

STRATEGIC REPORT, REPORT OF THE DIRECTORS AND

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER 2019

FOR

LLANGOLLEN RAILWAY PLC

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FOR THE YEAR ENDED 31ST DECEMBER 2019

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LLANGOLLEN RAILWAY PLC
COMPANY INFORMATION
FOR THE YEAR ENDED 31ST DECEMBER 2019

DIRECTORS:	P K Evans H J Shipton R F Gordon E McGuinness Q D McGuinness J R Bearne
SECRETARY:	H J Shipton
REGISTERED OFFICE:	The Station Abbey Road Llangollen Denbighshire LL20 8SN
REGISTERED NUMBER:	02716476 (England and Wales)
AUDITORS:	M. D. Coxey and Co. Limited Chartered Accountants and Statutory Auditors 25 Grosvenor Road Wrexham LL11 1BT
BANKERS:	National Westminster Bank plc 33, Lord Street Wrexham LL11 1LP

**STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2019**

The directors present their strategic report for the year ended 31st December 2019.

The year ended 31st December 2019 showed a similar picture to the previous year in that engineering again showed a substantial loss due to two contracts being massively underquoted. One of these contracts has been completed in the year and we will resolve the problem with the second contract in early 2020.

We have continued to refurbish our carriage to a high standard and so preserve their asset value. We have also completed a carriage under contract, and there are other such contracts in the pipeline.

Our ordinary passenger numbers have held up well, and we have improved the number and profitability of our special events, although we have reduced our gala to one, as these are less popular than previously, and costs particularly transport have increased substantially.

The new station at Corwen is at an advanced stage with the water tank in place and working. The wheel chair lift has been installed and will accommodate one wheelchair user or one seated passenger using the built-in folding seat. We hope that the station will be operational in 2020, but as usual we are at the mercy of the weather. We are hugely indebted to the team of volunteers who have worked at times in appalling conditions.

We are grateful to all the volunteers who give so much of their time to running the railway without whom we would not continue to operate.

Llangollen Railway PLC has a substantial number of shares from our second issue available, and we would urge you to support this by purchasing shares and own part of the railway. The shareholder benefits of free travel are the same as in the original issue, and we look forward to your help in continuing to develop our railway.

Principal risks and uncertainties

The company has undertaken a comprehensive assessment of the risks faced by it and has identified key areas into which these can be categorised. These are:

People

- Adequate and appropriate staffing levels both at managerial and operational level.
- Health and safety issues for staff, volunteers and visitors.
- Training and assessment requirements.

Processes

- Derailment.
- Signals passed at danger.

Systems

- Communications and data storage failure.

Asset protection and maintenance

- Infrastructure damage and collapse.
- Accidental and malicious failure or damage to plant.
- Withdrawal of operating licence.
- Lease forfeiture.
- Theft.

Environment

- Floods/landslides.
- Bad weather.
- Pollution.

Political and regulatory

- Industry regulation.
- EU legislation.
- Pollutants.
- Health and safety.

STRATEGIC REPORT
FOR THE YEAR ENDED 31ST DECEMBER 2019

- Employment legislation.
- National, Local government and Welsh Assembly.

Business and commercial

- Loss of Thomas licence.
- Decline in passenger numbers.
- Decrease in commercial engineering and coach work.
- Rises in energy costs.
- Community issues.

Each of the above has been sub-divided into specific areas, management of which has been delegated to specific and competent individuals who have established the controls necessary to identify and proactively deal with the risks. The comprehensive risk assessment referred to above is a formal working document approved at Board level. It forms an integral part of the regular Directors' board meetings. It constantly undergoes review and amendment to reflect the changing environment in which the Railway operates.

Future Developments

The aim for the current year is to continue to develop new revenue streams resulting from the extension to Corwen.

COVID 19

Llangollen Railway has been affected financially due to COVID 19. As from the 17th of March to the 1st of August we were unable to trade which meant we had an estimated loss of income of around £400,000. To try and mitigate our losses we have appealed to our shareholders and also to the general public. We have also successfully applied for a Welsh Government grant and a bounce back loan. During the closure we were able to reduce our creditors with the assistance of the bounce back loan which has placed us in a much better position.

We have cut costs by making staff redundant and reducing staffing overall. We have a tighter rein on our expenditure and we have now ceased carrying out engineering contract work to cut costs even further.

We have been working on specific budgeting for the rest of 2020 moving in to 2021. As we have reduced capacity due to the ongoing restrictions we will have further losses to the end of 2020. We are planning to run certain events to bring in some additional income to help carry us through the winter closed season. We have secured an emergency Heritage Lottery Grant which will give us added security moving forward.

This has been and still is an extremely difficult time for Llangollen Railway, we are doing as much as we can to mitigate our risks.

ON BEHALF OF THE BOARD:

R F Gordon - Director

23rd September 2020

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

The directors present their report with the financial statements of the company for the year ended 31st December 2019.

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of the operation, extension and other matters associated with a heritage steam railway.

DIVIDENDS

No dividends will be distributed for the year ended 31st December 2019.

FUTURE DEVELOPMENTS

The company's plans for the forthcoming year are to continue to run a successful heritage railway and in association with Llangollen Railway Trust (Limited).

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The beneficial interests of the directors holding office at 31st December 2019 in the shares of the company, according to the register of directors' interests were as follows:

	31.12.19	1.1.19 or at date of appointment
Ordinary shares of £1 each		
P K Evans	1,637	1,637
H J Shipton	1,500	1,500
J C Joyce - resigned 06.09.19	-	200
J R Bearne - appointed 25.06.18	1,650	1,650
R F Gordon	50	50
Q D McGuinness	1,718	1,718
Mrs E McGuinness	250	250
R Bettley - Smith - resigned 31.03.19	-	250

FINANCIAL INSTRUMENTS

The company's operations expose it to a variety of financial risks including credit risk, cash flow risk and liquidity risk.

The company does not have material exposure in any of the areas identified above.

The company's principal financial instruments comprise sterling cash and bank deposit, together with trade debtors and trade creditors that arise directly from operations.

Credit and cash flow risk

The company's credit and cash flow risk is primarily attributable to its trade debtors. Credit and Cash flow risk is mitigated by monitoring and management of the credit limits given to its customers.

POLITICAL DONATIONS AND EXPENDITURE

Charitable donations for the year amounted to £3,166 (2018: £4,711).

No political donations were made.

FIXED ASSETS

In the opinion of the directors there is no significant difference between the present market value of the company's properties and the amounts at which they are stated in the accounts.

COMPANY'S POLICY ON PAYMENT OF CREDITORS

It is company policy to follow a standard code on payment practice which is available from the registered office. It is company policy, in respect of all its suppliers, to settle the terms of payment when agreeing the terms of each transaction, to ensure that suppliers are made aware of the terms of payment, and to abide by the terms of payment.

For the year ended 31st December 2019, the average payment period for trade creditors was 154 days (2018: 102 days)

**REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

MAJOR SHAREHOLDERS

The company has been notified that the following shareholders held more than 3% of the company's issued share capital at the date of this report:

	Number of shares held	%
Llangollen Railway Trust Limited	175,561	23.2

GEOGRAPHICAL AREA

No branches of the company exist outside the United Kingdom.

POST BALANCE SHEET EVENTS

Llangollen Railway has been affected financially due to COVID 19. As from the 17th of March to the 1st of August we were unable to trade which meant we had an estimated loss of income of around £400,000. To try and mitigate our losses we have appealed to our shareholders and also to the general public. We have also successfully applied for a Welsh Government grant and a bounce back loan. During the closure we were able to reduce our creditors with the assistance of the bounce back loan which has placed us in a much better position.

We have cut costs by making staff redundant and reducing staffing overall. We have a tighter rein on our expenditure and we have now ceased carrying out engineering contract work to cut costs even further.

We have been working on specific budgeting for the rest of 2020 moving in to 2021. As we have reduced capacity due to the ongoing restrictions we will have further losses to the end of 2020. We are planning to run certain events to bring in some additional income to help carry us through the winter closed season. We have secured an emergency Heritage Lottery Grant which will give us added security moving forward.

This has been and still is an extremely difficult time for Llangollen Railway, we are doing as much as we can to mitigate our risks.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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 then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

REPORT OF THE DIRECTORS
FOR THE YEAR ENDED 31ST DECEMBER 2019

AUDITORS

The auditors, M. D. Coxey and Co. Limited, will be proposed for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

R F Gordon - Director

23rd September 2020

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
LLANGOLLEN RAILWAY PLC**

Opinion

We have audited the financial statements of Llangollen Railway Plc (the 'company') for the year ended 31st December 2019 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, 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 31st December 2019 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.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, 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 Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
LLANGOLLEN RAILWAY PLC

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page five, 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 necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

Use of our report

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

Mr Anthony Lewis (Senior Statutory Auditor)
for and on behalf of M. D. Coxey and Co. Limited
Chartered Accountants
and Statutory Auditors
25 Grosvenor Road
Wrexham
LL11 1BT

23rd September 2020

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Notes	31.12.19 £	31.12.18 £
TURNOVER	3	1,610,511	1,972,606
Cost of sales		<u>1,212,734</u>	<u>1,364,095</u>
GROSS PROFIT		397,777	608,511
Administrative expenses		<u>747,033</u> (349,256)	<u>965,372</u> (356,861)
Other operating income	4	<u>30,875</u>	<u>31,304</u>
OPERATING LOSS	6	(318,381)	(325,557)
Interest receivable and similar income	7	<u>5</u> (318,376)	<u>66</u> (325,491)
Interest payable and similar expenses	8	<u>10,799</u> (329,175)	<u>5,110</u> (330,601)
LOSS BEFORE TAXATION			
Tax on loss	9	<u>(58,978)</u>	<u>(60,944)</u>
LOSS FOR THE FINANCIAL YEAR		(270,197)	(269,657)
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME			
FOR THE YEAR		<u>(270,197)</u>	<u>(269,657)</u>

The notes form part of these financial statements

BALANCE SHEET
31ST DECEMBER 2019

	Notes	31.12.19 £	£	31.12.18 £	£
FIXED ASSETS					
Tangible assets	10		558,937		489,948
CURRENT ASSETS					
Stocks	11	53,103		60,132	
Debtors	12	239,063		375,015	
Cash at bank and in hand		<u>20,769</u>		<u>12,603</u>	
		312,935		447,750	
CREDITORS					
Amounts falling due within one year	13	<u>567,829</u>		<u>425,371</u>	
NET CURRENT (LIABILITIES)/ASSETS			<u>(254,894)</u>		<u>22,379</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			304,043		512,327
CREDITORS					
Amounts falling due after more than one year	14		(63,480)		(88,302)
ACCRUALS AND DEFERRED INCOME	20		<u>(5,619)</u>		<u>(13,863)</u>
NET ASSETS			<u>234,944</u>		<u>410,162</u>
CAPITAL AND RESERVES					
Called up share capital	21		845,821		750,842
Retained earnings			<u>(610,877)</u>		<u>(340,680)</u>
SHAREHOLDERS' FUNDS			<u>234,944</u>		<u>410,162</u>

The financial statements were approved by the Board of Directors and authorised for issue on 23rd September 2020 and were signed on its behalf by:

R F Gordon - Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Called up share capital £	Retained earnings £	Total equity £
Balance at 1st January 2018	726,677	(71,023)	655,654
Changes in equity			
Issue of share capital	24,165	-	24,165
Total comprehensive income	-	(269,657)	(269,657)
Balance at 31st December 2018	<u>750,842</u>	<u>(340,680)</u>	<u>410,162</u>
Changes in equity			
Issue of share capital	94,979	-	94,979
Total comprehensive income	-	(270,197)	(270,197)
Balance at 31st December 2019	<u>845,821</u>	<u>(610,877)</u>	<u>234,944</u>

The notes form part of these financial statements

CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2019

	Notes	31.12.19 £	31.12.18 £
Cash flows from operating activities			
Cash generated from operations	1	(63,820)	(102,748)
Interest paid		(7,529)	(1,086)
Interest element of hire purchase payments paid		<u>(3,270)</u>	<u>(4,024)</u>
Net cash from operating activities		<u>(74,619)</u>	<u>(107,858)</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(71,797)	(199,528)
Interest received		<u>5</u>	<u>66</u>
Net cash from investing activities		<u>(71,792)</u>	<u>(199,462)</u>
Cash flows from financing activities			
New loans in year		10,000	50,000
Loan repayments in year		(11,213)	(3,889)
Capital repayments in year		(22,737)	37,311
Amount introduced by directors		92,144	-
Amount withdrawn by directors		(22,144)	-
Share issue		<u>94,979</u>	<u>24,165</u>
Net cash from financing activities		<u>141,029</u>	<u>107,587</u>
Decrease in cash and cash equivalents		<u>(5,382)</u>	<u>(199,733)</u>
Cash and cash equivalents at beginning of year	2	(27,377)	172,356
Cash and cash equivalents at end of year	2	<u>(32,759)</u>	<u>(27,377)</u>

The notes form part of these financial statements

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2019

1. **RECONCILIATION OF LOSS BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS**

	31.12.19	31.12.18
	£	£
Loss before taxation	(329,175)	(330,601)
Depreciation charges	2,808	115,367
Finance costs	10,799	5,110
Finance income	(5)	(66)
	<u>(315,573)</u>	<u>(210,190)</u>
Decrease in stocks	7,029	422
Decrease in trade and other debtors	194,930	113,554
Increase/(decrease) in trade and other creditors	49,794	(6,534)
Cash generated from operations	<u>(63,820)</u>	<u>(102,748)</u>

2. **CASH AND CASH EQUIVALENTS**

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

Year ended 31st December 2019

	31.12.19	1.1.19
	£	£
Cash and cash equivalents	20,769	12,603
Bank overdrafts	<u>(53,528)</u>	<u>(39,980)</u>
	<u>(32,759)</u>	<u>(27,377)</u>

Year ended 31st December 2018

	31.12.18	1.1.18
	£	£
Cash and cash equivalents	12,603	172,356
Bank overdrafts	<u>(39,980)</u>	<u>-</u>
	<u>(27,377)</u>	<u>172,356</u>

NOTES TO THE CASH FLOW STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2019

3. ANALYSIS OF CHANGES IN NET DEBT

	At 1.1.19 £	Cash flow £	At 31.12.19 £
Net cash			
Cash at bank and in hand	12,603	8,166	20,769
Bank overdrafts	(39,980)	(13,548)	(53,528)
	<u>(27,377)</u>	<u>(5,382)</u>	<u>(32,759)</u>
Debt			
Finance leases	(79,262)	22,737	(56,525)
Debts falling due within 1 year	(11,333)	(3,252)	(14,585)
Debts falling due after 1 year	(34,778)	4,465	(30,313)
	<u>(125,373)</u>	<u>23,950</u>	<u>(101,423)</u>
Total	<u>(152,750)</u>	<u>18,568</u>	<u>(134,182)</u>

The notes form part of these financial statements

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2019**

1. STATUTORY INFORMATION

Llangollen Railway Plc is a private company, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

The financial statements have been prepared on a going concern basis.

For the year ended 31st December 2019, the entity incurred a loss from continuing operations after tax of (£270,197) 2018: (£269,657). In the same period the entity had operating cash outflows of (£141,029) 2018: operating cash inflows of (£107,858).

This extremely disappointing performance has been discussed in the strategic report page 2.

A cash flow forecast for the next 12 months prepared by management has indicated that the entity, with the support of providers of finance, will have sufficient cash assets to be able to meet its debts as and when they are due.

No adjustments have been made relating to the recoverability and classification of recorded asset amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

The company's functional and presentational currencies are pounds sterling.

Principal activities

The principal activity of the company is that of the operation, extension and other matters associated with a heritage steam railway.

Significant judgements and estimates

In the application of the Company's accounting policies, management are required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily available from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The key judgements and sources of estimation uncertainty that have a significant effect on the amounts recognised in the financial statements are described below:

- Estimated useful lives and residual values of fixed assets:

The carrying value of fixed assets are reviewed each year end for indicators of impairment triggers. If such triggers exist, management would be required to carry out a formal impairment review using a discounted cash flow model to determine their value in use on a cash-generating unit basis. The value in use calculation requires management to estimate the future cash flows expected to arise from the cash-generating unit and a sustainable discount rate in order to calculate the present value.

Depreciation of tangible fixed assets has been based on estimated useful lives and residual values deemed appropriate by the directors. Estimated useful lives and residual values are reviewed annually and revised as appropriate. Revisions take into account estimated useful lives used by other companies operating in the sector and actual asset lives and residual values, as evidenced by disposals during current and prior accounting periods.

- Revenue recognition:

In making its judgement, management consider the detailed criteria for the recognition of revenue as set out within Section 23 of FRS 102. The directors are satisfied that the recognition point being typically when goods are delivered and legal title has passed is correct.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods supplied and services rendered, stated net of discounts and of Value Added Tax.

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, the amount of revenue can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the entity and the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

The company recognises revenue when it can be measured reliably.

Revenue will be recognised by reference to each stage of completion of the transaction at the end of the reporting period. Where the contract outcome cannot be measured reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Interest income

Revenue is recognised as interest accrues using the effective interest method.

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life or, if held under a finance lease, over the lease term, whichever is the shorter.

Leasehold property	- Straight line over 20 years
Track & rolling stock	- Straight line over 20 years
Fixtures and fittings	- 10% on cost and at varying rates on cost
Computer equipment	- 10% on cost

The company has adopted the cost model and as such has measured item's of property, plant and equipment at cost less any accumulated depreciation and any accumulated impairment losses.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Financial instruments

Financial assets and financial liabilities are recognised when the company becomes party to the contractual provisions of the financial instrument.

Cash and cash equivalents:

These comprise cash at bank and other short-term highly liquid bank deposits with an original maturity of three months or less.

Debtors:

Debtors do not carry any interest and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in the Profit and Loss account when there is objective evidence that the asset is impaired.

Trade creditors:

Trade creditors are not interest bearing and are stated at their nominal value.

Taxation

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

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

2. ACCOUNTING POLICIES - continued

Deferred tax

A deferred tax asset or liability is recognised for tax recoverable or payable in future periods in respect of transactions and events recognised in the financial statements of current and previous periods. Deferred tax arises from timing differences that are differences between taxable profits and accounting profits as stated in the financial statements. Timing differences result from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements.

Deferred tax is recognised on all timing differences at the reporting date apart from certain exceptions. Unrelieved tax losses and other deferred tax assets are only recognised to the extent that 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 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 differences.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under hire purchase contracts are depreciated over their estimated useful lives. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the profit and loss account on the straight line basis over the period of the lease.

Government grants

Government grants in respect of capital expenditure are credited to a deferred income account and are released to profit over the expected useful lives of the relevant assets by equal annual instalments.

Government grants received in respect of revenue are credited to the profit and loss account in the period that the revenue and expenditure arises.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Contributions are made to a personal pension plan for the benefit of staff managed by an independent insurance company. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

3. TURNOVER

The turnover and loss before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

	31.12.19	31.12.18
	£	£
United Kingdom	1,610,511	1,947,926
Europe	-	24,680
	<u>1,610,511</u>	<u>1,972,606</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

4. OTHER OPERATING INCOME

	31.12.19	31.12.18
	£	£
Sundry receipts	4,645	-
Donations received	17,986	9,235
Insurance claim	-	13,826
Government grants	8,244	8,243
	<u>30,875</u>	<u>31,304</u>

5. EMPLOYEES AND DIRECTORS

	31.12.2019	31.12.2018
	£	£
Wages and salaries	723,257	885,949
Social security costs	56,258	67,448
	<u>779,515</u>	<u>953,397</u>

The average monthly number of employees during the year were as follows:

	31.12.2019	31.12.2018
	Numbers	Numbers
Engineering	32	31
Administration and sales	8	11
	<u>40</u>	<u>42</u>

Key management salaries in the year amounted to £146,199 (2018: £179,039).

	31.12.19	31.12.18
	£	£
Directors' remuneration	<u>44,100</u>	<u>41,700</u>

6. OPERATING LOSS

The operating loss is stated after charging/(crediting):

	31.12.19	31.12.18
	£	£
Depreciation - owned assets	(10,595)	104,059
Depreciation - assets on hire purchase contracts	13,403	11,308
Auditors' remuneration	6,000	5,125
Operating lease	21,845	15,073
Government grants	<u>8,244</u>	<u>8,243</u>

7. INTEREST RECEIVABLE AND SIMILAR INCOME

	31.12.19	31.12.18
	£	£
Deposit account interest	<u>5</u>	<u>66</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

8. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	31.12.19	31.12.18
	£	£
Bank interest	4,935	307
Bank loan interest	2,594	779
Hire purchase interest	3,270	4,024
	<u>10,799</u>	<u>5,110</u>

9. **TAXATION**

Analysis of the tax credit

The tax credit on the loss for the year was as follows:

	31.12.19	31.12.18
	£	£
Deferred tax	(58,978)	(60,944)
Tax on loss	<u>(58,978)</u>	<u>(60,944)</u>

UK corporation tax has been charged at 19% (2018 - 19%).

Reconciliation of total tax credit included in profit and loss

The tax assessed for the year is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	31.12.19	31.12.18
	£	£
Loss before tax	<u>(329,175)</u>	<u>(330,601)</u>
Loss multiplied by the standard rate of corporation tax in the UK of 19% (2018 - 19%)	(62,543)	(62,814)
Effects of:		
Permanent timing differences	3,565	6,070
Prior year adjustment	-	(4,200)
Total tax credit	<u>(58,978)</u>	<u>(60,944)</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

10. TANGIBLE FIXED ASSETS

	Leasehold property £	Track & rolling stock £	Fixtures and fittings £	Computer equipment £	Totals £
COST					
At 1st January 2019	732,773	1,247,609	429,212	4,326	2,413,920
Additions	30,065	29,685	11,396	651	71,797
At 31st December 2019	<u>762,838</u>	<u>1,277,294</u>	<u>440,608</u>	<u>4,977</u>	<u>2,485,717</u>
DEPRECIATION					
At 1st January 2019	552,025	1,114,707	256,272	968	1,923,972
Charge for year	20,912	(45,313)	26,730	479	2,808
At 31st December 2019	<u>572,937</u>	<u>1,069,394</u>	<u>283,002</u>	<u>1,447</u>	<u>1,926,780</u>
NET BOOK VALUE					
At 31st December 2019	<u>189,901</u>	<u>207,900</u>	<u>157,606</u>	<u>3,530</u>	<u>558,937</u>
At 31st December 2018	<u>180,748</u>	<u>132,902</u>	<u>172,940</u>	<u>3,358</u>	<u>489,948</u>

Fixed assets, included in the above, which are held under hire purchase contracts are as follows:

	Fixtures and fittings £
COST	
At 1st January 2019	129,029
Additions	4,995
At 31st December 2019	<u>134,024</u>
DEPRECIATION	
At 1st January 2019	19,142
Charge for year	13,403
At 31st December 2019	<u>32,545</u>
NET BOOK VALUE	
At 31st December 2019	<u>101,479</u>
At 31st December 2018	<u>109,887</u>

11. STOCKS

	31.12.19 £	31.12.18 £
Finished goods	15,813	21,551
Materials and consumables	<u>37,290</u>	<u>38,581</u>
	<u>53,103</u>	<u>60,132</u>

The amount of stock recognised as an expense in cost of sales during the period was £789,245 (2018: £899,558).

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

12. **DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.19	31.12.18
	£	£
Trade debtors	32,539	195,677
Other debtors and prepayments	4,907	3,451
VAT	17,544	31,913
Deferred tax asset		
Movement re capital allowances	98,176	39,198
Llangollen Railway Trust Ltd	85,897	104,776
	<u>239,063</u>	<u>375,015</u>

13. **CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	31.12.19	31.12.18
	£	£
Bank loans and overdrafts (see note 15)	68,113	51,313
Hire purchase contracts (see note 16)	23,358	25,738
Trade creditors	324,936	255,593
Tax	3	3
Social security and other taxes	25,758	15,229
Other creditors	26,803	24,838
Directors' current accounts	70,000	-
Accrued expenses	28,858	52,657
	<u>567,829</u>	<u>425,371</u>

14. **CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	31.12.19	31.12.18
	£	£
Bank loans (see note 15)	30,313	34,778
Hire purchase contracts (see note 16)	33,167	53,524
	<u>63,480</u>	<u>88,302</u>

15. **LOANS**

An analysis of the maturity of loans is given below:

	31.12.19	31.12.18
	£	£
Amounts falling due within one year or on demand:		
Bank overdrafts	53,528	39,980
Bank loans	14,585	11,333
	<u>68,113</u>	<u>51,313</u>
Amounts falling due between one and two years:		
Bank loans - 1-2 years	14,585	11,333
Amounts falling due between two and five years:		
Bank loans - 2-5 years	15,728	23,445

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

15. **LOANS - continued**

The bank holds the deeds or charge certificate or official copies of the register of properties over which it has a first legal mortgage and which would be in the name of the customers unless otherwise stated.

16. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	31.12.19	31.12.18
	£	£
Net obligations repayable:		
Within one year	23,358	25,738
Between one and five years	<u>33,167</u>	<u>53,524</u>
	<u>56,525</u>	<u>79,262</u>
	Non-cancellable operating leases	
	31.12.19	31.12.18
	£	£
Within one year	9,471	10,629
Between one and five years	<u>4,101</u>	<u>13,572</u>
	<u>13,572</u>	<u>24,201</u>

17. **SECURED DEBTS**

The following secured debts are included within creditors:

	31.12.19	31.12.18
	£	£
Bank overdrafts	53,528	39,980
Hire purchase contracts	<u>56,525</u>	<u>79,262</u>
	<u>110,053</u>	<u>119,242</u>

Assets are held as security and are formally charged to the bank in the form of a Debenture.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

18. **FINANCIAL INSTRUMENTS**

Financial assets

		31.12.19	31.12.18
£	£		
Financial assets measured at amortised cost		139,200	313,056
		<u>139,200</u>	<u>313,056</u>

Financial assets measured at amortised cost comprise cash at bank and in hand, trade and other debtors

Financial liabilities

		31.12.19	31.12.18
£	£		
Other financial liabilities measured at fair value through profit and loss		(532,571)	(498,441)
		<u>(532,571)</u>	<u>(498,441)</u>

Financial liabilities measured fair value through profit and loss comprise bank loans, trade and other creditors, accruals, bank loans and overdrafts and obligations under finance lease and hire purchase contracts.

19. **DEFERRED TAX**

	£
Balance at 1st January 2019	(39,198)
Movement in the year due to:-	
Changes in tax allowances	14,067
Changes in tax losses	(73,045)
Balance at 31st December 2019	<u>(98,176)</u>

20. **ACCRUALS AND DEFERRED INCOME**

	31.12.19	31.12.18
	£	£
Deferred government grants	<u>5,619</u>	<u>13,863</u>

21. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	31.12.19	31.12.18
			£	£
756,002	Ordinary	£1	845,821	750,842
(31.12.18 - 676,903)			<u></u>	<u></u>

79,099 Ordinary shares of £1 were issued during the year for cash of £ 79,099 .

Called up share capital represents the nominal value of shares that have been issued.

The shares allotted will not agree to the share capital value in the accounts as the shares allotted figure is taken from the annual returns which are produced 20th May each year.

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

22. **CAPITAL COMMITMENTS**

	31.12.19 £	31.12.18 £
Contracted but not provided for in the financial statements	<u>-</u>	<u>23,297</u>

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

23. RELATED PARTY DISCLOSURES

During the year ended 31st December 2019 the following transactions took place with Llangollen Railway Trust Limited and its subsidiary company Llangollen & Corwen Railway (Trading) Limited. Llangollen Railway Trust Limited is a shareholder of Llangollen Railway plc.

		2019	2018
£	£		
Sales		78,864	78,712
Costs recharged		2,160	1,980

As at the 31st December the following balances were outstanding:

	2019 £ Debtors	2018 £ Debtors	2019 £ Creditors	2018 £ Creditors
Llangollen Railway Trust limited	83,737	104,776	-	-

Llangollen Railway plc has provided a guarantee for the company Llangollen Railway Trust Limited up to a liability in sum of £125,000.

During the year the following transactions took place with:

H J Shipton & Co- H Shipton the director of Llangollen Railway plc is also the owner of the company H J Shipton & Co.		2019	2018
£	£		
Sales		50,795	26,003
Purchases		44,040	22,080

J Joyce director of Llangollen Railway plc		2019	2018
£	£		
Sales		46	14,287
Purchases		-	-

P K Evans the director of Llangollen Railway plc is also a director of the company 80072		2019	2018
£	£		
Sales		2,507	-
Purchases		39,216	64,440

P K Evans the director of Llangollen Railway plc is also a shareholder of the company Evans Maintenance		2019	2018
£	£		
Sales		-	-
Purchases		-	1,402

Q D McGuinness, a director of Llangollen Railway plc also has an interest in Betton Grange (Society) Ltd		2019	2018
£	£		
Sales		(1,312)	11,500
Purchases		-	-

NOTES TO THE FINANCIAL STATEMENTS - continued
FOR THE YEAR ENDED 31ST DECEMBER 2019

As at the 31st December the following balances were outstanding:

	2019	2018	2019	2018
	£	£	£	£
	Debtors	Debtors	Creditors	Creditors
H J Shipton & Co	31,706	2,478	68,061	24,021
S P Jones	78	32	-	-
P K Evans - 80072	-	-	44,676	25,920
P K Evans - Evans Maintenance	-	-	-	-
Q D McGuinness - Betton Grange	-	1,313	-	-

24. POST BALANCE SHEET EVENTS

Llangollen Railway has been affected financially due to COVID 19. As from the 17th of March to the 1st of August we were unable to trade which meant we had an estimated loss of income of around £400,000. To try and mitigate our losses we have appealed to our shareholders and also to the general public. We have also successfully applied for a Welsh Government grant and a bounce back loan. During the closure we were able to reduce our creditors with the assistance of the bounce back loan which has placed us in a much better position.

We have cut costs by making staff redundant and reducing staffing overall. We have a tighter rein on our expenditure and we have now ceased carrying out engineering contract work to cut costs even further.

We have been working on specific budgeting for the rest of 2020 moving in to 2021. As we have reduced capacity due to the ongoing restrictions we will have further losses to the end of 2020. We are planning to run certain events to bring in some additional income to help carry us through the winter closed season. We have secured an emergency Heritage Lottery Grant which will give us added security moving forward.

This has been and still is an extremely difficult time for Llangollen Railway, we are doing as much as we can to mitigate our risks.

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.