
RHEILFFYRDD FFESTINIOG AC ERYRI FFESTINIOG & WELSH HIGHLAND RAILWAYS

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THE FESTINIOG RAILWAY COMPANY ANNUAL REPORT AND ACCOUNTS YEAR ENDED 31st DECEMBER 2019

The Festiniog Railway Company
Established 23rd May 1832 by Act of Parliament
Company Number ZC000203
The Ffestiniog and Welsh Highland Railways Trust (Registered Charity No: 239904)
holds a controlling interest in every class of share in the company



Caernarfon Station



Gwyrfa Naming

Chairman's Statement

The Festiniog Railway Company Chairman's Report 2019

Traffic fell slightly in terms of both bookings and revenue in 2019. It is always difficult to establish the causes of small changes, and traffic levels are something that will continue to be carefully scrutinised. One obvious change was a large increase in the use of members tickets early in the season. Some changes were quickly made. The Societies and Company are now working step by step to design membership benefits suited to the future.

Profit was slightly up at £191,115. This needs to be seen in the context of capital spend of £1.8m. All profits are reinvested – as always – but they provide only a small part of the requirement. The remainder comes from grants, donations, and (in 2019) a reduction in the Company's cash reserves.

Revenue grants increased again to £415,770. Partly this reflects training – as the NLHF Skills for the Future payments are treated this way – but to a large extent it represents grants which contribute towards a bulge in heavy renewals. The most obvious cases are Garratt boilers whose 10-year overhaul cycle is concentrated over a few years. Capital spend remains high in absolute terms at £1.8m. This is a reduction compared with 2018, but only because the spend on Caernarfon Station was much lower following its substantial completion by the end of 2018. The continuing high level of investment is very encouraging as all these projects contribute towards achieving a Sustainable Railway. Project by project Boston Lodge headed the list, with a spend of £490,000 mainly on the new Large Carriage Shed. Some other substantial examples are £116,000 spent on the Moelwyn Tunnel Portals, £130,000 on track replacement and £192,000 on James Spooner.

A major highlight was the opening of the new Caernarfon and Waunfawr Stations on 14th June. It is extraordinary to think that a small railway in northwest Wales can successfully build and open two new stations concurrently. They are very different. Waunfawr is an intermediate station with modest use and though not a replica of the station formerly there is built in similar style. Caernarfon is our second most important gateway. It is on a very difficult site. There was no traditional station to restore or recreate. However, it is on the edge of the World Heritage Site opposite the Plantagenet Castle, and central to the development of the waterfront area of the town. The station is not only important to us and our ability to attract customers to that end of the railway, but equally to Caernarfon itself and to heritage in Wales. The design deliberately looks to the future. It provides the space needed to use our trains and provides it in a way that facilities use for other purposes as well. At £3.1m the station does represent a very significant investment in Caernarfon by the railway as well as by Welsh Government and other grant giving bodies. A new Pullman Observation Car for the Welsh Highland was completed and named Gwyrfai at a ceremony at Caernarfon in October. Completing this carriage is another really important milestone. It means that the four main sets which operate the great bulk of our services (on both railways) all offer customers a consistent quality product. They now all have the basic formation we have aimed for – a Pullman Observation Car, a Service Vehicle, and a series of spacious third-class saloons which are comfortable and offer good views of Snowdonia.

The work to build new servicing facilities at Boston Lodge continued. The Large Carriage Shed was erected. It is large in practice as well as in name – which does illustrate how long our standard trains have become. When complete it will enable all the railways' carriages to be kept under cover each night and provide the railway with proper running shed facilities for the first time. Work on fitting this out and on laying track continues. Very good progress was made during the year on restoring the Blacksmiths Shop – one of the early nineteenth century workshop buildings – and on the initial phase of an ambitious bid for funding the restoration of the majority of the remaining heritage buildings on the site coupled with proposals to interpret both the railway and the slate industry to a wider audience.

Finally, I would like to thank my Board and Trust colleagues for their continued support, all of which is voluntary. I would equally like to thank all our staff, our volunteers, the Societies and all our supporters for doing so much for the railway. Your donations and effort make this railway possible.

Dr John Prideaux, C B E
Chairman
23 June 2020

THE FESTINIOG RAILWAY COMPANY

Statutory directors: Dr JDCA Prideaux CBE (Chairman), NF Burbidge, MC Hart OBE, SG Miller, Dr SE Murfitt
Directors appointed under bylaw: D Keay, C Leah, PA Lewin, IS Wilkinson

Directors' Report

The directors submit their report and the accounts for the year ended 31 December 2019.

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

The directors are required 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). The financial statements are required to 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 judgments and estimates that are reasonable and prudent;
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company. 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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The company trades as a railway company owning and operating the Ffestiniog and Welsh Highland Railways, both in North Wales. The company also continues to carry out ancillary engineering work to support the railway operations.

The results for 2019 demonstrated the challenging trading conditions when compared to 2018 with traffic on both railways down. However, due to careful management of costs, the reported profit level rose by £10,000.

In trading, as mentioned above, traffic levels declined on both railways, although less so on the Welsh Highland Railway. Spooner's results were also improved, as were the shops, leading to an increased margin in both areas. Wage costs overall have risen by above inflation; this is as a result of the increase in the living wage set by the government.

The results also reflect the continuing investment programme by your board to equip the railways to be a world class tourist attraction well into the twenty first century. Accordingly, capital expenditure during the year was £1.77million, of which almost four hundred thousand pounds was covered from the company's own resources, with the rest funded by grants from different government bodies and our supporting charities.

Each autumn the company prepares a detailed budget for the following year, split by department. During that process income, expected costs and margins are considered in detail. Actual results are monitored on a monthly basis against the budget and corrective action taken against adverse variances. For 2020, the board again had to pay particular attention to an expected further significant increase in the national living wage and consequent potential impact on the cost of its operations.

The company's operations were severely curtailed towards the end of March 2020, when the government lockdown, to limit the spread of Covid 19, took effect. Both railways have remained shut since then and, at the date of this report, there is no firm date when the government will allow them to reopen. The vast majority of the company's staff have been furloughed and costs cut to a minimum.

The three charities set up to support the railways had a joint appeal which, to date, has raised £365,000. Other grants have been sought from the government and the National Lottery. In addition the charities have each loaned, or agreed to loan, the company £400,000, making £1.2million in total. The company has also been successful in

Directors' Report (continued)

obtaining a £750,000 CBIL loan from its bankers. Together, these grants and loan facilities enable your board to continue to plan for reopening the railways, when conditions permit.

The loss of trade for the peak season, however, will have a significant effect on the company's trading results for 2020. At the date of this report it is not possible to quantify that effect, because government has not given any date when operations such as ours in Wales can reopen.

The board has prepared a document which maps out the key risks facing the company, which are appropriate for a railway operation in the tourist sector. Risk mitigation strategies are recorded against each key risk and this document is reviewed by the board on an annual basis.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £191,115 (2018 - £181,555).

It is the policy of The Festiniog and Welsh Highland Railways Trust (the controlling shareholder of the company) not to approve any dividend payable by the company but to reinvest any profits for the enhancement of the Ffestiniog and Welsh Highland Railways. Accordingly the directors do not recommend the payment of a dividend and therefore the balance on the profit and loss account has been carried forward.

DIRECTORS AND INTERESTS IN SHARES

The names of the present directors are given at the head of this report. The Acts of Parliament that govern the company limit the number of directors to five. However, the company's shareholders have approved a bylaw permitting further appointments of people who are regarded, to all intents and purposes, as directors of the company. Both categories of director are listed at the head of this report.

The statutory directors' beneficial interests in the ordinary stock of the company are set out below:

	31 December 2019 Number	1 January 2019 Number
Dr J D C A Prideaux CBE (Chairman)	500	500
N F Burbidge	500	500
M C Hart OBE	502	502
S G Miller	500	500
Dr S E Murfitt	500	500

INFORMATION TO AUDITORS

So far as each of the directors is aware at the time the report is approved:

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

The company's auditor, Williams Denton Cyf has expressed its willingness to continue in office and a resolution for the reappointment of Williams Denton Cyf will be proposed at the forthcoming Annual General Meeting.

By order of the board

SE Murfitt

Secretary

23 June 2020

Registered office: Harbour Station, Porthmadog, Gwynedd, LL49 9NF

THE FESTINIOG RAILWAY COMPANY

Report of the Independent Auditor

to the Members of The Festiniog Railway Company

Opinion

We have audited the financial statements of The Festiniog Railway Company (the 'company') for the year ended 31 December 2019 which comprise the Income Statement, Other Comprehensive Income, Balance Sheet, Statement of Changes in Equity and 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 December 2019 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.

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 Auditor to the Members of The Festiniog Railway Company (continued)

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 four, 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.

Martin Steven Barrett (Senior Statutory Auditor)

for and on behalf of Williams Denton Cyf

Chartered Certified Accountants

Statutory Auditors

13 Trinity Square

Llandudno

United Kingdom

CONWY

LL30 2RB

Date: 23 June 2020

THE FESTINIOG RAILWAY COMPANY
Income Statement
for the year ended 31st December 2019

	Note	2019 £	2018 £
Turnover	2	5,959,374	6,018,789
Cost of sales before asset charges		<u>(4,647,379)</u>	<u>(4,509,725)</u>
Gross profit before asset charges		1,311,995	1,509,064
Asset Charges:			
Depreciation of company assets		(915,800)	(859,149)
(Loss)/ Profit on disposal of company assets		(701)	-
Leasing charge on WHLR assets		(222,000)	(222,000)
Release of grants re: company assets		665,457	621,225
Release of grants re: WHLR assets		222,000	222,000
Total asset charges		<u>(251,044)</u>	<u>(237,924)</u>
Total cost of sales		<u>(4,898,423)</u>	<u>(4,747,649)</u>
Gross profit		1,060,951	1,271,140
Administrative expenses		<u>(1,338,489)</u>	<u>(1,424,997)</u>
		(277,538)	(153,857)
Other operating income	3	<u>465,555</u>	<u>331,956</u>
Operating profit		188,017	178,099
Interest received	4	3,707	3,456
Interest payable and similar charges	5	<u>(609)</u>	<u>-</u>
Profit on ordinary activities before taxation	6	191,115	181,555
Tax on ordinary activities	9	<u>-</u>	<u>-</u>
Profit for the financial year		<u><u>191,115</u></u>	<u><u>181,555</u></u>
Statement of other comprehensive income			
Profit for the financial year		191,115	181,555
Actuarial gains and losses - defined benefit pension scheme		<u>97,000</u>	<u>(20,000)</u>
Total recognised gains and losses for the financial year		<u><u>288,115</u></u>	<u><u>161,555</u></u>
Note of historical cost profits and losses			
Retained profit for the year		191,115	181,555
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		<u>106,473</u>	<u>106,473</u>
Historical cost profit on ordinary activities		<u><u>297,588</u></u>	<u><u>288,028</u></u>
All disclosures relate to continuing operations.			
There are no recognised gains or losses other than the amount shown above.			

THE FESTINIOG RAILWAY COMPANY
Statement of Financial Position
as at 31st December 2019

	Note	2019		2018
		£	£	£
Fixed Assets				
Property, plant and equipment	10	21,129,005	20,268,296	
Financial assets	11	5,702,532	5,924,532	
			26,831,537	26,192,828
Current Assets				
Inventories	12	1,010,630	1,098,543	
Debtors	13	450,143	616,075	
Cash at bank and in hand		279,670	398,348	
		1,740,443	2,112,966	
Creditors: Amounts falling due within one year	14	(1,170,368)	(1,596,392)	
Net Current Assets		570,075	516,575	
Total Assets Less Current Liabilities		27,401,612	26,709,402	
Creditors: Amounts falling due after more than one year	15	(19,918,361)	(19,414,266)	
Pension scheme assets	20	245,000	145,000	
Net Assets		7,728,251	7,440,136	
Capital and Reserves				
Called up share capital	17	141,273	141,273	
Capital reserves	18	2,250,055	2,356,528	
Profit and loss account	18	5,336,923	4,942,335	
Shareholders' funds	19	7,728,251	7,440,136	

Approved by the board on 23rd June 2020

JDCA Prideaux
Director

NF Burbidge
Director

THE FESTINIOG RAILWAY COMPANY
Statement of cashflows
for the year ended 31st December 2019

	2019	2018
	£	£
Profit for year	191,115	181,555
Loss/(profit) on disposal of assets	701	-
Pension fund non-cash movements	(3,000)	(3,000)
Depreciation	915,800	859,149
Less: release of grants	(665,457)	(621,225)
	<u>250,343</u>	<u>237,924</u>
Decrease/(increase) in debtors	165,931	(24,164)
Decrease/(increase) in stock	87,914	(287,760)
Decrease/(increase) in creditors	(418,078)	254,266
Net cash inflow from operating activities	<u><u>274,924</u></u>	<u><u>358,821</u></u>
CASH FLOW STATEMENT		
Net cash inflow from operating activities	274,924	358,821
Capital expenditure and financial investment		
Payments to acquire fixed assets	(1,777,712)	(3,449,662)
Sales of plant and machinery	500	-
Net cash from investing activities	<u>(1,777,212)</u>	<u>(3,449,662)</u>
Cashflows from financing activities		
Capital grants received	1,391,552	2,973,864
Net cashflow from financing	<u>1,391,552</u>	<u>2,973,864</u>
Decrease in cash in the year	<u><u>(110,735)</u></u>	<u><u>(116,977)</u></u>
Reconciliation of net cash flow to movement in net cash and liquid resources		
Decrease in cash in year	(110,735)	(116,977)
Cash and liquid resources at 1 January 2019	383,994	500,970
Cash and liquid resources at 31 December 2019	<u><u>273,259</u></u>	<u><u>383,993</u></u>
Reconciliation of net cash flow to movement in net debt		
Change in cash in year	110,735	116,977
Cash to repay debt due within one year	28,163	6,127
Net (cash)/debt at 1 January 2019	(310,892)	(433,996)
Net (cash)/debt at 31 December 2019	<u><u>(171,995)</u></u>	<u><u>(310,892)</u></u>

THE FESTINIOG RAILWAY COMPANY

Notes to the Accounts

1 PRINCIPAL ACCOUNTING POLICIES

Basis Of Preparation

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102 – 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below.

The results of the subsidiary companies have not been incorporated in these accounts as they are included in the consolidated accounts of this company's controlling entity, The Ffestiniog & Welsh Highland Railways Trust (a charity registered in England). The accounts of The Festiniog Railway Company present information about it as an individual undertaking and not about its group.

Turnover

Turnover represents the value, excluding value added tax, of goods and services supplied to customers during the year.

Investments

Investments held as fixed assets are stated at cost less any provision for a permanent diminution in value.

The investments are:

- Investment in Welsh Highland Light Railway Ltd (a subsidiary)
- Long term debt due from Welsh Highland Light Railway Ltd (a subsidiary)
- Investment in Welsh Highland Railway Construction Ltd (a subsidiary)
- Investment in Ffestiniog and Welsh Highland Railways Heritage Ltd (a subsidiary)

Inventories

Inventories are valued at the lower of cost, including appropriate overhead expenses, and net realisable value.

Property, plant and equipment depreciation

Tangible fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated to write down the cost less estimated residual value of all tangible fixed assets, other than freehold land, over their expected useful lives, using the straight-line method. The rates applicable are:

Permanent Way	-	2% per annum straight line
Locomotives and rolling stock	-	3 1/3% per annum straight line
Buildings and plant	-	at rates of between 2% to 33% per annum straight line
Motor vehicles	-	25% per annum reducing balance

In future all additions to tangible fixed assets will be stated at cost. Where existing unimpaired fixed assets are stated at valuation, the company has taken advantage of the transitional arrangements in FRS 15 to retain the book values.

The Festiniog Railway Company owns the statutory powers to operate the Welsh Highland Light Railway. The right is durable and has no time limit. As such the directors believe it is inappropriate to depreciate the cost of obtaining these powers.

Operating leases

Rentals under operating leases are charged on a straight line basis over the lease term.

Grants

Grants in respect of capital expenditure are included in creditors as deferred income and are released to the profit and loss account over the expected useful lives of the relevant assets.

Pensions

The company makes pension contributions to a group personal pension scheme which is administered separately from the company. Contributions are also made in accordance with a contributions schedule to a closed defined benefits scheme. Contributions are charged to the profit and loss account in the year in which they arise.

THE FESTINIOG RAILWAY COMPANY
Notes to the Accounts (continued)

2 ANALYSIS OF TURNOVER	2019	2018
	£	£
Traffic - Ffestiniog Railway	1,732,618	1,778,865
Traffic - Welsh Highland Railway	1,819,433	1,808,075
Catering	1,137,960	1,000,280
Shop sales	408,280	404,282
On-train services	430,146	465,233
Infrastructure sales (net of capitalisation)	40,388	39,036
Boston Lodge sales & grant income (net of capitalisation)	390,550	523,018
	<u>5,959,374</u>	<u>6,018,789</u>
3 OTHER OPERATING INCOME		
Revenue grants received	415,770	301,802
Rents receivable and other sundry income	49,784	30,154
	<u>465,555</u>	<u>331,956</u>
4 INTEREST RECEIVED		
Interest on bank deposits	707	456
Interest on net pension assets	3,000	3,000
	<u>3,707</u>	<u>3,456</u>
5 INTEREST PAYABLE AND SIMILAR CHARGES		
On bank overdraft repayable within five years, not by instalments	609	-
	<u>609</u>	<u>-</u>
6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after charging:		
Depreciation on tangible fixed assets	915,800	859,149
Leasing charge on WHLR assets	222,000	222,000
Release of grants against depreciation	(887,457)	(843,225)
Operating lease rentals - plant and machinery	47,567	36,819
Audit fee	7,000	7,000
	<u>7,000</u>	<u>7,000</u>

THE FESTINIOG RAILWAY COMPANY
Notes to the Accounts (continued)

7 EMPLOYEE INFORMATION	2019	2018
	£	£
Staff costs during the year:		
Wages and salaries	2,806,913	2,678,635
Social security costs	171,051	194,988
Pension scheme costs (see note 20)	76,722	69,567
	<u>3,054,686</u>	<u>2,943,190</u>

The average monthly number of persons employed by the Company during the year was:

	Number	Number
Full time	90	80
Part time	6	10
Seasonal workers	49	44
	<u>145</u>	<u>134</u>

8 DIRECTORS' REMUNERATION	2019	2018
	£	£
Fees and remuneration for management services	Nil	Nil
Number of directors accruing benefits under the company's closed defined benefit pension scheme	Nil	Nil

9 TAX ON PROFIT ON ORDINARY ACTIVITIES

No liability to UK Corporation Tax arises on the results for the year.

THE FESTINIOG RAILWAY COMPANY

Notes to the Accounts (continued)

10 TANGIBLE FIXED ASSETS

	Land and permanent way	Loco- motives & rolling stock	Buildings and plant	Motor vehicles	Welsh Highland Railway	Total
Cost & Valuation:	£	£	£	£	£	£
Valuation at 31/12/78	2,015,125	1,191,575	1,401,686	-	-	4,608,386
Net additions to 31/12/2018	6,004,772	7,422,610	8,146,774	52,785	2,788,290	24,415,232
	8,019,897	8,614,185	9,548,460	52,785	2,788,290	29,023,618
Additions	308,020	650,940	806,852	11,900	-	1,777,712
Less: disposals	-	-	-	(6,750)	-	(6,750)
At 31 December 2019	8,327,917	9,265,125	10,355,312	57,935	2,788,290	30,794,579
Depreciation:						
At 1 January 2019	1,835,732	3,358,634	3,477,603	35,037	48,318	8,755,324
Less: disposals	-	-	-	(5,549)	-	(5,549)
Charge for year	166,558	308,837	432,755	7,112	538	915,800
At 31 December 2019	2,002,290	3,667,471	3,910,358	36,600	48,856	9,665,575
Net book value:						
At 31 December 2019	6,325,627	5,597,654	6,444,954	21,337	2,739,434	21,129,005
At 31 December 2018	6,184,165	5,255,551	6,070,857	17,748	2,739,972	20,268,294

At 31 December 2019 and 2018 no assets were held under finance agreements.

The brought forward valuation was carried out by a director of the company in 1978, based on estimated open market values prevailing at that time.

The company has both freehold and leasehold land and buildings. In addition the company has statutory powers to operate both railways.

THE FESTINIOG RAILWAY COMPANY

Notes to the Accounts (continued)

11 INVESTMENTS	2019 £	2018 £
Investment in Welsh Highland Light Railway Ltd	2,666,877	2,666,877
Long term debt due from Welsh Highland Light Railway Ltd	2,957,306	3,179,306
Investment in Ffestiniog and Welsh Highland Railways Heritage Ltd	78,349	78,349
	5,702,532	5,924,532
	5,702,532	5,924,532

The investments represent 100% holdings in Welsh Highland Light Railway Ltd (WHLR) and Ffestiniog and Welsh Highland Railways Heritage Ltd, both of which are incorporated in England and Wales. The long term debt due from WHLR represents net grants advanced to WHLR for the reconstruction of that railway. The debt is interest free and has no set date for repayment.

12 STOCKS	2019 £	2018 £
Work in progress	706,067	848,712
Stocks & goods for resale	304,563	249,831
	1,010,630	1,098,543
	1,010,630	1,098,543

13 DEBTORS	2019 £	2018 £
Trade debtors	220,561	302,075
Amounts owed by group undertakings	133,570	105,954
Taxes recoverable	19,696	107,189
Prepayments and accrued income	76,316	100,857
	450,143	616,075
	450,143	616,075

Amounts owed by group undertakings receivable within one year includes amounts owed by Ffestiniog Railway Holdings Ltd of £Nil (2018 - £Nil) and The Ffestiniog and Welsh Highland Railways Trust of £133,570 (2018 - £105,954). In addition the Ffestiniog Railway Society owed the company £83,611 (2018 - £91,305) and the Welsh Highland Railway Society owed £53,276 (2018 - £45,263).

14 CREDITORS: Amounts falling due within one year	2019 £	2018 £
Bank loans and overdrafts	6,410	14,354
Unsecured loans	85,503	57,340
Trade creditors	246,597	384,244
Payments on account	764,768	954,909
Taxation and social security	52,742	68,977
Accruals and deferred income	(12,652)	89,568
Ffestiniog Railway Society	27,000	27,000
	1,170,368	1,596,392
	1,170,368	1,596,392

The bank overdraft is secured by a fixed and floating charge over the assets of the company and is repayable on demand.

THE FESTINIOG RAILWAY COMPANY

Notes to the Accounts (continued)

15 CREDITORS: Amounts falling due after more than one year	2019	2018
	£	£
Deferred income: capital grants received	19,902,601	19,398,506
Debenture stock (see note 16)	15,760	15,760
	<u>19,918,361</u>	<u>19,414,266</u>

Capital grants received consist of gifts and grants made to the Company by various bodies including government agencies, The Ffestiniog and Welsh Highland Railways Trust, The Ffestiniog Railway Society and The Welsh Highland Railway Society in respect of projects designed to restore and enhance the Ffestiniog and Welsh Highland Railways.

16 DEBENTURES	2019	2018
	£	£
4% Debenture stock	15,760	15,760
	<u>15,760</u>	<u>15,760</u>

17 CALLED UP SHARE CAPITAL	2019	2018
	£	£
Authorised:		
122,145 ordinary stock of £1 each	122,145	122,145
5,404 preference shares of £10 each	54,040	54,040
	<u>176,185</u>	<u>176,185</u>

Allotted and fully paid:		
87,233 ordinary stock of £1 each	87,233	87,233
4,404 5% preference shares of £10 each	44,040	44,040
1,000 4.5% preference shares of £10 each	10,000	10,000
	<u>141,273</u>	<u>141,273</u>

The Ffestiniog and Welsh Highland Railways Trust holds the following issued share capital:	£
5% preference shares	26,720
4.5% preference shares	6,840
Ordinary stock	67,426
	<u>100,986</u>

The Ffestiniog and Welsh Highland Railways Trust also holds £4,535 4% Debenture Stock. The Trust's preference shares and ordinary stock represent 76.85% of the issued share capital.

THE FESTINI OG RAILWAY COMPANY

Notes to the Accounts (continued)

18 RESERVES	Capital Repayment Reserve £	Capital Reserve £	Profit & Loss account £
At 1 January 2019	143,375	2,213,153	4,942,335
Profit for the year	-	-	191,115
Actuarial gain/(loss) on pension scheme	-	-	97,000
Transfer relating to revalued assets	-	(106,473)	106,473
At 31 December 2019	<u>143,375</u>	<u>2,106,680</u>	<u>5,336,923</u>
19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS		2019	2018
		£	£
Profit for the financial year		191,115	181,555
Other recognised gains and losses for the year		97,000	(20,000)
Net increase in shareholders' funds		<u>288,115</u>	<u>161,555</u>
Opening shareholders' funds		7,440,136	7,278,581
Closing shareholders' funds		<u>7,728,251</u>	<u>7,440,136</u>
Represented by:			
Non-equity shareholders' funds		54,040	54,040
Equity shareholders' funds		<u>7,674,211</u>	<u>7,386,096</u>
		<u>7,728,251</u>	<u>7,440,136</u>
20 PENSIONS			
<p>Until 31 October 2001, the company operated a funded defined benefit pension scheme providing benefits based on final remuneration. The assets of that scheme are held separately from those of the company in an independently administered fund. The funding of the scheme is assessed in accordance with the advice of a qualified actuary on the basis of triennial valuations. This scheme was closed as a fully paid scheme on 31 October 2001. There are 29 deferred members of the scheme. As the scheme is closed, under the projected unit method the current service cost will increase as members approach retirement.</p>			
<p>A full actuarial valuation was carried out as at 1 December 2017, and updated at 31 December 2019.</p>			
<p>All valuations were by a qualified independent actuary.</p>			
Employee Benefit Obligations		2019	2018
		£	£
Fair value of scheme assets		2,301,000	2,107,000
Present value of funded obligations		<u>(2,056,000)</u>	<u>(1,962,000)</u>
Present value of unfunded obligations		245,000	145,000
Unrecognised past service cost		-	-
Surplus /(Deficit)		245,000	145,000
Related deferred tax asset		-	-
Net asset/(liability)		<u>245,000</u>	<u>145,000</u>
Amounts in the balance sheet			
Liabilities		-	-
Assets		245,000	145,000
Net asset/(liability)		<u>245,000</u>	<u>145,000</u>

THE FESTINIOG RAILWAY COMPANY

Notes to the Accounts (continued)

20 PENSIONS (continued)

No account has been taken of any related deferred tax asset. The pension scheme assets did not include any shares issued by the company or property occupied by the company.

Amounts recognised in Profit or Loss	2019	2018
	£	£
Current service cost	-	-
Net Interest Cost	(3,000)	(3,000)
	<hr/>	<hr/>
Total	(3,000)	(3,000)
	<hr/> <hr/>	<hr/> <hr/>
Actual return on scheme assets	266,000	(62,000)
	<hr/> <hr/>	<hr/> <hr/>
Remeasurements recognised in other comprehensive income	2019	2018
	£	£
Actual return on scheme assets less expected return	(209,000)	114,000
Expected return on plan assets excluding amounts included in the Net Interest Cost	-	-
Experience gains and losses on scheme liabilities	(21,000)	1,000
Changes in assumptions underlying the present value of scheme liabilities	133,000	(95,000)
	<hr/>	<hr/>
	(97,000)	20,000
	<hr/> <hr/>	<hr/> <hr/>
Changes in the present value of the Defined Benefit Obligation		
Defined Benefit Pension Schemes	2019	2018
	£	£
Opening defined benefit obligation	1,962,000	2,042,000
Service cost	-	-
Interest cost	54,000	49,000
Actuarial losses (gains)	112,000	(94,000)
Benefits paid	(72,000)	(35,000)
	<hr/>	<hr/>
Closed defined benefit obligation	2,056,000	1,962,000
	<hr/> <hr/>	<hr/> <hr/>
Changes in the fair value of Plan Assets		
Defined Benefit Pension Schemes	2019	2018
	£	£
Opening fair value of scheme assets	2,107,000	2,204,000
Expected return	57,000	52,000
Actuarial gains and (losses)	209,000	(114,000)
Assets distributed on settlements	-	-
Contributions by employer	-	-
Assets acquired in business combinations	-	-
Exchange differences on foreign schemes	-	-
Benefits paid	(72,000)	(35,000)
	<hr/>	<hr/>
Closing fair value of scheme assets	2,301,000	2,107,000
	<hr/> <hr/>	<hr/> <hr/>

THE FESTINIOG RAILWAY COMPANY

Notes to the Accounts (continued)

20 PENSIONS (continued)

Major Categories of Scheme Assets as a Percentage of Total Plan Assets

The assets of the scheme consist mainly of Managed Funds. The asset figures exclude assets relating to members' AVCs.

The major percentage split of the scheme assets as a percentage of total plan assets and the expected return were as follows:

	2019 Asset Split £'000	2019 Percentage Asset Split %	2018 Asset Split £'000	2018 Percentage Asset Split %
Equities	990	43	881	42
Property	273	12	273	13
Fixed Interest	420	18	384	18
Index Linked	591	26	552	26
Cash	27	1	17	1
Total	2,301	100	2,107	100

The company expects to make no contributions to its defined benefit pension scheme in 2020 as the triennial valuation carried out as at 1 December 2017 indicated the scheme is fully funded.

Principal Actuarial Assumptions at the Balance Sheet Date (expressed as weighted averages)

The assumptions used by the actuary are the best estimates chosen from a range of possible actuarial assumptions which, due to the timescale covered, may not necessarily be borne out in practice.

	2019	2018
Discount rate at 31 December	2.0%	2.7%
Expected return on plan assets at 31 December*	2.7%	2.4%
Future revaluation in deferment	2.2%	2.5%
Future pension increases	2.2%	2.5%
Post retirement mortality	S2PXA, CMI 2018 with minimum 1.25%	S2PXA, CMI 2017 with minimum 1.25%
Life expectancy for 65 year old male	21.5 years	22.0 years
Life expectancy for 65 year old female	23.4 years	23.9 years

*The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Amounts for the Current Period and Previous Four Periods

	2019 £'000	2018 £'000	2017 £'000	2016 £'000	2015 £'000
Defined benefit obligation	(2,056)	(1,962)	(2,042)	(2,218)	(1,940)
Scheme Assets	2,301	2,107	2,204	2,040	1,857
Surplus/(deficit)	245	145	162	(178)	(83)
Experience adjustment on scheme liabilities	86	(94)	(198)	316	(104)
Experience adjustment on scheme assets	184	(114)	147	226	(84)

THE FESTINIOG RAILWAY COMPANY

Notes to the Accounts (continued)

20 PENSIONS (continued)

On 1st May 2014 the company established two new auto-enrolment group personal pension schemes (AE schemes), one for monthly paid employees and one for weekly paid employees. Employer and employee contributions to these schemes are made in accordance with the rates laid down by government legislation. At that date, contributions ceased to the 2001 Ffestiniog Railway Group Money Purchase Scheme, all assets were transferred to the members, and the scheme was wound up on 31st December 2014.

The Company retains a stakeholder pension scheme for any staff who wish to join a company pension scheme but are not eligible to join the AE schemes. There are no company contributions to that scheme.

The pension charges for the period including administration costs were:	2019	2018
	£	£
Closed defined benefit scheme	31,348	29,699
Current AE money purchase scheme	45,374	39,868
	<u>76,722</u>	<u>69,567</u>
Amount recognised in the statement of total recognised gains & losses		
The present value of unfunded obligations in the defined benefit scheme	<u>(245,000)</u>	<u>(145,000)</u>

21 RELATED PARTY DISCLOSURES

The following transactions took place during the year with related parties:

The company supplies Ffestiniog Railway Holdings Ltd with staff and office services under a management agreement. During the year £226,322 (2018: £216,282) was receivable by the company under this agreement. In its capacity as a travel company, Ffestiniog Railway Holdings Ltd also bought tickets to the value of £12,026 (2018: £11,811) from the company.

During the year, for capital works of a charitable nature, the company received grants from The Ffestiniog and Welsh Highland Railways Trust amounting to £1,559,146 (2018: £1,523,374).

Welsh Highland Light Railway Ltd and Welsh Highland Railway Construction Ltd, are disclosed separately in notes 11, 13 and 15 to these accounts.

22 OPERATING LEASE COMMITMENTS

At 31 December 2019 the company had annual commitments under non-cancellable operating leases as follows:

	Other than land and buildings	
	2019	2018
Expiry date:	£	£
Within one year	3,050	11,856
Between 2 and 5 years	22,651	6,876
	<u>25,701</u>	<u>18,732</u>

23 ULTIMATE CONTROLLING PARTY

The Festiniog and Welsh Highland Railways Trust, a registered charity governed by English law, is the ultimate controlling party by virtue of owning a majority of each of the categories of ordinary and preference shares of the company. The principal address where copies of the consolidated accounts can be obtained is: the Finance Department, Harbour Station, Porthmadog, Gwynedd, LL49 9NF

24 CAPITAL COMMITMENTS

At 31 December 2019 the company had £64,702 (2018 - £132,600) capital commitments contracted but not provided for.

THE FESTINIOG RAILWAY COMPANY
Analysis of Cost of Sales before Asset Charges
for the year ended 31 December 2019

THE NOTES ON THIS AND SUBSEQUENT PAGES DO NOT FORM A PART OF THE STATUTORY ACCOUNTS

	2019 Total £	2018 Total £
Traffic		
Ffestiniog Railway	1,732,618	1,778,865
Welsh Highland Railway	1,819,433	1,808,075
	3,552,050	3,586,940
Less: Cost of sales		
Wages and salaries	454,235	391,473
Other costs	72,431	103,202
	526,667	494,675
Traffic income less operating costs	3,025,384	3,092,265
Catering		
Sales	1,137,960	1,000,280
Less: Cost of sales		
Purchases (net of changes in stock)	452,109	383,164
Wages and salaries	432,677	394,961
	884,786	778,125
Gross profit	253,174	222,155
Shops		
Sales	408,280	404,282
Less: Cost of sales		
Purchases (net of changes in stock)	221,504	237,247
Wages and salaries	82,753	102,594
	304,257	339,841
Gross profit	104,023	64,441
On-train Services		
Sales	430,146	465,233
Less: Cost of sales		
Purchases (net of changes in stock)	138,814	165,196
Wages and salaries	224,258	204,523
	363,072	369,719
Gross profit	67,074	95,514

THE FESTINIOG RAILWAY COMPANY
Analysis of Cost of Sales before Asset Charges
for the year ended 31 December 2019

	2019 Total £	2018 Total £
<i>Boston Lodge</i>		
Sales & Grant Income	1,058,662	935,514
less: projects capitalised	(668,112)	(412,496)
	<u>390,550</u>	<u>523,018</u>
Less: Cost of sales		
Fuel	250,650	233,489
Locomotive and rolling stock operating costs	470,880	445,059
Project materials purchases	575,785	509,800
less: project materials capitalised	(63,885)	(190,076)
Wages and salaries	874,276	801,662
less: project labour capitalised	(604,226)	(222,420)
	<u>1,503,479</u>	<u>1,577,514</u>
Net Boston Lodge operating costs	<u>(1,112,929)</u>	<u>(1,054,496)</u>
<i>Infrastructure</i>		
Sales & Grant income	957,527	855,999
less: projects capitalised	(917,139)	(816,963)
	<u>40,388</u>	<u>39,036</u>
Less: Cost of sales		
Permanent way & general maintenance	1,473,889	1,330,101
less: project costs capitalised	(885,949)	(785,982)
Wages and salaries	508,369	436,712
less: project labour capitalised	(31,190)	(30,981)
	<u>1,065,118</u>	<u>949,851</u>
Net Infrastructure costs	<u>(1,024,730)</u>	<u>(910,815)</u>
Gross profit from all Operations	<u>1,311,995</u>	<u>1,509,064</u>

THE FESTINIOG RAILWAY COMPANY
Analysis of Administrative Expenses
for the year ended 31 December 2019

	2019	2018
£	£	£
Employment costs		
Administration staff	290,054	348,807
Pension scheme costs	31,348	29,700
	<u>321,403</u>	<u>378,507</u>
Publicity, insurance & office expenses		
Marketing	297,158	292,227
Insurance	97,963	94,802
Telephones	28,821	30,065
Postage	11,111	9,607
Stationery and computers	20,230	56,218
Office machinery lease & repairs	975	2,851
Hire, cleaning & rubbish removal	76,433	59,336
Repairs to buildings	3,246	2,925
	<u>535,936</u>	<u>548,031</u>
Utilities and road transport		
Rent and rates	81,628	113,316
Heat, light and power	156,428	138,030
Motor vehicle leasing and hire	47,567	36,819
Vehicle & travel expenses	63,194	56,415
	<u>348,817</u>	<u>344,581</u>
Miscellaneous expenses		
Bank and credit card charges	64,138	59,417
Legal and professional fees	40,055	60,634
Health, safety & training	6,899	12,507
Sundry expenses	21,240	21,320
	<u>132,333</u>	<u>153,878</u>
	<u><u>1,338,489</u></u>	<u><u>1,424,997</u></u>



New Boston Lodge Carriage Shed taking shape



Moelwyn Tunnel North Portal