

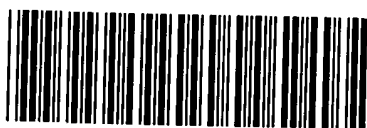
Registration number: 01010188

West Somerset Railway Public Limited Company

Annual Report and Financial Statements

for the Year Ended 31 March 2022

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West Somerset Railway Public Limited Company

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West Somerset Railway Public Limited Company

Company Information

Directors	J Jones-Pratt A A Diejomaoh A J Castledine F M Courtney S V Williams J R Boswell
Company secretary	Four Fifty Partnership Limited
Registered office	The Railway Station Minehead Somerset TA24 5BG
Solicitors	Clarke Wilmott Blackbrook Gate Blackbrook Park Avenue Taunton TA1 2PG
Auditors	A C Mole 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 2022

Dear Shareholders,

I am pleased to be able to write to you again as Chairman and to report on a period of many positive achievements for the West Somerset Railway (WSR) despite the continued impact of the COVID-19 pandemic last year.

It was fantastic that we were able to reopen the railway in May 2021 following 18 months of enforced closure. I want to pay tribute to the amazing work of our staff both paid and voluntary without whose efforts we would have not succeeded and whose contribution continues to be invaluable today. Our people are the lifeblood of the railway and I continue to be humbled by their dedication and passion for the WSR. A big thank you to everybody involved from both myself and the Board.

Another significant milestone was the appointment of Kerry Noble initially as acting Assistant General Manager to oversee the opening and operation of the railway during 2021 and more recently Kerry's move to be the substantive General Manager. There is no doubt in my mind and that of the Board that she more than proved her worth during some very challenging times in 2021 and has already established herself as an effective leader in her new role. Kerry's appointment together with that of a number of new members of the management team which I refer to below has really put us in a great position to move the business forward and together with our existing experienced staff, is already paying dividends in terms of longer term sustainability.

From an engineering perspective, the completion of the Seaward Way level crossing replacement and finishing work on Alcombe Relay were the culmination of many months of hard work and dedication led by Frank Courtney at Board level working in conjunction with Somerset County Council and principal contractors. Peter Chilcott's permanent way team did a great job at Alcombe and we are reaping the benefits of those schemes now in the current season.

We also made significant progress in relation to Safety and Compliance with the Office of Rail and Road (ORR) working with the Board and management team to identify and agree the action plan necessary to meet the ORR requirements to enable us to reopen the railway. We are extremely grateful to ORR for their support to the WSR over this difficult period which has resulted in the business being able to benefit from a great deal of learning and approach to cultural change which I am sure will put us in a good position for the future.

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2022

Trading in the 12 months to 31 March 2022

The financial headlines for this 12 month period reflect how difficult it was to reopen the railway, initially closed until 21 May 2021 then under social distancing measures on a reduced timetable and with a lower than normal demand for tickets. The shortfall from the first half of the year just could not be recovered. Strong sales for Christmas trains and Winter Lights, together with a stringent control over costs provided sufficient cash reserves to get us through the winter and ready to open at the start of the 2022 season:

- Turnover was £2,467,483 (2021 - £516,735)
- The trading deficit before tax was £384,339 (2021 - surplus of £39,872)
- Cash balances were £510,144 (2021 - £407,014)
- Capital expenditure was £48,337 (2021 - £31,546)

Board Development and the new Management Team

As I said in my opening remarks, we have been extremely fortunate in retaining the services of individuals who have remained in their Director roles and continue to play a key part in planning and implementing the strategic, policy and commercial direction of the business. Although we have not filled the Commercial Director role, Steve Williams has kindly stepped in to undertake a number of these activities on behalf of the Board. Owing to a combination of work and personal commitments, Paul Dawkins and Shaun Hodges decided to remain as Infrastructure Engineering Advisers to the PLC rather than become Directors and they have made a significant impact on policy, technical and priority setting activities within that Department over the last 12 months.

As far as the Management Team is concerned, Steve Williams and Kerry Noble worked together in the 2022 year to both design the new management structure which was signed off by the Board and to deliver its implementation. This has led to a number of key new appointments including:

- Malcolm Dean - Operations Manager
- Peter Chilcott - Infrastructure Manager
- Ryan Pope - Head of Mechanical Engineering
- Stuart Hendry - Safety and Compliance Manager
- Richard Hiscox - Deputy Head of Mechanical Engineering

Following her appointment as General Manager, Kerry Noble has taken the lead in completing the implementation of the new management structure with further appointments being made in the 2023 year of both a paid and voluntary nature.

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2022

Financial Position

My 2021 Report summarised the measures that it was necessary for the Board to continue to take to secure the financial sustainability of the PLC. In line with Government requirements, the WSR was forced to make a delayed start from May 2021 which inevitably meant that it was necessary for the Board to maintain a strict discipline in how resources were utilised and to make very realistic assumptions about income given the unknowns of visitor numbers post pandemic and also whether volunteers would return in sufficient numbers to enable us to run the railway to the business model we had identified as well as in a safe and compliant manner.

Whilst the trading results for the 12 months to the end of March 2022 showed a deficit, they exceeded our expectations. In addition to the continued receipt of grants, donations and legacies, the introduction of the Winterlights programme over Christmas was a great success and tribute must be paid to Kerry Noble and her team both for the original ideas but also turning the concept into such a marvellous advertisement for the WSR. We hope to repeat this in the 2023 year.

Going Concern

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

Our original 2022 forecasts showed the Railway's ability to trade profitably and build on the results achieved during the 2019/20 year. However, continued impact of the COVID-19 pandemic and the consequent Government restrictions made it necessary to totally recast our financial projections and assumptions around income and costs for the 12 months covered by this Report.

As advised in my last report, the Railway 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 the previous year, the Company sought the support of its Bankers and was granted a loan on favourable terms under the Coronavirus Business Interruption Loan Scheme. The Cultural Recovery Fund for Heritage (CHRF) award in Round 1 along with the SOS Appeal were major factors in keeping the business solvent during the period. It was therefore disappointing to learn that we were not successful (due to a technical adjustment of our status by the National Heritage Lottery Fund) in obtaining further CRFH funding this year.

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2022

Strong financial controls and adapting quickly to changing circumstances have enabled the Railway to plan a way forward for the 2022 operating season which is now underway, but the uncertainties posed by COVID-19 including social distancing, public appetite for heritage rail travel and the prevailing general economic conditions continue to make it difficult to produce accurate financial forecasting.

Initial indications are that these factors, together with the ongoing cost of living crisis, will result in income falling below budget for the 2022 operating 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 significant doubt on the Railway's ability to continue as a going concern.

The Railway in 2022

I am always amazed at how much we are able to achieve in any one calendar year and 2022 was no different. Following a period of intense preparation by our dedicated staff, being able to reopen the Railway in May 2021 felt like a real boost for everyone connected with the WSR. Getting everything ready not least the need to ensure that everybody returning to work would be compliant and could do so safely was a major task in itself. With the exception of engineering trains and the odd special move, we had not run the Railway operationally for around 18 months. We were also unsure as to whether everybody who previously volunteered would be able to or indeed want to come back.

It is testimony to the dedication and commitment of so many of our colleagues that we were able to with one or two exceptions welcome people back to both their previous and new roles on the Railway such that we were able to open without incident.

However, the one thing that was outside of our control to deliver was the completion of the Seaward Way crossing. This meant that for the season, we could only run to Dunster. Nevertheless, with some clever and careful planning, we were able to find a way of doing this effectively and with the addition of the heritage bus service, passengers were able to reach Minehead. Seaward Way level crossing was actually completed at the end of October 2021 and formally approved for use by the Office of Rail and Road and is now in regular operation.

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2022

The main focus around infrastructure engineering was obviously the completion of the Alcombe Relay project. Work continued on a range of small schemes and looking to build up the workforce particularly around capacity for permanent way activities. This meant that we had to defer the Blue Anchor relay scheme which is now scheduled for Winter 2022. More broadly in Infrastructure Engineering we were able to complete work on the three-year Development Plan, the initial schemes from which for 2022 are being designed for implementation and we have secured a significant proportion of the funding principally from our support charities for this work. We also saw completion of a number of smaller permanent way projects and other civil engineering activity including cutting back activities, weed killing and repairs to various structures along the Railway. Station signage updating also featured as part of completed works with particular support in this area from the West Somerset Railway Association.

Mechanical Engineering was able to continue to work on the carriage improvement programme and to reach agreement with the West Somerset Railway Association for the use of its MK1 vehicles and the Quantock Belle dining car set for 2022. Progress was made on further carriage restoration work covering both PLC and WSRA vehicles. I was pleased to be able to make locomotive 9466 available to the WSR and we continue to work on strengthening bridges and other parts of the Railway to be able to host bigger locomotives as and when the opportunity and commercial considerations arise. We have started work on a formal policy for route availability and I am hopeful that work will be completed by the end of 2022.

In relation to Operations, the arrival and experience of Malcolm Dean as Operations Manager has enabled us to ensure that we can run the Railway efficiently on a day-to-day basis. We have struggled slightly with staff shortages due to a combination of ill-health and vacancies, but these issues are being addressed for 2023. We have a new Stations Co-ordinator in Alan Smithers and have been able to introduce regular diagrams for DEPG diesel locomotives.

I will not say a lot about safety and compliance as this is covered in more detail in the Strategic Report. However, I do want to pay tribute to all those involved in working tirelessly to secure agreement with the Office of Road and Rail over the last two years. It has been a massive effort such that we are able to run the Railway and demonstrate compliance across a full range of the PLC activities. However, this must not and cannot make us complacent and there is a wide-ranging programme of work underway in the current year to build on that initial success and to ensure that we also reflect best practice across the heritage Railway sector. The appointment of Stuart Hendry as Safety and Compliance Manager has been central to the progress we have made to date.

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2022

2022 was the first time that we were able to properly apply our new focused approach to the commercial operation of the WSR and to make progress on projects and plans for the future. The revised timetable reflected the reality of ensuring that we could make money running services that the public would use. This was matched by some very creative and innovative thinking around special events and activities the most notable of which was the Christmas Winterlights programme which was a fantastic success and enabled us to end the year on a high note.

Going forward into 2023

Looking to the future, we finalised arrangements with the Somerset and Dorset Trust for them to leave the Washford Yard site in November 2023. We also agreed with the Trust that the PLC would take back responsibility for Washford station for the 2022 season which has now happened. It is intended to have a clear view about the future use of Washford Yard finalised by the end of the 2023 financial year.

The Heritage Trust completed its work on the Gauge Museum at Bishops Lydeard and began to put together proposals for further developments around Platform 1 there which have been presented to the PLC and are now proceeding to the final costed option.

The West Somerset Railway Association advised the PLC that it did not wish to renew the lease on Sherrings Yard at Williton beyond September 2023 and so we are looking to assume responsibility for the site subject to successful negotiations with the owners. This will then inform the completion of the strategic engineering review of the Williton site.

We were fortunate enough to secure a major commercial success in April when we hosted the multinational company Thales who were demonstrating their new trackwork protection system to Network Rail and other organisations from the mainline network. The demonstration was an undoubted success and we hope to be doing more work of this nature with external players going forward.

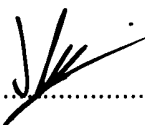
The focus on operating the railway and some of the continued uncertainties that inevitably existed last year meant that we further postponed development of the new three-year Corporate Plan but this will be undertaken in the 2023 year.

We expect to see completion of the covered accommodation report in the 2023 year together with the new business plan for Restorations at Williton.

In conclusion, 2022 represented both a time of renewal and re-dedication to the railway. I like many people, was unsure as to how things would work out but once again, the amazing work of all of our staff and support organisations and their volunteers have meant that the "Whizzer" is now very much open for business and we can face the future with more certainty now. Thank you to everybody who has made this possible.

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2022


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Jonathan Jones-Pratt
Chairman
West Somerset Railway PLC

West Somerset Railway Public Limited Company
Strategic Report for the Year Ended 31 March 2022

The directors present their strategic report for the year ended 31 March 2022.

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.

The Financial Position

The delayed re-opening of the Railway in May 2021 with the loss of two months trading, and then operating on a reduced timetable with social distancing measures in place, is reflected in the results for the year. Whilst the deficit is disappointing the results exceeded our 2022 forecast, due to the Railway's ability to adapt to the changing demands and careful cash management has ensured we have the resources required to launch the 2022 season. Although fare income and the outcome of the 2021 Emergency Appeal was disappointing the Board is very conscious of the need to maintain a firm grip on costs and to exploit commercial opportunities as they arise (the Thales event in April 2022 being an example of the WSR marketing itself to the mainline network) and this will continue to be the case going forward.

Initial indications are that the above factors, together with the ongoing cost of living crisis, will result in income falling below budget for the 2022 operating season.

Office of Rail and Road (ORR)

During 2022, the Railway was able to continue the work started in the previous year to meet the requirements of the ORR arising from their inspection regime. For the most part, this work is now complete and forms part of the ongoing commitment and focus on safety management by the General Manager and her team supported by the Board.

One of the key developments to emerge from this work was the appointment of Stuart Hendry as the new Safety and Compliance Officer. Coming from a similar background on the mainline network, Stuart has already had a significant impact on the way in which safety management and risk reduction is undertaken operationally across the Railway and other members of the WSR Railway family.

West Somerset Railway Public Limited Company

Strategic Report for the Year Ended 31 March 2022

The creation of the new WSR Safety Committee in the 2023 year will further strengthen these processes. Another example of the success of the Railway in being able to meet its safety and regulatory responsibilities was in the final commissioning of Seaward Way level crossing Minehead which required ORR sign off. A complex and challenging project was brought to a successful conclusion in October 2021 ready for the 2022 operating season.

Key Performance Indicators

The Board use a range of KPI's to monitor the performance of the business. These KPI's 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.

Litigation and claims risk

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

West Somerset Railway Public Limited Company
Strategic Report for the Year Ended 31 March 2022

Liquidity risk

The risk to the Railway's liquidity has been highlighted through both this year and the previous period of operation and continues to be an ever-present risk in this business. The Railway is seasonal with a fallow period from November through to March, save for the Christmas specials. The delayed start to the 2021 season and the inability to reach Minehead by train obviously enhanced the level of risk in the short term. However, the Board took decisive action with the management team to mitigate the impact of these events which were outside of the Railway's control. This included additional cash generation through for example the Winterlights programme and increased productivity and vacancy management. As a Board we have instituted tight controls on cash management and have developed regular management information and reporting. This activity and grip on costs and financial risk has been of even greater importance in light of the impact of COVID 19 and the reduced trading opportunities in the 2022 year.

Infrastructure risk

A key risk in the Railway 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. With the help of our Infrastructure Advisers and the Infrastructure Manager, the Railway now has a live Infrastructure Development Programme which is a three-year plan for investment on maintenance and renewal. This is constantly updated to reflect new and changed priorities and the investment required for the following 12 months has already been significantly identified within 2023 budgets.

Coronavirus Pandemic Risk (COVID-19)

Although the impact of the COVID-19 pandemic progressively reduced during the 2022 year, the risk of further variants and their effect on heritage railways as a discretionary tourist operation remains high. The Railway continues to respond to changes in Government guidance and, with the help of various grants over the last two years, has been able to arm itself with the necessary tools to help mitigate known public health risk. The Railway continues to monitor the situation on a regular basis and is well placed to act in the event of any significant change. Clearly, should there be further outbreaks which require either part or full closure of the Railway and/or a significant reduction in the level of visitors to the WSR, these will have major implications for financial sustainability going forward.

West Somerset Railway Public Limited Company

Strategic Report for the Year Ended 31 March 2022

Safety and Compliance

Over the last two years we have had a programme of safety improvement, which will continue. The portfolio in 2020 reflected the financial position of the railway, and areas were identified where we needed to make substantial improvements, which we implemented with speed and rigour with the full support of the Rail Regulator (ORR). There was and is appropriate communication with the ORR, commensurate with our status as a highly regulated safety critical railway operation - where we deliver a branch line experience to 21st Century safety standards. The work of improvement is never ending but our programme over the last two years has included:

- The introduction of a new Safety Management System, and subordinate systems to satisfy legislative requirements, as a live process, this is due to be reissued following revisions that reflect changes in the business later in 2022;
- The appointment of new safety critical staff in key operational and safety management roles;
- Development of a new relationship with the Railway Inspectorate and successfully delivering a change and improvement program;
- A level crossing closure and improvement program;
- Improved competency management and training of assessors;
- Joining essential rail sector bodies Chartered Institution of Railway Operators (CIRO), Rail Safety & Standards Board (RSSB) & Confidential Incident Reporting Analysis Services (CIRAS)
- Continuing to deliver and improve upon shared learning to promote a 'just culture';
- Continuing to support the development of infrastructure manuals and track standard documentation;
- Re-constitution of the staff safety forum and rules and operational standards committee.

It is important we recognise the journey of improvement we have made to date, but it is equally important that we maintain our focus on all matters safety and continue to improve.

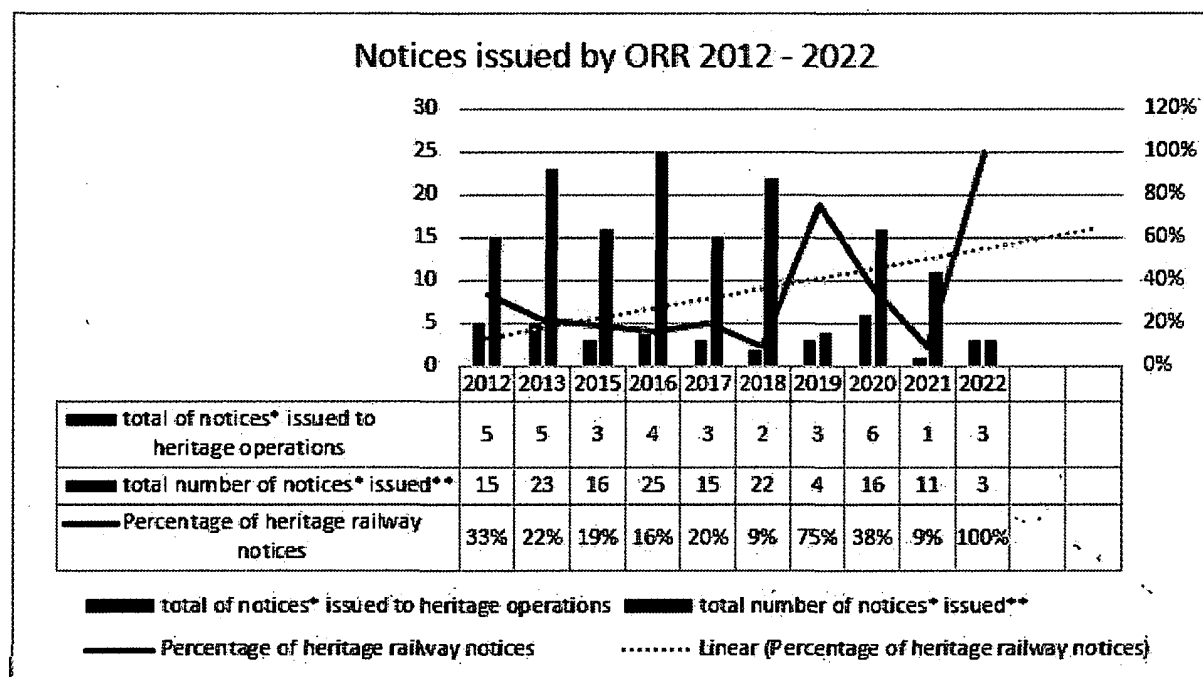
When it is considered the ORR regulate the whole UK national network train operations and about 12,000km of associated infrastructure, compared to the comparatively low heritage sector track mileage of circa 900km, and numbers of trains operated/scale of activities, the heritage sector data should serve to keep minds focussed.

West Somerset Railway Public Limited Company

Strategic Report for the Year Ended 31 March 2022

Whether a heritage railway or a national operator, both are heavily regulated and include safety critical activity. Shareholders are reminded of the importance of their contribution in adhering to all operational rules, instructions, and advisory notices.

The graph below picks out the total number of all types of Notice issued by the ORR to all train operators and the percentage total issued to heritage type operations. This data serves to remind the Board of their accountabilities and the management team of their responsibilities:



Future developments and strategy

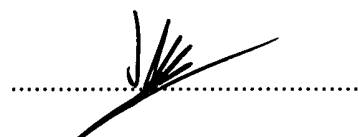
Given the way in which the Railway emerged from the COVID-19 restrictions and the delayed reopening of the line from May 2021, the focus at Board level and in the management team was on ensuring that we could provide a safe and operationally coherent railway. That meant the work on the Corporate Plan was deferred until the 2023 year. Nonetheless, a significant number of projects and planning activities which were started in 2021 have continued into 2022 including:

West Somerset Railway Public Limited Company

Strategic Report for the Year Ended 31 March 2022

- Further work on the proposals to provide covered accommodation for both operational and heritage rolling stock. The final report is expected in the 2023 year.
- Reinstating the Williton Strategic Engineering Review which also includes new proposals from the Diesel and Electric Preservation Group for the future use of Williton Goods Shed.
- Taking back operation and management of Washford station into PLC responsibility.
- Working with the West Somerset Railway Heritage Trust on proposals for expanding facilities and heritage museum capacity on Platform 1 at Bishops Lydeard.
- Establishment of a Project Group to prepare an outline business case for reconnecting Taunton to Bishop Lydeard for scheduled trains.
- Preparation of a Site Development Plan for Bishops Lydeard
- Internal WSR consultation on options for the future use of Washford Yard site when the Somerset and Dorset Railway Trust vacate it in November 2023.
- Preparations for the major overhaul of locomotive 53808 which is due back on the railway for this purpose around November 2022.
- Preparation of a new Business Plan for Restorations.
- Further implementation of the Infrastructure Development Plan.

Approved by the Board on 22 September 2022 and signed on its behalf by:

A handwritten signature in black ink, consisting of a series of vertical strokes followed by a diagonal line, positioned above a dotted line.

J Jones-Pratt
Chairman
On behalf of the PLC Board

West Somerset Railway Public Limited Company
Directors' Report for the Year Ended 31 March 2022

The directors present their report and the financial statements for the year ended 31 March 2022.

Directors of the company

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

J Jones-Pratt

A A Diejomaoh (appointed 25 September 2021)

J J M Kerr-Peterson (ceased 27 May 2021)

A J Castledine

F M Courtney

S V Williams

J R Boswell

R Meanley (ceased 26 March 2022)

Principal activity

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

Results and dividends

The loss for the year after taxation amounts to £316,442 (2021 - profit of £25,238). 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 288,300 (2021 - 684,600) 10p ordinary shares at par for cash consideration in order to provide additional capital.

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.

West Somerset Railway Public Limited Company

Directors' Report for the Year Ended 31 March 2022

Risks

Liquidity risk - The Railway 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 Railway 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 Railway'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 Railway is concentrating on improving efficiency and reducing costs.

COVID-19 Risk - The Railway has established that it can provide a safe environment for staff, volunteers and visitors whilst still being able to generate sufficient income to cover all costs and overheads.

Future developments

The company has been severely affected by the COVID-19 pandemic.

The Railway re-opened for business in May 2021. This was a gradual reopening, operated under social distancing requirements with a limited timetable. The timetable increased as the season developed with special events such as Christmas and Winterlights trains operated as restrictions were eased.

The Railway is hopeful of operating a full timetable for the 2022 season following the removal of all legal requirements surrounding the COVID-19 pandemic.

Payment policy

It is Railway 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 Railway's trade creditors correspond to 23 days (2021 - 53 days) of credit purchases.

Political donations

The Railway made no political donations in 2022 (2021 - £Nil).

Statement on indemnity provisions

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

West Somerset Railway Public Limited Company

Directors' Report for the Year Ended 31 March 2022

Going concern

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

The Railway has been severely affected by the COVID-19 pandemic during the year. The directors made the decision that it was not financially viable to run trains under social distancing requirements, or possible to provide a safe environment for staff and visitors.

This situation changed in May 2021 when the line reopened with trains running on a reduced timetable. This timetable expanded as the season developed.

The Railway has been able to re-open fully for the 2022 season in March with the removal of all social distancing measures in relation to the pandemic however, due to the ongoing cost of living crisis, income is currently falling below budget for the 2022 operating season and this trend is expected to continue.

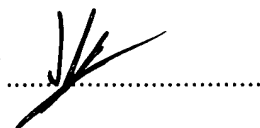
In addition, the Railway remains in need of regular and significant capital investment. In recent years this investment has been financed from cash reserves as the level of profit has not been sufficient. In future the company will need to generate more profit or identify other ways to finance this continued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

These events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Railway's ability to continue as a going concern. However, the Directors are of the opinion that the financial statements should be prepared on a going concern basis based on the level of cash reserves held by the Railway.

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 22 September 2022 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 United Kingdom 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 2022 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 2022 and of its loss 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 highlights that COVID-19 has had a significant impact on operations, results and cashflow in the current and preceding financial year and that the company faces continued uncertainty regarding its ability to generate sufficient cash to cover operational and capital expenditure.

As stated in Note 2 these events or conditions, along with other matters set out in Note 2, indicate that a material uncertainty exists that may cast significant 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 18, 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 an auditor's report 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We considered the following when identifying and assessing risks of material misstatement due to irregularities, including fraud and non-compliance with laws and regulations:

- the legal and regulatory framework in which the company operates, in particular the regulatory environment regarding the operation of the railway and ORR requirements
- the nature of the sector in which the company operates
- the control environment and controls established to mitigate such risks
- the results of our enquiries of management about their identification and assessment of risks of irregularities
- discussions with the audit engagement team about where fraud might occur
- the incentives for fraud.

West Somerset Railway Public Limited Company

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

Laws and regulations which are considered to be significant to the company include those relating to the requirements of financial reporting framework FRS102, the Companies Act 2006, UK tax legislation, rail regulatory law, health and safety and employment law. In addition, we consider other laws and regulations which may not directly impact the financial statements but may impact on the operation of the group.

As a result of these procedures we concluded, in accordance with International Auditing Standards, that a risk in relation to the potential for management override of controls existed.

Audit responses to risks identified

We undertook audit procedures to respond to the risks identified, and designed our audit testing to respond to these risks. The additional procedures we undertook included the following:

- gaining an understanding of the company's procedures for ensuring compliance with laws and regulations, including ORR requirements
- enquiring as to the outcome of any regulatory inspections during the period and actions taken
- testing the appropriateness of journal entries and other adjustments
- considering whether accounting estimates were indicative of potential bias
- considering whether any transactions arose outside the normal course of business
- making enquiries of management
- corroborating our enquiries through review of Board Minutes and correspondence.

We also communicated relevant laws and regulations and potential fraud risks to all engagement team members and remained alert to any indicators of fraud or non-compliance with laws and regulations throughout the audit.

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.

West Somerset Railway Public Limited Company

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

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 an auditor's report 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.



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

22 September 2022

West Somerset Railway Public Limited Company

Statement of Comprehensive Income for the Year Ended 31 March 2022

	Note	2022 £	2021 £
Turnover	3	2,467,483	516,735
Other operating income	3	<u>259,833</u>	<u>1,471,796</u>
Gross revenue and profit		2,727,316	1,988,531
Employment costs	7	(734,994)	(678,891)
Depreciation		(246,221)	(162,201)
Other operating costs		<u>(2,108,566)</u>	<u>(1,080,740)</u>
Operating (loss)/profit	4	<u>(362,465)</u>	<u>66,699</u>
Other interest receivable and similar income	5	18,614	2,249
Interest payable and similar charges	6	<u>(40,488)</u>	<u>(29,076)</u>
		<u>(21,874)</u>	<u>(26,827)</u>
(Loss)/profit before tax		(384,339)	39,872
Taxation	9	<u>67,897</u>	<u>(14,634)</u>
(Loss)/profit for the financial year		(316,442)	25,238
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive (loss)/profit for the year		<u><u>(316,442)</u></u>	<u><u>25,238</u></u>

The notes on pages 29 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 2022

	Note	2022 £	2021 £
Fixed assets			
Tangible assets	10	3,058,368	3,269,387
Current assets			
Stocks	12	191,257	257,932
Debtors less than one year	13	274,862	505,157
Debtors more than one year	13	249,501	230,893
Cash at bank and in hand	14	510,144	407,014
		1,225,764	1,400,996
Creditors: Amounts falling due within one year	15	(481,192)	(442,151)
Net current assets		744,572	958,845
Total assets less current liabilities		3,802,940	4,228,232
Creditors: Amounts falling due after more than one year	15	(450,764)	(527,820)
Deferred income	15	(117,066)	(128,401)
Provisions for liabilities	16	(297,456)	(346,745)
Net assets		2,937,654	3,225,266
Capital and reserves			
Called up share capital	19	2,500,232	2,471,402
Profit and loss account		437,422	753,864
Total equity		2,937,654	3,225,266

Approved and authorised by the Board on 22 September 2022 and signed on its behalf by:


J Jones-Pratt
Director

The notes on pages 29 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 2022

	Share capital £	Profit and loss account £	Total £
At 1 April 2021	2,471,402	753,864	3,225,266
Loss for the year	<u>-</u>	<u>(316,442)</u>	<u>(316,442)</u>
Total comprehensive income	-	(316,442)	(316,442)
New share capital subscribed	<u>28,830</u>	<u>-</u>	<u>28,830</u>
At 31 March 2022	<u><u>2,500,232</u></u>	<u><u>437,422</u></u>	<u><u>2,937,654</u></u>

	Share capital £	Profit and loss account £	Total £
At 1 April 2020	2,402,942	728,626	3,131,568
Profit for the year	<u>-</u>	<u>25,238</u>	<u>25,238</u>
Total comprehensive income	-	25,238	25,238
New share capital subscribed	<u>68,460</u>	<u>-</u>	<u>68,460</u>
At 31 March 2021	<u><u>2,471,402</u></u>	<u><u>753,864</u></u>	<u><u>3,225,266</u></u>

The notes on pages 29 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 2022

	Note	2022 £	2021 £
Cash flows from operating activities			
(Loss)/profit for the year		(316,442)	25,238
Adjustments to cash flows from non-cash items			
Depreciation, amortisation and impairments	4	259,356	175,336
Tax (credit)/expense	9	<u>(67,897)</u>	<u>14,634</u>
		(124,983)	215,208
Working capital adjustments			
(Increase) in stocks	12	66,675	(21,651)
Decrease/(increase) in trade debtors	13	211,687	(320,991)
Increase/(decrease) in trade creditors	15	23,880	(141,977)
Increase in loco provisions	16	18,608	2,203
Decrease in deferred income		<u>(13,135)</u>	<u>(13,135)</u>
Net cash flow from operating activities		<u>182,732</u>	<u>(280,343)</u>
Cash flows from investing activities			
Interest received	5	18,608	2,203
Acquisitions of tangible assets		<u>(48,337)</u>	<u>(31,546)</u>
Net cash flows from investing activities		<u>(29,729)</u>	<u>(29,343)</u>
Cash flows from financing activities			
Interest paid	6	(18,608)	(2,203)
Proceeds from issue of ordinary shares, net of issue costs		28,830	68,460
Proceeds from bank borrowing draw downs		-	200,000
Repayment of bank borrowing		(36,451)	(12,618)
Proceeds from other borrowing draw downs		-	70,000
Repayment of other borrowing		(23,644)	-
Repayments of obligations under finance leases		<u>-</u>	<u>(55,555)</u>
Net cash flows from financing activities		<u>(49,873)</u>	<u>268,084</u>
Net increase/(decrease) in cash and cash equivalents		103,130	(41,602)
Cash and cash equivalents at 1 April 2021 (1 April 2020)		<u>407,014</u>	<u>448,616</u>

The notes on pages 29 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 2022

	Note	2022 £	2021 £
Cash and cash equivalents at 31 March 2022 (31 March 2021)		<u>510,144</u>	<u>407,014</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:

	2021 £	2020 £
Cash at bank and in hand	<u>510,144</u>	<u>407,014</u>

The notes on pages 29 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 2022

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 2022

2 Accounting policies (continued)

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.

The Railway reopened on 22 May 2021 with trains running on a reduced timetable with social distancing requirements in place. This meant fewer passengers per train. In addition, the demand for tickets was below normal levels. Whilst the timetable expanded as the season developed, and ticket sales improved, the shortfall from the start of the year could not be recovered. Strong ticket sales for Christmas trains and Winter Lights, together with a stringent control over costs, provided sufficient cash reserves to see the company through the winter period and ready to reopen at the start of the 2022 season.

There is however an ongoing concern in relation to the cost of living crisis and the effect that this may have on ticket sales over the rest of the 2022 season. Actual fare income is below that forecast and this trend is expected to continue for the foreseeable future. In addition, the Railway remains in need of regular and significant capital investment as the levels of profits achieved cannot finance this alone. The Railway requires support and external funding to finance this continued investment.

As such, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the company's ability to continue as a going concern however, the Directors are in agreement that the financial statements should be prepared on a going concern basis based on the amount of available cash reserves.

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. Revenue also includes income from work done, rental income and other trading income which is recognised when the Railway has entitlement to the income, it can be measured reliably, and receipt is probable.

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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

2 Accounting policies (continued)

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.

Government grants from the Coronavirus Job Retention ('furlough') Scheme are recognised in the period to which they relate and are included within other operating income.

Other grants

Last year, the award of £864,900 from the Cultural Heritage Lottery Fund was recognised in full as there were no conditions which required the income to be deferred. The grant is included within other operating income.

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.

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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

2 Accounting policies (continued)

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

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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

2 Accounting policies (continued)

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.

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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

2 Accounting policies (continued)

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.

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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

2 Accounting policies (continued)

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.

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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

2 Accounting policies (continued)

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.

Critical accounting estimates and judgements

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. 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 assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

2 Accounting policies (continued)-

(b) Impairment of non-current assets

The company tests non-current assets if there are indications that an impairment may be required. Indicators of impairment include generating an operating loss, which was the case for the year ended 31 March 2022.

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, the level of future sales and operating costs, inflation and the residual value of non-current assets. Assumptions regarding these key estimates are considered to be the key areas of estimation in the impairment review process.

There is a significant risk that these estimates may differ from actual out-turns.

(c) 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 Revenue and other operating income

The analysis of the company's revenue for the year is as follows:

	2022	2021
	£	£
Fares	1,028,010	72,411
Work done	798,854	173,922
Rental income	33,000	13,302
Retail income	377,644	80,719
Other trading income	229,975	176,381
	<u>2,467,483</u>	<u>516,735</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

3 Revenue and other operating income (continued)-

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

	2022	2021
	£	£
Legacies and donations	172,562	198,766
Insurance receipts	9,142	111,276
Government grants receivable	78,129	296,854
Other grants and subsidies	-	864,900
	<u>259,833</u>	<u>1,471,796</u>

4 Operating (loss)/profit

Arrived at after charging/(crediting)

	2022	2021
	£	£
Rental under operating leases	195,618	62,277
Depreciation - owned assets	259,356	175,341
Auditor's remuneration	9,200	8,990
Amortisation of government grant relating to fixed assets	<u>(13,135)</u>	<u>(13,140)</u>

5 Other interest receivable and similar income

	2022	2021
	£	£
Interest income on bank deposits	6	46
Other finance income	<u>18,608</u>	<u>2,203</u>
	<u>18,614</u>	<u>2,249</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

6 Interest payable and similar expenses

	2022	2021
	£	£
Interest on bank overdrafts and borrowings	21,458	19,574
Interest on other borrowings	422	280
Interest on obligations under finance leases and hire purchase contracts	-	7,019
Interest expense on other finance liabilities	18,608	2,203
	<u>40,488</u>	<u>29,076</u>

7 Staff costs

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

	2022	2021
	£	£
Wages, salaries and social security costs	712,126	654,313
Pension costs, defined contribution scheme	15,243	24,578
Relocation costs	7,625	-
	<u>734,994</u>	<u>678,891</u>

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

	2022	2021
	No.	No.
Railway	41	39
Shop	3	3
	<u>44</u>	<u>42</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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

8 Auditors' remuneration

	2022	2021
	£	£
Audit of the financial statements	<u>9,200</u>	<u>8,990</u>

9 Taxation

Tax charged/(credited) in the income statement

	2022	2021
	£	£
Deferred taxation		
Arising from origination and reversal of timing differences	<u>(67,897)</u>	<u>14,634</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK 2022 - 19% (2021 - 19%).

The differences are reconciled below:

	2022	2021
	£	£
(Loss)/profit before tax	<u>(384,339)</u>	<u>39,872</u>
Corporation tax at standard rate	(73,024)	7,576
Effect of expense not deductible in determining taxable profit (tax loss)	(584)	(306)
Effect of tax losses utilised in the year	38,974	(30,536)
Deferred tax expense (credit) from unrecognised tax loss or credit	(67,897)	14,634
Tax increase (decrease) from effect of capital allowances and depreciation	<u>34,634</u>	<u>23,266</u>
Total tax (credit)/charge	<u>(67,897)</u>	<u>14,634</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

10 Tangible assets

	Freehold land, buildings and improvements £	Rolling stock £	Track and signalling £	Plant, vehicles and equipment £	Total £
Cost or valuation					
At 1 April 2021	1,813,330	2,003,201	1,785,952	923,541	6,526,024
Additions	4,530	18,088	6,363	19,356	48,337
Disposals	-	-	-	(3,838)	(3,838)
At 31 March 2022	<u>1,817,860</u>	<u>2,021,289</u>	<u>1,792,315</u>	<u>939,059</u>	<u>6,570,523</u>
Depreciation					
At 1 April 2021	722,364	886,187	829,655	818,431	3,256,637
Charge for the year	53,963	112,873	62,103	30,417	259,356
Eliminated on disposal	-	-	-	(3,838)	(3,838)
At 31 March 2022	<u>776,327</u>	<u>999,060</u>	<u>891,758</u>	<u>845,010</u>	<u>3,512,155</u>
Carrying amount					
At 31 March 2022	<u>1,041,533</u>	<u>1,022,229</u>	<u>900,557</u>	<u>94,049</u>	<u>3,058,368</u>
At 31 March 2021	<u>1,090,966</u>	<u>1,117,014</u>	<u>956,297</u>	<u>105,110</u>	<u>3,269,387</u>

Included in freehold and long leasehold land, buildings and improvements are the following assets with a net book value at 31 March 2022: freehold buildings £454,864 (2021 - £477,739), freehold land £89,612 (2021 - £89,612), leasehold buildings £190,005 (2021 - £193,429) and leasehold improvements £307,052 (2021 - £330,186).

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

11 Investments in subsidiaries, joint ventures and associates

The company held the following shares as at March 2022 and March 2021:

1 share of £500 each in Locomotive 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

	2022	2021
	£	£
Raw materials and consumables	94,601	106,323
Finished goods and goods for resale	96,656	151,609
	<u>191,257</u>	<u>257,932</u>

13 Debtors

	2022	2021
Current	£	£
Trade debtors	62,494	18,705
Other debtors	85,432	360,696
Prepayments	126,936	125,756
	<u>274,862</u>	<u>505,157</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

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 2022, unused provisions totalled £249,501 (2021 - £230,893) which has been included within non current debtors.

14 Cash and cash equivalents

	2022 £	2021 £
Cash on hand	3,630	3,630
Cash at bank	506,514	403,384
	<u>510,144</u>	<u>407,014</u>

15 Creditors

	Note	2022 £	2021 £
Due within one year			
Loans and borrowings	20	76,933	59,550
Trade creditors		159,617	158,177
Social security and other taxes		25,148	-
Other payables		109,959	111,669
Accrued expenses		98,200	99,620
Deferred income	17	11,335	13,135
		<u>481,192</u>	<u>442,151</u>
Due after one year			
Loans and borrowings	20	450,764	527,820
Deferred income		117,066	128,401
	17	<u>567,830</u>	<u>656,221</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

16 Provisions for liabilities

	Deferred tax £	Loco repairs provision £	Total £
At 1 April 2021	115,852	230,893	346,745
Additional provisions	-	18,608	18,608
Release of provisions	<u>(67,897)</u>	<u>-</u>	<u>(67,897)</u>
At 31 March 2022	<u>47,955</u>	<u>249,501</u>	<u>297,456</u>

	Deferred tax £	Loco repairs provision £	Total £
At 1 April 2020	101,218	228,690	329,908
Additional provisions	<u>14,634</u>	<u>2,203</u>	<u>16,837</u>
At 31 March 2021	<u>115,852</u>	<u>230,893</u>	<u>346,745</u>

The locomotive repair provision relate to Locomotive 53808 for which a long-term contract is 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.

17 Deferred income

	2022 £	2021 £
Deferred income: Government grants relating to fixed assets	<u>128,401</u>	<u>141,536</u>

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

	£	£
Balance at beginning of period	141,541	154,676
Amortised to profit and loss account	<u>(13,140)</u>	<u>(13,140)</u>
Balance at end of period	<u>128,401</u>	<u>141,536</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

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 £15,243 (2021 - £24,578).

Contributions totalling £2,966 (2021 - £Nil) 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

	2022		2021	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>25,002,320</u>	<u>2,500,232</u>	<u>24,714,020</u>	<u>2,471,402</u>

New shares allotted

During the year, 288,300 ordinary shares having an aggregate nominal value of £28,830 were allotted for an aggregate consideration of £28,830.

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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

20 Creditors: Amounts falling due after more than one year

	2022	2021
	£	£
Non-current loans and borrowings		
Bank borrowings	427,235	480,826
Other borrowings	<u>23,529</u>	<u>46,994</u>
	<u><u>450,764</u></u>	<u><u>527,820</u></u>

	2022	2021
	£	£
Current loans and borrowings		
Bank borrowings	53,404	36,264
Other borrowings	<u>23,529</u>	<u>23,286</u>
	<u><u>76,933</u></u>	<u><u>59,550</u></u>

Loan and borrowings over five years

	2022	2021
	£	£
Due after more than five years by instalments	<u>233,090</u>	<u>248,977</u>
	<u><u>233,090</u></u>	<u><u>248,977</u></u>

Bank borrowings and secured debts

The bank loan on Station House is denominated in pound sterling with a nominal interest rate of fixed 5.27% (2021 - 5.27%). There is also a variable interest rate on this loan which is directly linked to the Bank of England base rate being 3.4% above this amount. The starting rate this year was therefore 3.5% with the ending rate being 4.15%.

The final instalment is due on 31 December 2037.

The carrying amount at the year end is £303,973 (2021 - £317,090).

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

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

The Coronavirus Business Interruption Loan (CBILS) is denominated in pound sterling with a nominal interest rate of 3.6% (2021 - 3.6%), and the final instalment being due on 31 August 2026. The carrying amount at the year end is £176,667 (2021 - £200,000).

Secured debts

The bank loan for Station House 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.

The loan from the West Somerset Railway Association is secured by a first charge against two MK1 coaches being those numbered BSO 9278 and TSO 4660.

21 Obligations under leases and hire purchase contracts

Operating leases

The total of future minimum lease payments is as follows:

	2022 £	2021 £
Not later than one year	58,800	35,007
Later than one year and not later than five years	304,113	155,639
	<u>362,913</u>	<u>190,646</u>

22 Commitments

Capital commitments

The company had no capital commitments at the year end.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

23 Related party transactions

Income for other related parties

	2022	2021
	£	£
Repairs	4,618	-
	<u>4,618</u>	<u>-</u>

Expenditure to other related parties

	2022	2021
	£	£
Haulage	1,512	-
Leases	98,206	5,384
Other expenses	1,000	75
	<u>100,718</u>	<u>5,459</u>

As at the balance sheet date, there were amounts due from other related parties of £1,443 (2021 - £Nil).

Also as at the balance sheet, there were amounts owed to other related parties of £746 (2021 - £Nil).

Key management compensation

The following amounts were paid to key management personnel, which are comprised of the Department Heads for each of the Company's operating departments and the company secretary.

	2022	2021
	£	£
Salaries and other short term employee benefits	158,675	96,397
Services provided	24,500	24,200
	<u>183,175</u>	<u>120,597</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2022

24 Financial instruments

Categorisation of financial instruments

	2022	2021
	£	£
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	<u>115,876</u>	<u>18,705</u>
	<u>115,876</u>	<u>18,705</u>
Financial liabilities measured at amortised cost		
Bank loans and overdrafts	480,639	517,090
Other loans	47,058	70,280
Trade creditors	159,617	158,177
Other creditors	<u>4,610</u>	<u>9,429</u>
	<u>691,924</u>	<u>754,976</u>