled to a dividend. Further information on the results for the year are set out in the Strategic Report.

Issue of shares

The company has issued a further 908,077 (2019 - 648,850) 10p ordinary shares at par for cash consideration in order to provide additional capital.

West Somerset Railway Public Limited Company

Directors' Report for the Year Ended 31 March 2020

Objectives and policies

As a heritage and tourist railway, using predominantly steam hauled trains, the objectives of the company are to preserve these facilities and services to be enjoyed by future generations. The company does not look to provide a financial return to its investors as any trading profits are retained to maintain the facilities provided. The main risks to which the company is exposed are set out in the strategic report. The directors are responsible for monitoring financial risk. Appropriate policies have been developed and implemented to identify, evaluate and manage the key risks.

Risks

Liquidity risk - The Company has adequate cash reserves at the year-end but monitors cash flow carefully with a rolling cash flow forecast to ensure sufficient working capital to operate efficiently is maintained.

Interest rate risk – The Company has arranged a mortgage which is split 50% fixed rate and 50% variable rate to partly mitigate the risk of a rise in interest rates.

Economic risk - The Company's performance is directly impacted by the economic environment and the tourism industry. The directors closely monitor the impact this has on the business. The company is concentrating on improving efficiency and reducing costs.

COVID-19 Risk - The Company is seeking ways in which the Railway can operate a safe environment for staff, volunteers and visitors whilst still be able to generate sufficient income to cover all costs and overheads.

Future developments

The company has been severely affected by the COVID-19 pandemic. Trading of any kind has to date, not been possible. Social distancing requirements would mean running trains at well under full capacity and the directors are of the opinion that this is not a financially viable option.

Plans are being made to operate a Christmas service, albeit somewhat reduced from previous years, but the ability to do this will greatly depend on the progress of the COVID-19 virus as we go into the winter months. Thereafter, the company will seek to reopen in April for the start of the 2021 season but for the same reason, there is material uncertainty whether the company will be able to trade next year.

West Somerset Railway Public Limited Company

Directors' Report for the Year Ended 31 March 2020

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. At the balance sheet date the company's trade creditors correspond to 61 days (2019: 68 days) of credit purchases.

Political donations

The Company made no political donations in 2020 (2019 - £Nil).

Statement on indemnity provisions

The Company has contributed to a qualifying third-party indemnity insurance policy on behalf of the Directors during the year.

Going concern

The accounts have been prepared on a going concern basis, which assumes that the Company will continue in operation for a period of at least twelve months from the date of approval of the financial statements.

During the year ended 31 March 2020 the company had returned to profitability after the significant loss of the previous 15 month period. This was a real achievement, and the directors were confident that this performance could be continued into the 2021 year.

However, as a result of the COVID-19 pandemic, it has not been possible to open the railway so far in the 2020/21 season. Plans are being made to run a reduced service in the run up to Christmas but this will depend on the progress of the Virus as we get into the winter months. This has obviously been a huge set back and all efforts have gone into stabilising the financial position of the Company.

The directors have taken full advantage of the Government schemes available. The Company has furloughed employees where possible and, up to the end of September 2020 has claimed £237,990 through the Coronavirus Job Retention Scheme. The Company has also claimed £25,000 through the Local Authority Retail, Leisure and Hospitality Grant. In addition, the Company has sought the support of its Bankers and has been granted a loan of £200,000 under the Coronavirus Business Interruption Loan Scheme. The Company has also reached agreement with the West Somerset Railway Association to defer £70,000 of the purchase price for the shop and café at Bishops Lydeard and Restorations business at Williton and convert this into a loan repayable over 36 months. The Company has also been awarded a grant of £864,901 from the Cultural Recovery Fund for Heritage which will ensure staff costs and overheads can be met, additional costs due to COVID-19 can be covered and the critical maintenance required to reopen the railway, can be carried out. The directors will continue to seek any grants or funding to which the company may be eligible.

West Somerset Railway Public Limited Company

Directors' Report for the Year Ended 31 March 2020

The Company has also been most generously supported by its associated organisations and by the public. An appeal put out in March 2020 has to date generated donations of £128,019 and new share purchases of £44,810.

All of these measures have enabled the Company to plan a way forward over the next six months but the Railway's future viability is dependent on the business being able to operate profitably during the 2021 season.

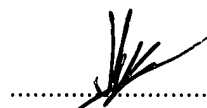
In addition, the Railway remains in need of regular and significant capital investment. In recent years this investment has been financed from cash reserves as the level of profit generated has not been sufficient. In the future the company will need to generate more profit or identify other ways to finance this continued investment in the Railway.

These events and conditions indicate that a material uncertainty exists that may cast doubt on the company's ability to continue as a going concern.

Disclosure of information to the auditors

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Approved by the Board on 21 November 2020 and signed on its behalf by:


.....
J Jones-Pratt
Director

West Somerset Railway Public Limited Company

Statement of Directors' Responsibilities

The directors acknowledge their responsibilities for preparing the Annual 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 elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

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 apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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.

West Somerset Railway Public Limited Company

Independent Auditor's Report to the Members of West Somerset Railway Public Limited Company

Opinion

We have audited the financial statements of West Somerset Railway Public Limited Company (the 'company') for the year ended 31 March 2020 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Statement of Cash Flows, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 'Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 2 in the financial statements which indicates that COVID-19 has had a significant impact on operations and results in the subsequent financial year and that the company faces continued uncertainty regarding its ability to operate during the 2021 season.

As stated in note 1 these events or conditions along with other matters set out in note 1 indicate a material uncertainty exists that may cast doubt on the company's ability to continue as a going concern.

Our report is not modified in respect of this matter.

West Somerset Railway Public Limited Company

Independent Auditor's Report to the Members of West Somerset Railway Public Limited Company

Other information

The directors are responsible for the other information. The other information comprises the information in the Chairman's Report, Strategic Report, the Report of the Directors and the Statement of Directors' Responsibilities, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Chairman's Report, Strategic Report and Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

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.

West Somerset Railway Public Limited Company

Independent Auditor's Report to the Members of West Somerset Railway Public Limited Company

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of our report

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.

West Somerset Railway Public Limited Company

Independent Auditor's Report to the Members of West Somerset Railway Public Limited Company

Alexandra Shore

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Alexandra Shore FCA DChA (Senior Statutory Auditor)
For and on behalf of A C Mole & Sons
Chartered Accountants & Statutory Auditors
Stafford House
Blackbrook Park Avenue
Taunton
Somerset
TA1 2PX

Date: *15th December 2020*

West Somerset Railway Public Limited Company

Statement of Comprehensive Income for the Year Ended 31 March 2020

	Note	2020 £	2019 £
Turnover		2,854,642	3,247,682
Other operating income		<u>343,244</u>	<u>211,759</u>
Gross revenue and profit		3,197,886	3,459,441
Employment costs	7	(874,411)	(1,410,851)
Depreciation		(250,254)	(185,723)
Impairment		-	(142,477)
Other operating costs		<u>(1,712,035)</u>	<u>(2,627,480)</u>
Operating profit/(loss)	4	<u>361,186</u>	<u>(907,090)</u>
Other interest receivable and similar income	5	86	3,987
Interest payable and similar charges	6	<u>(28,150)</u>	<u>(23,937)</u>
		<u>(28,064)</u>	<u>(19,950)</u>
Profit/(loss) before tax		333,122	(927,040)
Taxation	9	<u>(101,218)</u>	<u>119,131</u>
Profit/(loss) for the financial year		231,904	(807,909)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive profit/(loss) for the year		<u><u>231,904</u></u>	<u><u>(807,909)</u></u>

The notes on pages 27 to 49 form an integral part of these financial statements.

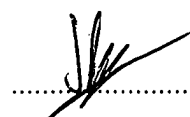
West Somerset Railway Public Limited Company

(Registration number: 01010188)

Balance Sheet as at 31 March 2020

	Note	2020 £	2019 £
Fixed assets			
Tangible assets	10	3,413,182	3,561,279
Current assets			
Stocks	12	236,281	159,811
Debtors less than one year	13	186,369	129,446
Debtors more than one year	13	228,690	118,537
Cash at bank and in hand	14	448,616	292,917
		1,099,956	700,711
Creditors: Amounts falling due within one year	15	(592,253)	(797,349)
Net current assets/(liabilities)		507,703	(96,638)
Total assets less current liabilities		3,920,885	3,464,641
Creditors: Amounts falling due after more than one year	15	(317,868)	(382,572)
Deferred income	15	(141,541)	(154,676)
Provisions for liabilities	16	(329,908)	(118,537)
Net assets		3,131,568	2,808,856
Capital and reserves			
Called up share capital	19	2,402,942	2,312,134
Profit and loss account		728,626	496,722
Total equity		3,131,568	2,808,856

Approved and authorised by the Board on 21 November 2020 and signed on its behalf by:



 J Jones-Pratt
 Director

The notes on pages 27 to 49 form an integral part of these financial statements.

West Somerset Railway Public Limited Company

Statement of Changes in Equity for the Year Ended 31 March 2020

	Share capital £	Profit and loss account £	Total £
At 1 April 2019	2,312,134	496,722	2,808,856
Profit for the year	-	231,904	231,904
Total comprehensive income	-	231,904	231,904
New share capital subscribed	90,808	-	90,808
At 31 March 2020	<u>2,402,942</u>	<u>728,626</u>	<u>3,131,568</u>
	Share capital £	Profit and loss account £	Total £
At 1 January 2018	2,247,249	1,304,631	3,551,880
Loss for the year	-	(807,909)	(807,909)
Total comprehensive income	-	(807,909)	(807,909)
New share capital subscribed	64,885	-	64,885
At 31 March 2019	<u>2,312,134</u>	<u>496,722</u>	<u>2,808,856</u>

The notes on pages 27 to 49 form an integral part of these financial statements.

West Somerset Railway Public Limited Company

Statement of Cash Flows for the Year Ended 31 March 2020

	Note	2020 £	2019 £
Cash flows from operating activities			
Profit/(loss) for the year		231,904	(807,909)
Adjustments to cash flows from non-cash items			
Depreciation, amortisation and impairments	4	250,254	328,200
Profit on disposal of tangible assets		-	(19,744)
Tax (credit)/expense	9	101,218	(119,131)
		<u>583,376</u>	<u>(618,584)</u>
Working capital adjustments			
(Increase) in stocks	12	(76,470)	(4,521)
(Increase)/decrease in trade debtors	13	(167,076)	133,815
(Decrease)/increase in trade creditors	15	(124,947)	109,918
Increase/(decrease) in loco provisions	16	110,153	(34,737)
Net cash flow from operating activities		<u>325,036</u>	<u>(414,109)</u>
Cash flows from investing activities			
Interest received	5	-	2,515
Acquisitions of tangible assets		(115,292)	(233,540)
Proceeds from sale of tangible assets		<u>-</u>	<u>135,283</u>
Net cash flows from investing activities		<u>(115,292)</u>	<u>(95,742)</u>
Cash flows from financing activities			
Interest paid	6	-	(2,515)
Proceeds from issue of ordinary shares, net of issue costs		90,808	64,885
Repayment of bank borrowing		(11,520)	(11,401)
Receipts from finance lease borrowings		-	200,000
Repayments of obligations under finance leases		<u>(133,333)</u>	<u>(11,211)</u>
Net cash flows from financing activities		<u>(54,045)</u>	<u>239,758</u>
Net increase/(decrease) in cash and cash equivalents		155,699	(270,093)
Cash and cash equivalents at 1 April 2019 (1 January 2018)		<u>292,917</u>	<u>563,010</u>

The notes on pages 27 to 49 form an integral part of these financial statements.

West Somerset Railway Public Limited Company

Statement of Cash Flows for the Year Ended 31 March 2020

	Note	2020 £	2019 £
Cash and cash equivalents at 31 March 2020 (31 March 2019)		<u>448,616</u>	<u>292,917</u>

Cash and cash equivalents

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

	31 March 2020 £	31 March 2019 £
Cash at bank and in hand	<u>448,616</u>	<u>292,917</u>

The notes on pages 27 to 49 form an integral part of these financial statements.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

1 General information

The company is a public company limited by share capital, incorporated in England and Wales.

The address of its registered office is:

The Railway Station

Minehead

Somerset

TA24 5BG

United Kingdom

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.

2 Accounting policies

Summary of significant accounting policies and key accounting estimates

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, unless otherwise stated.

Statement of compliance

These financial statements were prepared in accordance with 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) Regulation 2008 (SI 2008/410).

Basis of preparation

These financial statements have been prepared using the historical cost convention except that as disclosed in the accounting policies certain items are shown at fair value.

The presentation currency of the financial statements is Pound Sterling (£).

The preparation of financial statements in conformity with FRS102 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 this note.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

2 Accounting policies (continued)

Disclosure of long period

The company's previous financial statements covered a 15 month period from 1 January 2018 to 31 March 2019.

As such, the comparative figures are not directly comparable with the current 12 month period.

Going concern

The accounts have been prepared on a going concern basis, which assumes that the Company will continue in operation for a period of at least twelve months from the date of approval of the financial statements.

During the year ended 31 March 2020 the company had returned to profitability after the significant loss of the previous period. This was a real achievement and the directors were confident that this performance could be continued into the 2021 year.

However, as a result of the COVID-19 pandemic, it has not been possible to open the railway this season to date. Plans are being made to run a reduced service in the run up to Christmas but this will depend on the progress of the Virus as we get into the winter months. This has obviously been a huge set back and all efforts have gone into stabilising the financial position of the Company.

The measures which the Directors have taken in response to the pandemic have enabled the Company to plan a way forward over the next six months but the Railway's future viability is dependent on the business being able to operate profitably during the 2021 season.

In addition, the Railway remains in need of regular and significant capital investment. In recent years this investment has been financed from cash reserves as the level of profit generated has not been sufficient. In the future the company will need to generate more profit or identify other ways to finance this continued investment in the Railway.

The Directors are of the opinion that it is appropriate to prepare the financial statements on a going concern basis. However, they are mindful that the outcome of the pandemic is uncertain. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

2 Accounting policies (continued)

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. Gross profit is regarded as all income as related costs are deducted as operating costs and overheads. 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 and are disclosed as 'other operating income' or, where the income has specified future performance-related conditions, are recognised in income only when the performance-related conditions are met.

Non-exchange transactions

The Company benefits from 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 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.

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.

Foreign currency transactions and balances

Transactions in foreign currencies are initially recorded at the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into the respective functional currency of the entity at the rates prevailing on the reporting period date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

2 Accounting policies (continued)

Tax

The tax expense for the period comprises deferred tax. Tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the company operates and generates taxable income.

Deferred tax is recognised in respect of all timing differences between taxable profits and profits reported in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised when it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

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

Tangible assets

Tangible assets are stated in the balance sheet at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The cost of tangible assets includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Freehold land, buildings and improvements	10 to 99 years
Rolling stock - steam locomotives	On a usage basis
Rolling stock - other	5 to 25 years
Track and signalling	8 to 25 years
Plant, vehicles and equipment	3 to 20 years

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

2 Accounting policies (continued)

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Trade debtors

Trade debtors are amounts due from customers for merchandise sold or services performed in the ordinary course of business.

Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Stocks

Finished goods are stated at the lower of cost and net realisable value. Consumables are stated at cost. Cost is determined using a first in, first out (FIFO) method.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

2 Accounting policies (continued)

Borrowings

Interest-bearing borrowings are initially recorded at fair value, net of transaction costs. Interest-bearing borrowings are subsequently carried at amortised cost, with the difference between the proceeds, net of transaction costs, and the amount due on redemption being recognised as a charge to the Profit and Loss Account over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in interest payable and similar charges.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

Provisions

Provisions are recognised when the company has an obligation at the reporting date as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

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.

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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

2 Accounting policies (continued)

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 the 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 in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease. Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Lease payments are apportioned between finance costs in the Profit and Loss Account and reduction of the lease obligation so as to achieve a constant periodic rate of interest on the remaining balance of the liability.

When a sale and leaseback transaction results in a finance lease, no gain is immediately recognised for any excess of sale proceeds over the carrying amount of the asset. Instead, the proceeds are deferred and presented as a liability and subsequently measured at amortised cost using the effective interest method.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

2 Accounting policies (continued)

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a pension fund and the company has no legal or constructive obligation to pay further contributions even if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Contributions to defined contribution plans are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as a prepayment.

Segmental reporting

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

Financial instruments

Classification

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 and 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 and loss, except that investments in equity instruments that are not publicly 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 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 for the Year Ended 31 March 2020

2 Accounting policies (continued)

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 judgements within these accounts are considered to be:

(a) Useful economic lives and residual values of tangible fixed assets

The annual depreciation charges for tangible fixed assets is sensitive to the 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 investment, economic utilisation and the physical condition of the assets. Further information with regards to fixed assets is included within note 10 of these accounts.

(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 locomotive's usage to date. Details of the carrying value of the provision can be found in note 16 of these financial statements. Corresponding values are recorded within other receivables where the company will benefit from the repairs.

(c) Impairment of non-current assets

The company tests property plant and equipment if there are indications that an impairment may be required.

Determining whether these assets are impaired requires an estimation of the value in use of the cash generating units to which the assets are allocated.

The key estimates in the value in use calculation are those regarding discount rates, sales and margin growth rates. Assumptions regarding these key estimates are considered to be the key areas of estimation in the impairment review process.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

2 Accounting policies (continued)

(d) Deferred tax

The company has taxable losses carried forward, which are offset against excess capital allowances, as set out in note 9. The recognition of deferred tax assets in relation to losses is based on whether it is probable that sufficient taxable profits will be available in the future against which the reversal of losses and temporary differences can be used. Differences in forecasted taxable profits and actual profitability or a reduction in future forecasted taxable profits could impact deferred tax balances in future periods.

3 Other operating income

The analysis of the company's other operating income for the year is as follows:

	Year ended 31 March 2020 £	1 January 2018 to 31 March 2019 £
Legacies, grants and donations	322,995	190,038
Insurance receipts	11,084	21,721
Government grants receivable	9,165	-
	<u>343,244</u>	<u>211,759</u>

4 Operating profit/(loss)

Arrived at after charging/(crediting)

	Year ended 31 March 2020 £	1 January 2018 to 31 March 2019 £
Rental under operating leases	265,122	439,729
Depreciation - owned assets	263,389	202,142
Impairment loss	-	142,477
Profit on disposal of property, plant and equipment	-	(19,744)
Auditor's remuneration	17,250	15,000
Auditors' remuneration - non audit work	1,456	3,000
Amortisation of government grant relating to fixed assets	<u>(13,135)</u>	<u>(16,419)</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

5 Other interest receivable and similar income

	Year ended 31 March 2020 £	1 January 2018 to 31 March 2019 £
Interest income on bank deposits	86	1,472
Other finance income	-	2,515
	<u>86</u>	<u>3,987</u>

6 Interest payable and similar expenses

	Year ended 31 March 2020 £	1 January 2018 to 31 March 2019 £
Interest on bank overdrafts and borrowings	15,905	20,151
Interest on obligations under finance leases and hire purchase contracts	12,245	1,270
Interest expense on other finance liabilities	-	2,516
	<u>28,150</u>	<u>23,937</u>

7 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	Year ended 31 March 2020 £	1 January 2018 to 31 March 2019 £
Wages, salaries and social security costs	769,239	1,236,115
Pension costs, defined contribution scheme	42,145	49,087
Directors' remuneration and pensions	43,777	125,649
Directors compensation for loss of office	19,000	-
Sums paid to third parties for directors services	250	-
	<u>874,411</u>	<u>1,410,851</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

7 Staff costs (continued)

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	2020 No.	2019 No.
Railway	43	50
Shop	5	4
	<u>48</u>	<u>54</u>

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

In addition, the railway receives tremendous support from over 1,000 unpaid volunteers, without whose services it could not operate as a financially viable commercial operation.

8 Auditors' remuneration

	Year ended 31 March 2020 £	1 January 2018 to 31 March 2019 £
Audit of the financial statements	<u>17,250</u>	<u>15,000</u>
Other fees to auditors		
All other non-audit services	<u>1,456</u>	<u>3,000</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

9 Taxation

Tax charged/(credited) in the income statement

	Year ended 31 March 2020 £	1 January 2018 to 31 March 2019 £
Current taxation		
UK corporation tax adjustment to prior periods	-	(718)
Deferred taxation		
Arising from origination and reversal of timing differences	101,218	(118,413)
Tax expense/(credit) in the income statement	101,218	(119,131)

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK 2020 - 19% (2019 - 19%).

The differences are reconciled below:

	Year ended 31 March 2020 £	1 January 2018 to 31 March 2019 £
Profit/(loss) before tax	333,122	(927,040)
Corporation tax at standard rate	63,293	(176,137)
Effect of expense not deductible in determining taxable profit (tax loss)	(952)	(13,342)
Tax increase (decrease) from effect of capital allowances and depreciation	451,665	443,390
Effect of tax losses utilised in the year	(94,311)	39,978
Increase (decrease) in UK current tax from adjustment for prior periods	-	(718)
Deferred tax credit from losses carried forward	(318,477)	(412,302)
Total tax charge/(credit)	101,218	(119,131)

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

10 Tangible assets

	Freehold land, buildings and improvements £	Rolling stock £	Track and signalling £	Plant, vehicles and equipment £	Total £
Cost or valuation					
At 1 April 2019	1,760,056	2,003,201	1,716,990	898,939	6,379,186
Additions	<u>47,234</u>	<u>-</u>	<u>51,197</u>	<u>16,861</u>	<u>115,292</u>
At 31 March 2020	<u>1,807,290</u>	<u>2,003,201</u>	<u>1,768,187</u>	<u>915,800</u>	<u>6,494,478</u>
Depreciation					
At 1 April 2019	609,797	747,896	710,788	749,426	2,817,907
Charge for the year	<u>56,689</u>	<u>112,479</u>	<u>59,443</u>	<u>34,778</u>	<u>263,389</u>
At 31 March 2020	<u>666,486</u>	<u>860,375</u>	<u>770,231</u>	<u>784,204</u>	<u>3,081,296</u>
Carrying amount					
At 31 March 2020	<u>1,140,804</u>	<u>1,142,826</u>	<u>997,956</u>	<u>131,596</u>	<u>3,413,182</u>
At 31 March 2019	<u>1,150,259</u>	<u>1,255,305</u>	<u>1,006,202</u>	<u>149,513</u>	<u>3,561,279</u>

Included in freehold and long leasehold land, buildings and improvements are the following assets with a net book value at 31 March 2020: freehold buildings £500,614 (2019 - £523,489), freehold land £89,612 (2019 - £74,612), leasehold buildings £196,853 (2019 - £200,277) and leasehold improvements £353,725 (2019 - £351,881).

Included in rolling stock are assets held under finance leases (note 21) with a net book value at 31 March 2020 of £972,466 (2019 - £1,063,124).

Last year the company agreed to terminate the contract of a locomotive on long term lease hire. As a result, the locomotive was not capable of generating economic benefit for the company, so it had a nil value in use. An impairment of £142,477 was booked accordingly (2020 - £Nil).

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

11 Investments in subsidiaries, joint ventures and associates

The company held the following shares as at March 2020 and March 2019:

1 share of £500 each in 5542 Limited
 418 shares of £10 each in Dinmore Manor Locomotive Limited
 120 shares of £1 each in Severn Valley Railway (Holdings) plc
 940 shares of 25p each in Great Central Railway plc
 126 shares of £1 each 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 and therefore have nil value within the statements.

12 Stocks

	31 March 2020	31 March 2019
	£	£
Raw materials and consumables	86,020	81,232
Finished goods and goods for resale	150,261	78,579
	<u>236,281</u>	<u>159,811</u>

13 Debtors

	31 March 2020	31 March 2019
	£	£
Trade debtors	35,533	57,559
Other debtors	275,182	124,985
Prepayments	104,344	65,439
	415,059	247,983
Less non-current portion - other debtors	<u>(228,690)</u>	<u>(118,537)</u>
Total current trade and other debtors	<u>186,369</u>	<u>129,446</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

13 Debtors (continued)

Details of non-current other debtors

In line with the accounting policies 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. As at 31 March 2020, unused provisions totalled £228,690 (2019 - £118,537) which has been included within non current debtors.

14 Cash and cash equivalents

	31 March 2020 £	31 March 2019 £
Cash on hand	3,930	3,580
Cash at bank	444,686	289,337
	<u>448,616</u>	<u>292,917</u>

15 Creditors

	Note	31 March 2020 £	31 March 2019 £
Due within one year			
Loans and borrowings	20	67,395	147,544
Trade creditors		248,243	366,070
Social security and other taxes		12,343	13,019
Other payables		164,598	87,685
Accrued expenses		86,539	169,896
Deferred income		13,135	13,135
		<u>592,253</u>	<u>797,349</u>
Due after one year			
Loans and borrowings	20	317,868	382,572
Deferred income		141,541	154,676
		<u>459,409</u>	<u>537,248</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

16 Provisions for liabilities

	Deferred tax £	Loco repairs provision £	Total £
At 1 April 2019	-	118,537	118,537
Additional provisions	<u>101,218</u>	<u>110,153</u>	<u>211,371</u>
At 31 March 2020	<u><u>101,218</u></u>	<u><u>228,690</u></u>	<u><u>329,908</u></u>

	Deferred tax £	Loco repairs provision £	Total £
At 1 January 2018	118,413	153,274	271,687
Increase in provisions re: 53808	-	46,663	46,663
Release of provisions	<u>(118,413)</u>	<u>(81,400)</u>	<u>(199,813)</u>
At 31 March 2019	<u><u>-</u></u>	<u><u>118,537</u></u>	<u><u>118,537</u></u>

The locomotive repair provision relate to Locomotive 53808 this year and both Locomotives 53808 and 44422 in the previous year 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 to reflect the accounting policy adopted.

The provision was released in the prior period in respect of locomotive 44422 as notice was given prior to the previous year end, to return the asset to its owners. No further repair costs were expected.

17 Deferred income

	31 March 2020 £	31 March 2019 £
Deferred income: Government grants relating to fixed assets	<u><u>154,676</u></u>	<u><u>167,811</u></u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

17 Deferred income (continued)

The movements in the period in respect of the government grants are as follows:

	£	£
Balance at beginning of period	167,811	184,230
Amortised to profit and loss account	<u>(13,135)</u>	<u>(16,419)</u>
Balance at end of period	<u>154,676</u>	<u>167,811</u>

18 Pension and other schemes

Defined contribution pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £43,267 (2019 - £57,180).

Contributions totalling £4,430 (2019 - £9,466) were payable to the scheme at the end of the period and are included within other creditors.

19 Share capital

Allotted, called up and fully paid shares

	2020		2019	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>24,029,420</u>	<u>2,402,942.00</u>	<u>23,121,343</u>	<u>2,312,134.30</u>

New shares allotted

During the year, 908,077 ordinary shares having an aggregate nominal value of £90,808 were allotted for an aggregate consideration of £90,808.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

19 Share capital (continued)

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 issues 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 member in the income or profits of the company or any successor to the company by way of a dividend. Shareholders with fewer than 1,000 shares will not qualify for free or complimentary rail travel warrants.

If upon 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 another institution 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.

20 Creditors: Amounts falling due after more than one year

	31 March 2020 £	31 March 2019 £
Non-current loans and borrowings		
Bank borrowings	317,868	327,016
HP and finance lease liabilities	-	55,556
	<u>317,868</u>	<u>382,572</u>
	31 March 2020 £	31 March 2019 £
Current loans and borrowings		
Bank borrowings	11,840	14,211
HP and finance lease liabilities	55,555	133,333
	<u>67,395</u>	<u>147,544</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

20 Creditors: Amounts falling due after more than one year (continued)

Bank borrowings and secured debts

The bank loan on Station House is denominated in £ with a nominal interest rate of fixed 5.27% (2019 - 5.27%) and variable 3.4% (2019 - 4.15%), and the final instalment is due on 31 December 2037. The carrying amount at the year end is £329,708 (2019 - £341,227).

Secured debts

The bank loan is secured by a first legal charge over the freehold property at Station House, a first legal charge over the freehold property 5 Acres Land with an acreage of 5 and an unlimited debenture.

Finance lease liabilities are secured on the related assets.

Included in the loans and borrowings are the following amounts:

	31 March 2020	31 March 2019
	£	£
Due within one year	11,840	14,211
Due between 2 and 5 years	50,640	57,454
Due after more than five years by instalments	267,228	269,562
	<u>329,708</u>	<u>341,227</u>

21 Obligations under leases and hire purchase contracts

Finance leases

Last year, the company entered into a sale and leaseback transaction that resulted in a finance lease. Upon completion of the lease term, the company will have the option to repurchase the assets for a nominal fee. The finance lease is secured over the assets concerned.

The total of future minimum lease payments is as follows:

	2020	2019
	£	£
Not later than one year	55,555	133,333
Later than one year and not later than five years	-	55,556
	<u>55,555</u>	<u>188,889</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

21 Obligations under leases and hire purchase contracts (continued)

Operating leases

The total of future minimum lease payments is as follows:

	2020	2019
	£	£
Not later than one year	234	40,292
Later than one year and not later than five years	52,813	65,825
	<u>53,047</u>	<u>106,117</u>

22 Commitments

Capital commitments

The company had no capital commitments at the year end. After the previous period end, the company entered into two hire agreements with a total due within one year of £70,000 and due after one year of £43,750. Details of hire agreements entered into after 1 April 2020 are shown in note 25.

23 Related party transactions

Key management personnel

During the period key management personnel, which are comprised of the Department Heads for each of the Company's operating departments and the General Manager, received £216,148 (2019 - £339,556) for services provided to the company.

Income for other related parties - under common influence

	2020	2019
	£	£
Repairs	<u>2,378</u>	<u>-</u>
	<u>2,378</u>	<u>-</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

23 Related party transactions (continued)

Expenditure for other related parties - under common influence

	Other related parties
	£
2020	
Haulage	4,298
Short lease hire	5,304
	<u>9,602</u>
	Other related parties
	£
2019	
Repairs	1,240
Short lease hire	7,190
Haulage	4,140
	<u>12,570</u>

As at the balance sheet date, there were amounts due from other related parties of £2,224 (2019 - amounts owed to related parties £948).

One of the directors is also a shareholder in the company, 7029 Clun Castle Limited. There is an agreement in place where this company will provide a locomotive for use, free of charge in exchange for work completed by West Somerset Railway PLC.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2020

24 Financial instruments

Categorisation of financial instruments

	2020	2019
	£	£
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	<u>35,533</u>	<u>57,559</u>
	<u>35,533</u>	<u>57,559</u>
Financial liabilities measured at amortised cost		
Bank loans and overdrafts	329,708	341,227
Hire purchase	55,555	133,333
Trade creditors	248,243	366,070
Other creditors	<u>2,857</u>	<u>40,262</u>
	<u>636,363</u>	<u>880,892</u>

25 Post balance sheet events

The emergence of the Coronavirus pandemic and subsequent restrictions on movement resulted in a number of significant non-adjusting post balance sheet events.

These are disclosed in full within the Directors' Report.

After the year end the company entered into a new hire agreement with a total due within one year of £Nil and due after one year of £50,600.