

Registration number: 01010188

West Somerset Railway Public Limited Company

Annual Report and Financial Statements

for the Year Ended 31 March 2021



West Somerset Railway Public Limited Company

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West Somerset Railway Public Limited Company

Company Information

Directors	J Jones-Pratt R Meanley A J Castledine S V Williams J R Boswell F M Courtney
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 & 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 2021

Dear Shareholders,

It is my privilege to write again as Chairman and to report on a period that has seen further challenges for the West Somerset Railway (WSR) following the impact of the COVID-19 pandemic but has also provided us with a number of unexpected opportunities.

One of the very positive developments since the last Chairman's Report has been the work undertaken to develop the Board. As a result, we have acquired a number of new Directors including Andy Castledine, Frank Courtney, Joy Boswell, Bob Meanley (returning to the Board for a second time) and Steve Williams who has also rejoined the PLC. There were also some departures from the Board during this period and I would like to thank Martin Brown, Mike Thompson and Justin Kerr- Peterson for their contribution to the PLC. I am delighted to see that both Mike and Martin are now on the Board of the Heritage Trust.

The continued restrictions imposed upon the WSR as a result of COVID-19 and the consequent inability to run any scheduled trains during 2020/21 has had a profound effect on our paid staff and volunteers with the need to use the Government furlough scheme and other initiatives designed to enable us to sustain the railway on a care and maintenance basis together with maintaining financial solvency.

It has been an extremely difficult time for all concerned with the WSR not just in the PLC but in the support organisations too. We are hoping that, as Government restrictions are eased and the impact of the vaccination programme is seen to increase people's confidence, that the reopening of the railway from May 2021 will be a positive experience for us all and enable the WSR to return to a "new normal" for the 2022 season.

Trading in the 12 months to 31 March 2021

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

- Turnover of £516,735 (2020 - £2,854,642)
- A trading surplus before tax of £39,872 (2020 - £333,122)
- Cash balances of £407,014 (2020 - £448,616)
- Capital expenditure of £31,546 (2020 - £115,292)

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Chairman's Report for the Year Ended 31 March 2021

Board Development and General Manager Appointment

As I said in my opening remarks, we have been extremely fortunate in obtaining the services of a number of skilled and experienced individuals who have taken up specific Director portfolio responsibilities on the PLC Board over the 12 month period covered by this Report.

They include:

- Andy Castledine - Operations and Safety and Vice Chairman
- Joy Boswell - Finance
- Frank Courtney - Communications, Training and Special Projects
- Bob Meanley - Mechanical Engineering
- Steve Williams - Development and External Relations

Sadly however, we were unable to proceed with the appointment of Justin Kerr-Peterson as General Manager. A combination of the impact of the COVID-19 pandemic on the inability to reopen the railway together with changes in his personal circumstances led Justin to withdraw his application for the role. Although this is a significant loss to the WSR, I fully understand Justin's reasons for his decision and wish him well in his continued role with GWR. As a consequence, I have had to implement emergency interim arrangements which have seen me take on the role of General Manager with Kerry Noble as Assistant General Manager in order to be able to deliver the 2020 operating season.

Development of the Board has continued beyond March 2021 such that we now have David Fisher as Commercial Adviser and Arthur Diejemoah as HR Adviser. Both are expected to become full Directors in the next couple of months. Unfortunately an unexpected serious illness has prevented John Gibbins from taking up his role as Board Infrastructure Adviser and we are currently seeking a replacement.

Finance

My 2019/2020 Report summarised the measures that it was necessary for the Board to continue to take to secure the financial sustainability of the PLC. 2020/21 has been no different as the lack of ability to trade because of the pandemic has forced the company to seek other sources of funding. This has principally relied on grant funding of which the Cultural Recovery For Heritage Fund (CRHF) award in October 2020 for £864,900 was by far the most significant. Our use of the Coronavirus Job Retention Scheme funding meant that during 2020/21, employment costs reduced to £433,585 net of the furlough claim compared to £874,411 in the previous year.

The PLC also benefited from the generosity of shareholders, staff, volunteers and other supporters through its 2020 SOS Appeal which generated donations of £198,766 and new shares subscribed of £68,460. Both the Board and myself want to say a massive thank you to all those people who contributed to the Appeal which taken together with the CRHF grant represented the majority of the income received by the PLC over the year.

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2021

Going Concern

As with last year, 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 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 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 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 award in Round 1 along with the SOS Appeal were major factors in keeping the business solvent during 2020/21. It was therefore disappointing to learn in March this year that we were not successful (due to a technical adjustment of our status by the National Heritage Lottery Fund) in obtaining an award in CRFH Round 2.

The Company has reduced expenditure wherever possible and sought extended payment terms from creditors and chased its debtors with diligence for payment. All of these measures have enabled the Company to plan a way forward for the 2021 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.

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.

The Railway in 2021

Although the railway was closed for the whole of 2020/21, there were nonetheless a number of significant activities and developments which I would like to highlight for the benefit of shareholders. They demonstrate the ongoing commitment of our paid staff and our large group of active volunteers without whom the railway would not exist. I continue to be amazed by the passion and dedication shown by all concerned and once again I would like to pay tribute to all their efforts on behalf of the WSR in very challenging and frankly uncharted circumstances.

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Chairman's Report for the Year Ended 31 March 2021

COVID-19 Pandemic and Cultural Recovery Fund for Heritage

The ongoing effects of the pandemic continue to have major implications for the WSR. The closure of the railway for the whole of 2020 and the first part of 2021 as a result of continued Government restrictions on the movement of people and the use of indoor spaces led to the PLC Board having to take a number of emergency decisions including use of the furlough scheme, grant applications from local authorities and the application of further cost-cutting measures.

However, these would not have been sufficient and the ability to prepare the railway to reopen in 2021 would have been significantly impaired were it not for the success in acquiring £864,900 from the first round of the Cultural Recovery Fund for Heritage. This money was used between October 2020 and March 2021 and enabled the PLC over that period to:

- bring paid staff out of furlough
- meet the cost of salaries and general overheads
- make a significant investment in infrastructure including trackwork, bridges, line side and buildings
- make minor repairs and improvements to our locomotives and coaching stock
- enhance our COVID-19 prevention and precaution measures
- undertake competency and other training requirements for safety critical staff

Seaward Way Level Crossing

Although the railway was closed for the period covered by this Report, in addition to the Cultural Recovery Fund for Heritage, the PLC has been engaged in the complex and long-running project to replace the level crossing at Seaward Way in Minehead. This scheme has suffered from a number of problems and financial challenges all of which have been fully documented and explained elsewhere and so it is not my intention to repeat the story here. Suffice to say that we are now confident that although the new level crossing will not be available until the end of October 2021, it will be there for the Christmas period and for the 2022 season.

Commercial Activity in Mechanical Engineering

Following the acquisition of Williton Restorations from the West Somerset Railway Association in 2019/20, considerable effort has been put in by the team there to win external contracts and develop the business. This has been complemented by similar initiatives at Minehead including the delivery of an extensive carriage improvement programme principally with the West Somerset Railway Association as the main client.

West Somerset Railway Public Limited Company

Chairman's Report for the Year Ended 31 March 2021

Office of Rail and Road

As many WSR supporters will know, the railway was subject to a number of inspections by the Office of Rail and Road who required the PLC to respond to a number of key requirements and recommendations the most significant of which was the production of a new Safety Management System manual and supporting documentation. This is now largely complete and is being progressively introduced alongside new operational manuals for Mechanical Engineering and Infrastructure Engineering the latter of which will be completed during 2021. There is a major piece of work underway in 2021 to familiarise staff with the new arrangements and requirements and to ensure that the PLC and the wider railway is able to be compliant in all facets of SMS and ORR direction.

Volunteer Recruitment and Development

Following agreement with the West Somerset Railway Association, the PLC re-assumed responsibility for volunteer recruitment and development in early 2021. A working group with an interim volunteer coordinator has been busy assessing new applications received during 2020 and looking to put them into the recruitment process as the railway starts to operate fully as stations begin to reopen along the line.

Business Planning

As outlined in the previous Chairman's Report, the Board intended to finalise the major piece of work to create a 10 year strategic vision and three-year business plan for the PLC. The continued impact of COVID-19 and the subsequent closure of the railway has inevitably slowed progress not least because the company is now looking at a different business model to the one that has been historically applied on the WSR. It is intended to try and complete the work to have a Plan ready for approval by the Board in late autumn 2021.

Operations

With the railway completely closed, operations have been limited to care and maintenance work, empty stock moves and infrastructure trains. The latter were particularly evident during the CRFH work programme between October 2020 and March 2021.

Infrastructure Improvements

In amongst all the disappointments of 2020/21, it is pleasing to report that we have made significant progress on maintaining and improving our infrastructure as a result of CHRF monies and charity contributions from the West Somerset Railway Association and West Somerset Railway Heritage Trust. Some of the highlights include:

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Chairman's Report for the Year Ended 31 March 2021

- a full programme of bridge inspections
- trackwork relay at Doniford
- stabilisation of the embankment at Washford
- weeding of the whole line (which will be done again in autumn 2021)
- a new pavement and tarmac road behind the Gauge Museum at Bishops Lydeard
- improvements to the car park and approach road at Stogumber
- ballast renewal along the line
- fish plate oiling and structure gauging
- bridge repairs e.g. Watersmeet
- drainage improvements at Minehead

There is as ever, more work to do. We have developed a Capital Programme for Major Works and will be putting together the next winter works programme for 2021/22. Both our supporting charities have generously allocated funding to contribute to these projects.

Locomotives

The PLC was able to conclude an agreement with the Somerset and Dorset Railway Trust to allow locomotive 53808 to move to the Mid Hants Railway in order to gain running miles to be able to contribute to its next major overhaul which is due in late 2022. The intention is that the locomotive should return to Minehead for that overhaul and complete its hire agreement with the WSR PLC once that is completed.

Washford

The position with the Somerset and Dorset Railway Trust has changed since last reported. The Board reviewed the position following the issuing of the Notice To Quit in February 2020 and offered the Trust the opportunity to consider a further lease extension. Subsequently, the Trust completed a strategic review of its position and decided to relocate a substantial number of its assets including all of the operational rolling stock to other heritage railways. The PLC now understands that the Trust wishes to leave the Washford site altogether and discussions continue in 2021 on the basis for that move and the timescale within which that will be achieved.

Strategic Engineering Review - Williton

The PLC has supported the preparation of proposals to enhance Williton as a strategic engineering centre for the railway. A working group has been active up until the end of March 2021. Work has paused temporarily since then due to other priorities but will start again in summer 2021.

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Chairman's Report for the Year Ended 31 March 2021

Covered Accommodation Working Group

A small group was established to look at solutions for covered accommodation for the range of operational and heritage carriages and goods vehicles currently in use by the PLC and the two supporting charities on the WSR. A Phase 1 report with recommendations will be available in summer 2021 with the full report following in the autumn.

Restoring Your Railway

In partnership with the South West Local Enterprise Partnership and with the support of our two local MPs, Somerset County Council and Great Western Railway, the PLC submitted an application to the Governments Restoring Your Railway initiative at the end of March 2021. The application focuses on securing resources to develop a strategic outline business case for the restoration of scheduled train services between Taunton and Bishops Lydeard. A decision on the bid is expected in mid/late summer 2021.

Finally, once again, I want to thank everybody again for all their dedication and hard work. Despite the impositions and challenges of COVID-19 and the inability to run Heritage trains on the WSR, our staff, volunteers and supporters have really “stepped up to the plate” to ensure that the railway can continue to flourish. I make no apologies for repeating what I have said previously in that the people who generously give of their time to the WSR 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 railway 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.



Jonathan Jones-Pratt

Chairman

West Somerset Railway PLC

West Somerset Railway Public Limited Company
Strategic Report for the Year Ended 31 March 2021

The directors present their strategic report for the year ended 31 March 2021.

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

Continued closure of the railway throughout 2020/21 inevitably led to the suspension of the majority of the normal trading activity that the PLC would expect to undertake during the financial year. This has led to the company getting through to 31 March 2021 on a combination of grants, donations, legacies and prudent management of cash flow and outgoings. It is fair to say that without the acquisition of the CRFH grant in October 2020 coupled with full and flexible use of the Government furlough scheme, the company would be in a significantly challenged position.

Office of Rail and Road (ORR)

The formal inspection of the WSR and of the PLC's compliance and regulatory management arrangements and documentation took place between October 2020 and March 2021. A considerable amount of work was undertaken over that period in response to ORR recommendations and requirements with particular focus on:

- review, updating and rewriting the PLC Safety Management System documentation and processes
- review of the Mechanical Engineering manual and its implementation (Infrastructure Engineering will follow during 2021)
- updating and application of new competency and risk assessment procedures
- review of company HR policies

A comprehensive action plan was agreed with ORR and this is being rolled out across the WSR during 2021/22.

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Strategic Report for the Year Ended 31 March 2021

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 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.

Liquidity risk

The risk to the Company'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 business is seasonal with a fallow period from November through to March save for the Christmas specials. As a Board we have instigated tight controls on cash management and have developed regular management information and reporting. This activity and control on costs and financial risk has been of even greater importance in light of the impact of COVID-19 and the loss of the complete trading season for 2020/21.

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.

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Strategic Report for the Year Ended 31 March 2021

Coronavirus Pandemic Risk (COVID-19)

The continued impact COVID-19 and the consequent closure of the railway throughout the whole of 2020/21 bringing with it the inability to reopen the railway, brought with it additional and new levels of significant uncertainty which were unprecedented in terms of the Company's experience. As previously indicated elsewhere in this Report, the Company took immediate steps to stabilise the financial implications of not being able to open and has developed 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. Although this situation for 2021/22 is more promising (with the railway reopening on 22nd May 2021), Directors continue to be diligent in their stewardship of the business and acknowledge that the financial forecasts and trading position for the rest of the 2021/22 season remain uncertain.

Future developments and strategy

In light of the way in which 2020/21 unfolded, the Board out of necessity had to review and revise its assumptions about future developments and strategy. These include:

- delivering a good range of services and customer experience for the remainder of the 2021 season as resources, public appetite and staffing levels allow,
- running a further appeal for donations in 2021 to enable the railway to continue as a trading entity in the absence of all of the commercial income which a full season operating at maximum capacity would deliver,
- continuing to comply 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,
- 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.

Approved by the Board on 31 August 2021 and signed on its behalf by:



J Jones-Pratt
Director

West Somerset Railway Public Limited Company
Directors' Report for the Year Ended 31 March 2021

The directors present their report and the financial statements for the year ended 31 March 2021.

Directors of the company

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

J Jones-Pratt

M H Thompson (appointed 21 November 2020 and ceased 26 February 2021)

M L Smith (ceased 21 November 2020)

R Meanley (ceased 30 July 2020)

R Meanley (appointed 30 March 2021)

J J M Kerr-Peterson (appointed 23 April 2020 and ceased 27 May 2021)

A J Castledine (appointed 30 July 2020)

M H Brown (ceased 16 February 2021)

S V Williams (appointed 9 June 2020)

J R Boswell (appointed 29 January 2021)

F M Courtney (appointed 24 February 2021)

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 £25,238 (2020 - £231,904). 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 684,600 (2020 - 908,077) 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 2021

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 has established that the Railway 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 2020 year included a reduced Christmas service, between national lockdowns but this was the only train services operated during the year. Social distancing requirements would have meant running trains at well under full capacity and the directors were of the opinion that this was not a financially viable option.

The railway reopened for business on the 22nd May 2021. This is a gradual reopening, operated under social distancing requirements with a limited timetable. The timetable will increase as the season develops with special events planned for later in the year when hopefully, social distancing will no longer be required.

West Somerset Railway Public Limited Company

Directors' Report for the Year Ended 31 March 2021

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 53 days (2020 - 61 days) of credit purchases.

Political donations

The company made no political donations in 2021 (2020 - £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.

The company 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 with the award from the Cultural Recovery Fund for Heritage in October 2020. This grant enabled the company to create a COVID-19 safe environment, for the staff to return to work and for the infrastructure to be made safe in preparation for reopening.

On 22 May 2021, the line reopened with trains running on a reduced timetable. This timetable is set to expand as the season develops. However, demand for tickets is below normal levels and social distancing requirements still mean that trains cannot carry to capacity.

It is anticipated that once social distancing measures are lifted and visitors feel confident to get out and about, demand for tickets will increase and normal trading conditions will resume.

However, the Railway's future viability is dependent on the business being able to operate profitably which is not yet forecast for the year. An appeal has been launched to help meet the shortfall and the company continues to seek grants or funding to which the company may be eligible.

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.

West Somerset Railway Public Limited Company

Directors' Report for the Year Ended 31 March 2021

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 31 August 2021 and signed on its behalf by:

A handwritten signature in black ink, appearing to be 'J Jones-Pratt', written over a horizontal line.

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 2021 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 2021 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 highlights that COVID-19 has had a significant impact on operations and results in the current and preceding financial year and that the company faces continued uncertainty regarding the ongoing impact of the pandemic on its ability to operate and generate income.

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 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 16, 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:

Identifying and assessing potential risks of material misstatement due to irregularities

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
- 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

West Somerset Railway Public Limited Company

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

- discussions with the audit engagement team about where fraud might occur
- the incentives for fraud.

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
- 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 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.



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

31 August 2021

West Somerset Railway Public Limited Company

Statement of Comprehensive Income for the Year Ended 31 March 2021

	Note	2021 £	2020 £
Turnover		516,735	2,854,642
Other operating income		<u>1,471,796</u>	<u>343,244</u>
Gross revenue and profit		1,988,531	3,197,886
Employment costs	7	(678,891)	(874,411)
Depreciation		(162,201)	(250,254)
Other operating costs		<u>(1,080,740)</u>	<u>(1,712,035)</u>
Operating profit	4	<u>66,699</u>	<u>361,186</u>
Other interest receivable and similar income	5	2,249	86
Interest payable and similar charges	6	<u>(29,076)</u>	<u>(28,150)</u>
		<u>(26,827)</u>	<u>(28,064)</u>
Profit before tax		39,872	333,122
Taxation	9	<u>(14,634)</u>	<u>(101,218)</u>
Profit for the financial year		25,238	231,904
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive profit/(loss) for the year		<u><u>25,238</u></u>	<u><u>231,904</u></u>

The notes on pages 27 to 47 form an integral part of these financial statements.

West Somerset Railway Public Limited Company

**(Registration number: 01010188)
Balance Sheet as at 31 March 2021**

	Note	2021 £	2020 £
Fixed assets			
Tangible assets	10	3,269,387	3,413,182
Current assets			
Stocks	12	257,932	236,281
Debtors less than one year	13	505,157	186,370
Debtors more than one year	13	230,893	228,690
Cash at bank and in hand	14	407,014	448,616
		<u>1,400,996</u>	<u>1,099,957</u>
Creditors: Amounts falling due within one year	15	<u>(442,151)</u>	<u>(592,254)</u>
Net current assets		<u>958,845</u>	<u>507,703</u>
Total assets less current liabilities		4,228,232	3,920,885
Creditors: Amounts falling due after more than one year	15	(527,820)	(317,868)
Deferred income	15	(128,401)	(141,541)
Provisions for liabilities	16	<u>(346,745)</u>	<u>(329,908)</u>
Net assets		<u>3,225,266</u>	<u>3,131,568</u>
Capital and reserves			
Called up share capital	19	2,471,402	2,402,942
Profit and loss account		<u>753,864</u>	<u>728,626</u>
Total equity		<u>3,225,266</u>	<u>3,131,568</u>

Approved and authorised by the Board on 31 August 2021 and signed on its behalf by:


J Jones-Pratt
Director

West Somerset Railway Public Limited Company

Statement of Changes in Equity for the Year Ended 31 March 2021

	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>

	Share capital	Profit and loss account	Total
	£	£	£
At 1 April 2019	2,312,134	496,722	2,808,856
Profit for the year	<u>-</u>	<u>231,904</u>	<u>231,904</u>
Total comprehensive income	-	231,904	231,904
New share capital subscribed	<u>90,808</u>	<u>-</u>	<u>90,808</u>
At 31 March 2020	<u><u>2,402,942</u></u>	<u><u>728,626</u></u>	<u><u>3,131,568</u></u>

The notes on pages 27 to 47 form an integral part of these financial statements.

West Somerset Railway Public Limited Company

Statement of Cash Flows for the Year Ended 31 March 2021

	Note	2021 £	2020 £
Cash flows from operating activities			
Profit for the year		25,238	231,904
Adjustments to cash flows from non-cash items			
Depreciation, amortisation and impairments	4	162,201	250,254
Tax (credit)/expense	9	14,634	101,218
		<u>202,073</u>	<u>583,376</u>
Working capital adjustments			
(Increase) in stocks	12	(21,651)	(76,470)
Increase in trade debtors	13	(320,990)	(167,077)
Decrease in trade creditors	15	(141,978)	(124,946)
Increase in loco provisions	16	2,203	110,153
Net cash flow from operating activities		<u>(280,343)</u>	<u>325,036</u>
Cash flows from investing activities			
Interest received	5	2,203	-
Acquisitions of tangible assets		<u>(31,546)</u>	<u>(115,292)</u>
Net cash flows from investing activities		<u>(29,343)</u>	<u>(115,292)</u>
Cash flows from financing activities			
Interest paid	6	(2,203)	-
Proceeds from issue of ordinary shares, net of issue costs		68,460	90,808
Proceeds from bank borrowing draw downs		200,000	-
Repayment of bank borrowing		(12,618)	(11,520)
Proceeds from other borrowing draw downs		70,000	-
Repayments of obligations under finance leases		<u>(55,555)</u>	<u>(133,333)</u>
Net cash flows from financing activities		<u>268,084</u>	<u>(54,045)</u>
Net (decrease)/increase in cash and cash equivalents		(41,602)	155,699
Cash and cash equivalents at 1 April 2020 (1 April 2019)		<u>448,616</u>	<u>292,917</u>
Cash and cash equivalents at 31 March 2021 (31 March 2020)		<u>407,014</u>	<u>448,616</u>

The notes on pages 27 to 47 form an integral part of these financial statements.

West Somerset Railway Public Limited Company

Statement of Cash Flows for the Year Ended 31 March 2021

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>407,014</u>	<u>448,616</u>

The notes on pages 27 to 47 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 2021

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 2021

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 company 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 with the award from the Cultural Recovery Fund for Heritage in October 2020. This grant enabled the company to create a COVID-19 safe environment, for the staff to return to work and for the infrastructure to be made safe in preparation for reopening.

On 22 May 2021, the line reopened with trains running on a reduced timetable. This timetable is set to expand as the season develops. However, demand for tickets is below normal levels and social distancing requirements still mean that trains cannot carry to capacity.

It is anticipated that once social distancing measures are lifted and visitors feel confident to get out and about, demand for tickets will increase and normal trading conditions will resume.

However, the Railway's future viability is dependent on the business being able to operate profitably which is not yet forecast for the year. An appeal has been launched to help meet the shortfall and the company continues to seek grants or funding to which the company may be eligible.

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 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 2021

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.

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

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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

2 Accounting policies (continued)

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

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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

2 Accounting policies (continued)

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.

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 2021

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 2021

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 2021

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. 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.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

2 Accounting policies (continued)

(b) 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.

(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 Other operating income

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

	2021	2020
	£	£
Legacies and donations	198,766	322,995
Insurance receipts	111,276	11,084
Government grants receivable	296,854	9,165
Other grants and subsidies	864,900	-
	<u>1,471,796</u>	<u>343,244</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

4 Operating profit

Arrived at after charging/(crediting)

	2021	2020
	£	£
Rental under operating leases	62,277	265,122
Depreciation - owned assets	175,341	263,389
Auditor's remuneration	8,990	17,250
Auditors' remuneration - non audit work	-	1,456
Amortisation of government grant relating to fixed assets	<u>(13,140)</u>	<u>(13,135)</u>

5 Other interest receivable and similar income

	2021	2020
	£	£
Interest income on bank deposits	46	86
Other finance income	<u>2,203</u>	<u>-</u>
	<u>2,249</u>	<u>86</u>

6 Interest payable and similar expenses

	2021	2020
	£	£
Interest on bank overdrafts and borrowings	19,574	15,905
Interest on other borrowings	280	-
Interest on obligations under finance leases and hire purchase contracts	7,019	12,245
Interest expense on other finance liabilities	<u>2,203</u>	<u>-</u>
	<u>29,076</u>	<u>28,150</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

7 Staff costs

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

	2021	2020
	£	£
Wages, salaries and social security costs	654,313	769,239
Pension costs, defined contribution scheme	24,578	42,145
Directors' remuneration and pensions	-	43,777
Directors compensation for loss of office	-	19,000
Sums paid to third parties for directors services	-	250
	<u>678,891</u>	<u>874,411</u>

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

	2021	2020
	No.	No.
Railway	39	43
Shop	3	5
	<u>42</u>	<u>48</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 2021

8 Auditors' remuneration

	2021	2020
	£	£
Audit of the financial statements	<u>8,990</u>	<u>17,250</u>
Other fees to auditors		
All other non-audit services	<u>-</u>	<u>1,456</u>

9 Taxation

Tax charged/(credited) in the income statement

	2021	2020
	£	£
Deferred taxation		
Arising from origination and reversal of timing differences	<u>14,634</u>	<u>101,218</u>

The tax on profit before tax for the year is the same as the standard rate of corporation tax in the UK 2021 - 19% (2020 - 19%).

The differences are reconciled below:

	2021	2020
	£	£
Profit before tax	<u>39,872</u>	<u>333,122</u>
Corporation tax at standard rate	7,576	63,293
Effect of expense not deductible in determining taxable profit (tax loss)	(306)	(952)
Tax increase (decrease) from effect of capital allowances and depreciation	23,266	451,665
Effect of tax losses utilised in the year	(30,536)	(94,311)
Deferred tax credit from losses carried forward	<u>14,634</u>	<u>(318,477)</u>
Total tax charge	<u>14,634</u>	<u>101,218</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

10 Tangible assets

	Freehold land, buildings and improvements £	Rolling stock £	Track and signalling £	Plant, vehicles and equipment £	Total £
Cost or valuation					
At 1 April 2020	1,807,290	2,003,201	1,768,187	915,800	6,494,478
Additions	<u>6,040</u>	<u>-</u>	<u>17,765</u>	<u>7,741</u>	<u>31,546</u>
At 31 March 2021	<u>1,813,330</u>	<u>2,003,201</u>	<u>1,785,952</u>	<u>923,541</u>	<u>6,526,024</u>
Depreciation					
At 1 April 2020	666,486	860,375	770,231	784,204	3,081,296
Charge for the year	<u>55,878</u>	<u>25,812</u>	<u>59,424</u>	<u>34,227</u>	<u>175,341</u>
At 31 March 2021	<u>722,364</u>	<u>886,187</u>	<u>829,655</u>	<u>818,431</u>	<u>3,256,637</u>
Carrying amount					
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>
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>

Included in freehold and long leasehold land, buildings and improvements are the following assets with a net book value at 31 March 2021: freehold buildings £477,739 (2020 - £500,614), freehold land £89,612 (2020 - £89,612), leasehold buildings £193,429 (2020 - £196,853) and leasehold improvements £330,186 (2020 - £353,725).

Included in rolling stock are assets held under finance leases (note 21) with a net book value at 31 March 2021 of £Nil (2020 - £972,466). The company settled the remaining finance on these assets and they have now reverted back to full ownership by the company.

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

11 Investments in subsidiaries, joint ventures and associates

The company held the following shares as at March 2021 and March 2020:

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

	2021 £	2020 £
Raw materials and consumables	106,323	86,020
Finished goods and goods for resale	<u>151,609</u>	<u>150,261</u>
	<u>257,932</u>	<u>236,281</u>

13 Debtors

	2021 £	2020 £
Trade debtors	18,705	35,533
Other debtors	394,850	275,184
Prepayments	125,756	104,343
Accrued legacy income	88,500	-
Accrued grant income	<u>108,239</u>	<u>-</u>
	736,050	415,060
Less non-current portion - other debtors	<u>(230,893)</u>	<u>(228,690)</u>
Total current trade and other debtors	<u>505,157</u>	<u>186,370</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

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 2021, unused provisions totalled £230,893 (2020 - £228,690) which has been included within non current debtors.

14 Cash and cash equivalents

	2021 £	2020 £
Cash on hand	3,630	3,930
Cash at bank	403,384	444,686
	<u>407,014</u>	<u>448,616</u>

15 Creditors

	Note	2021 £	2020 £
Due within one year			
Loans and borrowings	20	59,550	67,395
Trade creditors		158,177	248,243
Social security and other taxes		-	12,343
Other payables		111,669	164,599
Accrued expenses		99,620	86,539
Deferred income		13,135	13,135
		<u>442,151</u>	<u>592,254</u>
Due after one year			
Loans and borrowings	20	527,820	317,868
Deferred income		128,401	141,541
		<u>656,221</u>	<u>459,409</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

16 Provisions for liabilities

	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>

	Deferred tax £	Loco repairs provision £	Total £
At 1 January 2018	-	118,537	118,537
Additional provisions	<u>101,218</u>	<u>110,153</u>	<u>211,371</u>
At 31 March 2020	<u>101,218</u>	<u>228,690</u>	<u>329,908</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

	2021 £	2020 £
Deferred income: Government grants relating to fixed assets	<u>141,536</u>	<u>154,676</u>

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

	£	£
Balance at beginning of period	154,676	167,811
Amortised to profit and loss account	<u>(13,140)</u>	<u>(13,135)</u>
Balance at end of period	<u>141,536</u>	<u>154,676</u>

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

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 £24,578 (2020 - £43,267).

Contributions totalling £Nil (2020 - £4,430) 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

	2021		2020	
	No.	£	No.	£
Ordinary shares of £0.10 each	<u>24,714,020</u>	<u>2,471,402</u>	<u>24,029,420</u>	<u>2,402,942</u>

New shares allotted

During the year, 684,600 ordinary shares having an aggregate nominal value of £68,460 were allotted for an aggregate consideration of £68,460.

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 2021

20 Creditors: Amounts falling due after more than one year

	2021	2020
	£	£
Non-current loans and borrowings		
Bank borrowings	480,826	317,868
Other borrowings	46,994	-
	<u>527,820</u>	<u>317,868</u>

	2021	2020
	£	£
Current loans and borrowings		
Bank borrowings	36,264	11,840
HP and finance lease liabilities	-	55,555
Other borrowings	23,286	-
	<u>59,550</u>	<u>67,395</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% (2020 - 5.27%) and variable 3.4% (2020 - 3.4%), and the final instalment is due on 31 December 2037. The carrying amount at the year end is £317,090 (2020 - £329,708).

The Coronavirus Business Interruption Loan (CBILS) is denominated in pound sterling with a nominal interest rate of 3.6% (2020 - Nil%), and the final installment being due on 31 August 2026. The carrying amount at the year end is £200,000 (2020 - £Nil).

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

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

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.

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

Finance leases

In 2019, the company entered into a sale and leaseback transaction that resulted in a finance lease. The finance lease was secured over the assets concerned.

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	-	55,555
	-	55,555

Operating leases

The total of future minimum lease payments is as follows:

	2021 £	2020 £
Not later than one year	35,007	234
Later than one year and not later than five years	155,639	52,813
	190,646	53,047

West Somerset Railway Public Limited Company

Notes to the Financial Statements for the Year Ended 31 March 2021

22 Commitments

Capital commitments

The company had no capital commitments at the year end.

23 Related party transactions

Income for other related parties - under common influence

	2021	2020
	£	£
Repairs	-	2,378
	<u>-</u>	<u>2,378</u>

Expenditure for other related parties - under common influence

	Other related parties
	£
2021	
Leases	5,384
Other expenses	75
	<u>5,459</u>
	Other related parties
	£
2020	
Haulage	4,298
Leases	5,304
	<u>9,602</u>

As at the balance sheet date, there were amounts due from other related parties of £Nil (2020 - £2,224).

One of the directors is also a shareholder in the company, 7029 Clun Castle Limited. In 2020, there was an agreement in place where this company provided 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 2021

24 Financial instruments

Categorisation of financial instruments

	2021	2020
	£	£
Financial assets that are debt instruments measured at amortised cost		
Trade debtors	<u>18,705</u>	<u>35,533</u>
	<u>18,705</u>	<u>35,533</u>
Financial liabilities measured at amortised cost		
Bank loans and overdrafts	587,370	329,708
Hire purchase	-	55,555
Trade creditors	158,177	248,243
Other creditors	<u>9,429</u>	<u>2,857</u>
	<u>754,976</u>	<u>636,363</u>