

WELSHPOOL & LLANFAIR

LIGHT RAILWAY

PRESERVATION CO LTD

ANNUAL REPORT AND ACCOUNTS

2018

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Administrative details

Principal office (also the registered office)	The Station Llanfair Caereinion Welshpool Powys SY21 0SF
Phone	01938 810441
Web	www.wllr.org.uk
Accountants	Cadwallader & Co LLP Chartered Accountants Eagle House 25 Severn Street Welshpool Powys SY21 7AD
Auditors	Whittingham Riddell LLP Hafren House 5 St Giles Business Park Newtown Powys SY16 3AJ
Bankers	HSBC Bank plc 23 Broad St Welshpool Powys SY21 7RN
Solicitors	Lanyon Bowdler LLP 4 St Martin's Street Hereford HR2 7RE

Officers and managers

Company Secretary	Michael Reilly
General Manager	Charles Spencer
Operations and Infrastructure Manager (Deputy General Manager)	Kevin Heywood
Mechanical Engineering Manager	Richard Featherstone

Company number 00646238 (Wales)

Registered charity number 1000378

NOTICE OF ANNUAL GENERAL MEETING

The Annual General Meeting of the Company will be held at the station, Llanfair Caereinion on Sunday 19 May 2019 at 1.00 pm for the purpose of transacting the following business:

Ordinary Resolutions

- (1) To receive and adopt the audited consolidated financial statements and the report of the trustees for the year ended 31 December 2018.
- (2) To elect directors. The Articles of Association stipulate that one-third of directors shall retire annually. Simon Bowden, Steve Clews, David Jones and Simon Mayor retire by rotation. There are four vacancies. Details of those offering themselves for election are given in the accompanying leaflet.
- (3) To elect a president. The Earl of Powis has indicated his willingness to be re-elected.
- (4) To elect vice presidents. Ralph Cartwright, John Gearey, Alan Higgins, Tony Thorndike and Sir Philip Williams have indicated their willingness to be re-elected.

Special resolution

- (5) To amend the Articles of Association to permit the annual report to be made available by electronic means.

Immediately after the end of this meeting, a members' forum will be held.

Any member entitled to attend, but not able to be present at the Annual General Meeting, may appoint a proxy to attend and vote on a poll in his or her stead and that proxy need not be a member of the company. A form of proxy is enclosed with this mailing and should be deposited at the Registered Office at least forty-eight hours before the meeting.

Associate members may attend but not vote at the Annual General Meeting. Only persons producing their current membership cards or duly appointed proxies will be admitted to the meeting.

By order of the Board

Michael Reilly
Company Secretary

16 March 2019

REPORT OF THE BOARD OF TRUSTEES

The Trustees, who are also directors of the charity for the purposes of the Companies Act, present their annual report together with the audited financial statements of the company for the year ended 31 December 2018. In doing so they have complied fully with the trustee responsibilities set out on page 5.

Our mission

The company is a registered charity whose formal charitable purpose is:

‘to advance the education of the public in the history and development of railway locomotion by the preservation of railway locomotives and/or rolling stock and/or historic railway lines.’

Status of the charity

The Welshpool & Llanfair Light Railway Preservation Company was incorporated as a company limited by guarantee in 1960 and obtained charitable status in 1990. The charity has no share capital and the liability of each member, in the event of winding up, is limited to £1. The governing documents are the Memorandum and Articles of Association of the company. Anyone may become a member by payment of the annual subscription.

The company has a wholly owned subsidiary, W&L Sales Ltd, which is not a charity and has its own board and accounts. Its profits are gift aided to the preservation company.

The charity can have up to twelve trustees. The Articles prescribe that the trustees are elected by the members. As a courtesy to local government, which has been supportive of the company throughout its history, Powys County Council and Welshpool Town Council are each invited to nominate one trustee, whose appointment is subject to approval by members in the usual way.

The trustees serving during 2018, and the meetings they attended were:

	<i>Actual/ possible</i>		<i>Actual/ possible</i>
Steve Clews (Chairman)	6/6	John Forman	6/6
Iain McLean (Vice Chairman)	6/6	Richard Green	5/6
Helen Ashby	4/6	David Jones	2/6
Simon Bowden	5/6	Bob Mason	5/6
Andrew Charman	6/6	Simon Mayor	6/6
		Robert Robinson	6/6
		Bruce Webber	5/6

The trustees cover the following skill areas: staff, appeals, mechanical and civil engineering, finance, health & safety, museum, education and business management. Professional advice is sought as appropriate.

Trustee responsibilities

The trustees are responsible for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice). Since the charity qualifies as small under the Companies Act 2006 it is not required to prepare a strategic report. Company law requires the trustees to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in operation.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable 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 charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the trustees are aware:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Governance and management

The board meets six times a year and subgroups of board members meet from time to time as business requires. The General Manager is appointed by the trustees to carry out the policies laid down by the board and to manage the day to day operations of the charity. To facilitate effective operations, the General Manager and his staff have been given authority, within terms of delegation approved by the trustees, for operational matters, including the employment of other staff. The trustees have agreed a written schedule of matters reserved to the board, copies of which may be obtained from the Company Secretary. The board sets the General Manager's remuneration in the light of annual objectives and performance appraisal.

On appointment, trustees are provided with the Charity Commission's current guidance for new trustees. According to their individual skills, trustees are allocated particular responsibilities. Induction to the charity's operations is not considered necessary as trustees are usually drawn from the ranks of working members. However, they are encouraged to identify their own training needs. Trustees are provided with the updates and relevant information from regulatory and advisory bodies, including the Charity Commission, Office of Rail and Road (ORR), Rail Accident Investigation Branch and the Heritage Railway Association.

Risk management

The company has a formal risk management process, identifying in detail the risks to which it is exposed. The board of trustees keeps a register of risks to the business; these include registers relating to the operation of the railway, the security of the business, its finance, staffing and governance, both short- and long-term. A trustee takes the lead responsibility for the process and a representative from the board or management takes ownership of each register. Emergent and changed risks are identified, discussed and documented at each board meeting. The board reviews the register annually through the register owners.

The railway management reviews and manages operational risk through risk assessment and mitigation.

Safety

The safety and welfare of visitors, staff and volunteers takes precedence over all other activities. The trustees have to report one major incident: that of a train being struck by a car at a level crossing. There were no injuries and the passengers were evacuated safely. The incident has been the subject of an internal enquiry. The investigation into the 2017 asbestos incident was completed in January and the resultant actions were completed during the year or are in progress. The board devoted most of its August meeting to a strategy discussion which focussed on the conclusions of the asbestos incident report.

The Safety Management System (SMS) continues to be under focus to ensure it can meet the evolving operational demands of the railway. An external safety audit was carried out in October: this revealed no major deficiencies. Representatives of board and management have attended safety related meetings with other members of the Heritage Railway Association organised by the HRA. Areas covered included SMS, updates from the ORR and their perspective on operations and SMS.

The trustees would like to thank the General Manager and the Safety & Management Team for their work in keeping health and safety at the forefront of the operation of the railway.

Objectives

The principal objective of the company continues to be to advance the education of the public in the history and development of railway locomotion.

This encompasses the following three subsidiary objectives:

- the preservation and operation of the eight-mile narrow gauge light railway between Welshpool and Llanfair Caereinion
- the generation of funds to finance the acquisition and restoration of fixed assets and for the operation of the railway, including the necessary maintenance, renewals and replacements
- the continued encouragement of an active membership to provide the necessary volunteer manpower and to preserve or acquire the appropriate skills.

Public benefit

The board has had regard to the Charity Commission's guidance on public benefit. Of the charitable purposes set out in the Charities Act 2011, the railway principally contributes to *(b) the advancement of education...* and *(f) the advancement of the arts, culture, heritage, or science...*

The public benefits of the charity are:

- the preservation of one of the first British railways built under the auspices of the Light Railways Act 1896
- the conservation of its heritage assets and equipment for public enjoyment
- the education of the public in the history of railway locomotion
- the preservation and passing down of craft skills.

In carrying out these benefits to the public, the charity seeks to minimise harm to the environment.

Any member of the public may:

- travel on the public scheduled services
- view the stations and buildings without payment whenever the railway is open
- view how the railway and its operations feature in the landscape at any time.

All members of the company are eligible to train for any volunteer job on the line, including skilled and safety-critical jobs, subject only to health and safety assessments. Company members enjoy concessionary travel on the railway but all other private benefits of membership are incidental to the aims and objectives of the charity.

Achievements and performance

The railway recorded another year of steady growth in both ridership and revenue in an environment of decreasing economic growth and consumer confidence. Passenger numbers reached 26,476, a 5.4% increase over 2017 and a level last seen in 2009, while revenue from the railway operation and preservation activities was up 8% over 2017.

The year opened with an innovation, running 10 days of trains from Llanfair Caereinion to Castle over the two weeks of the Powys and Shropshire February half-term breaks – some 600 passengers travelled. In addition to some welcome

incremental revenue, the initiative provided publicity about activity at the railway ahead of the regular season and engaged the interest of volunteers in the off-season.

A full calendar of special events was held throughout the season, including two further innovations. The railway was a headline activity in the inaugural Welshpool Transport Festival, which the town launched in place of the discontinued Air Show. There was a small increase in traffic but a more significant opportunity to work with the local community staging the event, and to generate commensurate publicity. The second initiative was the running of two special trains on Sunday 11 November, after the regular season had closed, bringing members of the Welshpool and Llanfair communities to Castle Caereinion for a short commemoration of the 100th anniversary of the 1918 Armistice. This was a poignant and well-regarded event.

Another 'sister railway agreement' was signed, with the Taiwan Sugar Corporation (TSC) and in connection with this, No. 8 'Dougal' was sent on loan to Taiwan as the star attraction at the TSC's annual 'Sugar Cultural Festival.' Its presence was covered extensively by the Taiwanese media, including features on several nationwide TV news broadcasts. This helped encourage a large and enthusiastic attendance at the festival and much positive publicity for the railway.

Catering trains – for Welsh Tea and Fish & Chips – were expanded and well supported in 2018, and the annual Gala at the end of the summer was very well supported, bringing visitor numbers approaching those of the anniversary special edition of the previous year. At the end of the year, the five days of Santa Specials were the strongest ever, selling out weeks before the first train ran, producing the largest contribution ever to the railway's annual operating costs and generating universally positive reviews.

Inside the railway organisation, all departments had challenges to rise to, as detailed in the sections below, but all contributed to the railway's overall success. Of note was the contracting out of significant modifications to the two MÁV bogie carriages to accommodate more and larger wheelchairs; the project was very well managed and their return to service, together with the platform wheelchair lifts, has revolutionised the railway's ability to accommodate less able visitors. On the other hand, the Mechanical Engineering department has been challenged by the reliability of three steam engines approaching the end of their 10-year boiler tickets and has worked hard to maintain them in service. At the same time, the protracted and interrupted rebuild of No. 10 'Sir Drefaldwyn' saw every component reviewed to ensure a consistency of standards, and re-erection has begun in parallel with other work.

On the civil engineering front, there has been steady improvement in track, lineside structures and railway buildings, although in this portfolio there is always a list of further work to be done. Loco and Operations departments have concentrated on the training of new recruits to help expand the railway's capacity, and the shop and tearoom teams have delivered service to the public on more days of the year than ever before, including days on which the railway itself was not running. The tearoom was also the centre of the latest steps in

the railway's environmental protection programme, whereby many single-use plastics such as sandwich wedges, straws, stirrers and disposable cups have been replaced by recyclable or compostable alternatives.

While one new staff position was filled during 2018, the vast majority of work to operate and maintain the railway is undertaken by volunteers, and the trustees – volunteers themselves – pay tribute to the very many contributions, not all of them directly related to 'railway' or even visible, which allow the railway to accomplish its preservation, operation and education mandates.

Track, infrastructure and buildings

Maintenance of the railway's infrastructure – eight miles of line plus loops and sidings, 16 miles of lineside, six stations and halts, major and minor bridges and 40 buildings – is a major undertaking. Priorities are set by considerations of safety, operating reliability and the appearance and comfort of our facilities for visitors and volunteers.

The track between Brynelyn and 'the Kink' was re-levelled and re-aligned. Other maintenance by the track gang included the replacement of life-expired sleepers, and repairs to the lineside fencing. Thanks to their efforts the permanent way is now at a higher standard than ever before in the railway's history. The hot dry summer brought a temporary halt to the clearance of lineside vegetation by the 'Fence 2 Fence' team to avoid the build-up of combustible material and the associated fire risk. On the positive side, it led to low water levels in the River Banwy, enabling the stonework on the Banwy bridge piers to be re-pointed. The condition of many of the trees along the line beside the river continues to give cause for concern and a number were removed.

Most building maintenance is also carried out by qualified volunteers. Improvements to the workshop included installation of new fire escapes and heating for the machine shop. Building roofs at Llanfair were repaired and repainted and guttering cleared. Site clearance and levelling work was carried out at Welshpool in anticipation of a possible extension to the carriage and display sheds.

Steam locomotives

In 2018 the steam locomotive fleet accumulated a total of 9222 miles of which No. 1 'The Earl' completed 3310 miles (36%), No. 2 'The Countess' 4120 miles (45%) and No. 12 'Joan' 1793 (19%).

Significant works on the running fleet included making and fitting new stainless steel spark arrestors to the smokeboxes on Nos. 1 & 2. In addition, all three running locos had meshes applied at the ashpan damper openings to prevent cinders falling and so reduce the fire risk during an exceptionally dry summer. Whilst working a photo charter in October, No. 1 was failed with a vacuum brake fault and withdrawn from service pending a 10-year overhaul and boiler lift.

Locomotive No. 8 'Dougal' was prepared for shipping to Taiwan including compilation of maintenance documentation for its loan period with the Taiwan

Sugar Corporation. Following its arrival at the Suantou Sugar Mill, W&L member John Bancroft travelled to Taiwan in order to oversee commissioning and crew training. The locomotive subsequently operated successfully at a high profile event.

The overhaul of No. 10 'Sir Drefaldwyn' continued with repairs to the boiler, frames and wheelsets being completed.

Rolling stock

The carriage fleet accumulated a mileage of 35,815 including all public, driver experience and charter trains during 2018.

MÁV carriages 418 & 430 were sent in turn to Rampart Engineering at Barrow Hill, Derbyshire for significant work to improve wheelchair accessibility. This included lengthening the balconies, steps and gates on each at the non-handbrake end plus revisions to the seating layout in the adjacent saloons so as to accommodate more wheelchairs. At the same time both had corrosion repairs undertaken and were repainted. Carriage 430 had the guard's window changed to an opening type as fitted on 418.

First class SLR carriage 1207 suffered damage to one of the seat armrests necessitating removal of the affected seat in order to make the repair. Unfortunately, this required removal of a door and adjacent handrails in order to provide the necessary access. Zillertalbahnhof carriage B16 was repainted.

Open wagon 71738 was repainted and had minor repairs undertaken. Ex-RNAD flat wagon 45, nowadays our weedkiller wagon, was refurbished and had a set of reconditioned spray equipment fitted.

Diesel locomotives and plant

Diesel locomotives No. 7 'Chattenden' & No. 17 together completed 972 miles operating passenger trains in 2018. The significant increase over 2017's 500 miles was a consequence of their more extensive use to mitigate the fire risk due to the exceptional summer weather. Work on No. 17 included fitting new lightboxes and lights plus new windscreen wiper motors. The axlebox horn guides required re-shimming and the vacuum brake valve, which had become very stiff to operate, was replaced. Locomotive No. 11 'Ferret' had its starter motor overhauled and refitted. The decompressor mechanism was overhauled so enabling easier starting. Locomotive No. 16 'Scwbi' was recovered from the back of Tanllan then stripped down and work commenced on overhauling the engine.

The machine shop benefitted from the installation of a new Huvema radial arm drill and a Pilous bandsaw which replaced the old mechanical saw. Elsewhere in the workshop a Mattis sand blast cabinet was installed for cleaning parts.

Education and heritage

The railway meets its formal charitable purpose, as stated on page 7 of this report, by providing an educational experience for each and every visitor.

Various special events, especially the Vintage Weekends, the annual Gala and the Welshpool Transport Festival all served to enhance this experience.

Good links are maintained with schools in both the immediate area and further afield. The five-day work experience programme for year 10 high school students continues to attract participants and other students attend for different programmes.

The quarterly Journal, sent to all members and sold in our shops, includes educational information about the railway and local area past, present and future, as does the frequent online newsletter, The Earl, for those on its circulation list. The visitor's guide to the railway, of which a new edition is being prepared, along with the range of books available in the shops all serve to educate.

During October a small working group was set up to explore the options and to define, develop and manage a museum in part of the ex-Colinette building. Whilst a properly designed, high quality visitor centre is likely to take around five years to come to full fruition, the working group has agreed to create an initial 'pop-up' museum in time for the 2019 Annual Steam Gala, and this will also serve as a test bed for the future development. This will be a significant enhancement to the educational experience and will provide activities and interest for visitors of all ages. There is much work to be done to get the museum ready and safe for the public, both inside and out, and volunteers are needed to help with this, as they will be for acting as stewards when the museum/visitor centre is open.

The working group is also looking at interpretation of vehicles in the display shed at Welshpool as well as along the whole length of the railway, with activity books, quizzes and trails all being considered.

Fund raising

The charity is most grateful for the generous support of its members, including their financial donations. The charity does not actively fundraise from the general public or employ anyone to do so on its behalf. Over 90% of donations in the year came from members, with the balance coming from talks given by members and from grateful customers. The charity has not received any complaints during the year in relation to fundraising.

This has been the most successful year in the company's history for voluntary income. A total of £136,738 was raised in donations. Almost all of this was either explicitly for objects within our 2020 Appeal or unrestricted. Since launch, the 2020 Appeal has raised over £170,000. A reception at Cyfronydd Hall, by kind courtesy of Lord and Lady Hague, was a tremendous success. Although intended as a 'thank-you' and 'getting to know us' event and not as a fundraiser, it led to some four-figure donations for which we are most grateful. During the year a donor offered match funding of up to £60,000 for 2020 Appeal donations received between AGM 2018 and AGM 2019. This offer produced a very encouraging response and remained open at year end.

Legacy income was £476,514, all of it unrestricted. This is a record total, with the largest element coming from the estate of the late Granville Wood early in the year. Our donations and legacies have enabled us to keep the 2020 projects flowing steadily.

Grant income during the year was £27,394 from the grant received from the Rail Safety and Standards Board for our project to make our trains more accessible to disabled passengers. During the year we applied for a grant under the Welsh Government's TAIS (Tourist Amenity Infrastructure Support) scheme. We heard before the year end that we had succeeded, although the news was embargoed until after the year end. This will make a further £90,000 of grant available to spend on 2020 Appeal objects during 2019 and 2020.

W&L Sales

The total contribution made by W&L Sales to the Preservation Company for rent, administration costs, and donated net profit during the year was just over £48,000. Although the volume of sales and takings increased over the previous year, the total contribution was lower due to several factors that affected overall profit margins, which had been particularly good in 2017, the biggest being newly imposed staff benefit costs.

This is still a good result for the services provided by the shops and tea room which are a key part of meeting the expectations of visitors. The efforts of all the staff and volunteers who have been involved in W&L Sales are greatly appreciated, as the ancillary spend per visitor forms an important income stream.

Although structural work has not yet started on the site development at Llanfair Caereinion, there has been progress towards this during the year and W&L Sales continues to look forward to having enhanced facilities which should enable a better service to be offered to visitors, with hopefully increased sales.

Membership and volunteers

Membership at the end of 2018 was 1,984, compared to 1,981 at December 2017. We attracted 210 new members in 2017, 45% from the SY postcodes, compared to 35% in 2017. Our ability to retain members remains very good, aided by the 3 for 2 offer and by New Members' Day which helps ensure we properly welcome new members and give them the opportunity to meet active volunteers and consider how they might like to volunteer themselves.

The new membership leaflet and restarting our presence at Warley show helped in 2018. We would like to attend more local events in 2019, with the help of our volunteers. After extending the Young Adult membership category to each member's 26th birthday, we are also encouraging 18 year olds within a family membership to renew with their own membership.

A steady number of volunteers have come forward during the year in all departments. The volunteer liaison team meets every few months to ensure that any issues are addressed and that we all work together.

Staff

During 2018 there was further progress towards implementing an updated management structure which better fits the way the company operates and the future.

The search for a person to assist in the Mechanical Engineering and Infrastructure departments was completed with the appointment of Joe Gunby in July; Joe works predominantly for the Mechanical Engineering department with one day per week on Infrastructure. This appointment has had a very positive effect on the mechanical engineering capability of the company.

Richard Featherstone was promoted to Mechanical Engineering Manager at the start of the year to complete the rationalisation of the organisation of the ME department.

The Trustees are most grateful to Charles, Kevin, Richard, Sarah, Joe and all the part time staff for successfully managing the railway during 2018.

Marketing

The marketing programme continued to target three key audiences: families, group travel organisers and enthusiasts, in that order. After two years of significant increases in investment to build the railway's brand among these audiences, it was possible to scale back expenditures somewhat in 2018, but marketing still represents an important proportion – nearly 12% – of the total operating budget.

The family ticket introduced in 2017 has been popular from the start, and in 2018 over 20% of visitors benefitted from the family rate. Meanwhile as expected the investment in promotion to group travel organisers, who tend to plan products a year or more in advance, began to pay off in 2018, with a 20% growth in bookings and passenger numbers outweighing the modest fare concession which these groups receive. In 2018 we repeated our attendance at the annual Travel and Tourism Show in Birmingham, in the heart of our catchment area, under the auspices of the Great Little Trains of Wales marketing group. Of note, bookings involving passengers with mobility limitations also grew, as we spread awareness of our increased capacity to accommodate these travellers. The enthusiast audience is engaged primarily through promotion of special events, particularly Gala, which highlight our railway heritage.

The timetable leaflet continues to be a primary channel for most heritage railways, but like others we have scaled back quantities somewhat and looked for better distribution and exposure options, in response to unsatisfactory performance by some suppliers in 2017. Surveys suggest results were better in 2018 but we still use this medium with caution.

At the other end of the cost scale is digital advertising which, while labour intensive, has very small out-of-pocket costs and very high potential reach. Standard social media such as Facebook were used for routine coverage and for high-intensity campaigns to lever special events such as the Gala, and measurements of reach, comments and shares demonstrate the effectiveness of

these approaches. The success of Santa Specials, where almost all seats are sold online, is also evidence of the importance of a good internet presence. Likewise, the Armistice Day special event was not even in the published timetable and was promoted exclusively through electronic media, which has the flexibility to handle new content effectively.

Print advertising is still important to reach more traditional demographics in two respects. First, local audiences (within 25 miles) are effectively reached by local media which still command reader loyalty. Second, glossy magazines, including railway publications but especially regional tourism and activity publications, allow the railway to promote its scenery and visual appeal and project a quality image. However, even when we purchase space in conventional print advertising, it is often possible to accompany the print ads with participation in the publication's internet presence.

The effectiveness of our marketing spend is measured wherever possible; this is almost automatic for digital advertising, but print reach can also be measured through customer surveys and the insertion of contests or other special incentives with the advertising.

Finally, 'free' marketing is an important tool for the railway. Special events and other accomplishments of the railway are supported by professionally written and illustrated press releases, and it is common to see these generate effective news coverage in both local and railway media, often using the railway's own words and pictures.

Financial review

Results and financial position

The trustees are of the opinion that in preparing the financial statements on pages 21 to 40 appropriate accounting policies have been consistently applied, supported by reasonable and prudent estimates and judgments, and all applicable accounting standards have been followed. They are also satisfied that the group has adequate resources to meet its operational needs for the foreseeable future and accordingly they continue to adopt the going concern basis in preparing the financial statements.

Income from fares in 2018 was up 8% on 2017, which itself was up 5% on 2016. Santa trains income was 18% higher in part because 2017 was affected by adverse weather on one day. Railway operation and preservation income overall was also 8% higher. The railway's driver experience days continue to be popular and solar panel income again generated a welcome £2,000. W&L Sales income also rose 4%, with the tearoom up 6%.

Total incoming resources (Consolidated Statement of Financial Activities) at £1.1 million is a record for the railway. In addition to the £0.5 million from railway operation and W&L Sales' commercial activities, member support in the form of subscriptions, donations and legacies raised over £0.6 million this year. Donations (Note 2) were £36,000 higher, spurred by the garden party at Plas Cyfronydd and a generous donation to enable Sylfaen loop to be reinstated.

Mr Granville Wood bequeathed over £300,000 to the railway and Messrs Jones, Saunders, Witts and Woolhouse also left generous legacies. 2018 has the final £27,000 grant from the Rail Safety & Standards Board (RSSB) which has part-funded the conversion of both MÁV carriages to be fully disability-accessible.

Note 3 shows the railway's operation and preservation costs. Fuel costs have risen faster than inflation, but this line also includes the cost of ash disposal offsite. Costs applicable to special trains include presents for the Santa trains as well as visiting locomotive costs. Within administration costs, staff costs (Note 6 for detail) increased by £17,000 (2017, £18,000), as we now have two paid workshop staff in view of the workload we currently face. Marketing costs are closer to 2016 levels after experimenting with new approaches to attracting visitors in 2017. Project spend is lower as this last winter concentrated on a number of smaller tasks rather than a major track project.

Note 4 shows the contribution from the commercial trading operations of W&L Sales Ltd. Tearoom sales benefitted from extended opening hours. Gross profit at 55% is still good; but the gross profit after staff salary costs at 22% (27% in 2017) shows how important the tearoom expansion is to make better use of this facility and increase takings. Shop margins, at 47%, were lower than the 52% in 2017 when we had a larger percentage of second-hand donated books to sell. The net contribution per visitor that W&L Sales attains is among the best for heritage railways.

The net cost of railway operations in 2018 is £167,000. This is after deducting depreciation at £134,000 and £3,000 on major projects, which are largely funded through donations from members to enable these long-term enhancements to the railway. W&L Sales' net contribution of £14,000 (£48,000 gross before rent and administration cross-charges) also supports the cost of railway operation.

The COIF investments continued to deliver a helpful £9,000 of dividend income and interest. In a gloomy market environment, our investment fund unit trusts reduced £5,000 in value, giving a 1% total return. With 13% in 2017, our average over the last five years is a healthy 7%.

Our Consolidated Statement of Financial Activities follows the format required of all charities. It shows all income and expenditure on one sheet but does mix together long-term and short-term activities. Note 25 summarises the income and costs for our different activities in a management accounts format. This shows both day-to-day income and costs by activity and also long-term donations and how they are spent, sometimes in a different period from when they were received.

Capital expenditure remained high in 2018 at £144,000. In heritage assets, work has quickened on locomotive No. 10 'Sir Drefaldwyn' and we have made a start on the Welshpool shed extension. In other fixed assets, the MÁV refurbishments cost £57,000 and workshop equipment at £21,000 included the radial arm drill, bandsaw and arc welder.

Cash balances at the end of 2018 are £662,000. Some of this is needed to cover the seasonality of the railway's cashflow and to complete projects already in progress.

Restricted funds

The charity has accepted donations and legacies for restricted funds only when the aims of the fund fit within its overall objectives. Existing restricted funds for diesels, storage of Zillertalbahnhof carriages, viaduct protection, Sylfaen loop and the 2020 Appeal are planned to be used in the coming year. Maintenance of Pickering and Zillertalbahnhof carriages are funds available when required. The carriage improvement and heritage wagon funds are awaiting approval of suitable projects in due course. Funds for the restoration of locomotives No. 14 and No. 6 'Monarch' are for longer term projects.

Following agreement with the donors concerned, the remaining £1,000 balances on the funds for welding equipment and Keyse Cottage have been transferred to other chosen projects.

Reserves policy

At the year end, the charity faces four months with little income but with expenditure running higher than normal. This is when major work is undertaken on civil and mechanical engineering, refurbishment and capital items, when coal stocks are replenished and when W&L Sales restock the shops and tearoom.

Reserves, in the form of freely available funds, are therefore needed to cover this period and the start of the operating season until an adequate cash flow builds up from takings, usually in June. The trustees consider six months' unrestricted fund expenditure, plus any approved capital expenditure not already received in the form of a restricted fund, as an appropriate level of seasonal reserve. This is calculated to be £340,000. The trustees have also decided to retain long term investments, not only to provide bridging finance for restoration, capital projects or purchases until any relevant appeal generates the required money, but also to provide a margin for contingencies. This figure is calculated in line with Charity Commission guidelines bearing in mind the railway's risk management, the overall condition of the infrastructure and the level of insurance cover we purchase. The trustees consider £180,000 to be an appropriate additional reserve. Adding these two figures, reserves of £520,000 were required at 31 December 2018; whilst actual investments, cash and working capital available stood at £925,000.

Investment policy

The charity's Memorandum of Association gives the trustees discretion in the investment of funds. The trustees consider that investments in the CCLA Investment Management's funds, designed specifically for charities, offer appropriate investment vehicles. The short-term reserves are invested in a deposit account, which has consistently provided a better return than a commercial bank or building society. Longer-term funds are invested in the Investment Fund units. This is an ethical fund.

At the period end, the fund managers anticipate that 'growth prospects are moderate' as 2018 saw price/earnings ratios drop from 17 to 14 making shares more affordable; but they also expect 'volatility to remain high'.

The future

The new Business Plan was approved in March. Trustees can report that the past three years' performance has been in line with the Commercial Strategy. As 2019 is the last year of the near-term part of the Business Plan it will be reviewed and a new ten-year plan published in 2020.

The Major Projects Development has continued to progress during 2018. Further review has resulted in a change to the original proposals. It is now proposed to leave the retail site and workshop in their current positions and enlarge them. It is intended that the ex-Colinette building will provide space for offices, museum/visitor centre and infrastructure workshops and storage. The planned expansion to the Welshpool sheds was brought forward as a 'quick win' for covered storage and will complete in 2019; a plan for expansion of the Tanllan carriage facility is also being developed for future implementation. The pace of development will depend upon financing.

Marketing continued to be a major focus area during 2018. In particular, a consolidation of the expanded portfolio of special events took place, completed at year end with increased Santa trains. A reduction in the number of serviceable engines during the first half of the 2019 season will lead to a reduction in service trains but limited impact on special events. It is planned to be able to return to the 2018 level of service in 2020.

During 2019 it is envisaged that there will be increased networking and lobbying through connections with HRA, GLTW and our liaison railways and organisations.

The efforts to preserve, and even improve, the appearance of the railway to ensure it remains attractive to visitors will continue to be a priority in 2019 with efforts made to further catch up on previously deferred maintenance.

During 2019 the Membership Services Committee and the Volunteer Liaison Team will run a number of recruitment drives at local towns to enable increased recruitment of members and volunteers.

The charity remains extremely grateful for legacies and donations received over past years. Where an indication of possible use for such finances has been given, consideration will be given to accede to those wishes. It must be stressed however, that unrestricted legacies and donations give the railway considerably more flexibility of purpose in these difficult financial times.

On behalf of the Board of Trustees

Steve Clews

Chairman

16 March 2019

Independent Auditor's Report to the trustees of the Welshpool & Llanfair Light Railway Preservation Co Ltd

Opinion

We have audited the financial statements of Welshpool & Llanfair Light Railway Preservation Co. Ltd (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 December 2018 which comprise the consolidated statement of financial position, the consolidated and company balance sheets, the consolidated cashflow statement and the 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 group's and parent charitable company's affairs as at 31 December 2018, and of the group's incoming resources and application of resources, including its income and expenditure, 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 and the Charities Act 2011.

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 Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and parent charitable 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.

Comparatives

In the year ended 31 December 2017 the accounts were subject to an Independent Examination. Accordingly, the comparatives are unaudited.

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 trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or

- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or parent charitable 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 trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report 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.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the group and parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the Trustees' Report.

We have nothing to report in respect of the following matters in relation to which the Charities (Accounts and Reports) Regulations 2008 require us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company's 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; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 5 the trustees (who are also the directors of the charitable company for the purposes of company law) 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 trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable 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 trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed auditors under section 151 of the Charities Act 2011 and report in accordance with this Act.

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

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

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Part 4 of the Charities (Accounts and Reports) Regulations 2008. Our audit work has been undertaken so that we might state to the charitable company's trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

John Fletcher BA (Hons) FCA

Whittingham Riddell LLP

Chartered Accountants

Newtown

16 April 2019

Consolidated statement of financial activities
for the year ended 31 December 2018
(incorporating the income and expenditure account)

		Unrestricted funds	Restricted funds	Total 2018	Total 2017
Income from:	Note	£	£	£	£
<i>Voluntary income</i>					
Donations and legacies	2	545,279	95,367	640,646	150,177
<i>Charitable activities</i>					
Railway operation and preservation	3	280,792	-	280,792	259,958
Membership subscriptions		19,506	-	19,506	19,124
<i>Other trading activities</i>					
Commercial trading operations	4	164,192	-	164,192	158,459
<i>Investment income</i>	7	3,168	5,428	8,596	8,536
Total income		1,012,937	100,795	1,113,732	596,254
Expenditure on:					
<i>Charitable activities</i>					
Railway operation and preservation – working	3	310,887	-	310,887	297,316
Railway operation and preservation – projects	3	81,821	54,762	136,583	290,203
Membership and governance expenses	5	20,602	-	20,602	16,629
<i>Other trading activities</i>					
Commercial trading operations	4	150,153	-	150,153	137,384
Total expenditure		563,463	54,762	618,225	741,532
Net gain/(loss) on investments	13	(5,000)	-	(5,000)	17,579
Net income/(expenditure) for the year		444,474	46,033	490,507	(127,699)
Gross transfers between funds	20	-	-	-	-
Net movement in funds for the year		444,474	46,033	490,507	(127,699)
<i>Reconciliation of funds:</i>					
Total funds brought forward		1,658,951	132,346	1,791,297	1,918,996
Total funds carried forward		2,103,425	178,379	2,281,804	1,791,297

All of the above results are derived from continuing activities. All gains and losses recognised in the period are included above. The surplus/(deficit) for the year for Companies Act purposes comprises the net income for the year including the gain on the revaluation of the investments and amounts to a surplus £490,507. 2017 was a deficit of £(127,699).

Consolidated and charity balance sheets

as at 31 December 2018

		Group		Charity	
Company Registration No.00646238		2018	2017	2018	2017
Fixed assets	Note	£	£	£	£
Heritage fixed assets	11	578,087	578,554	578,087	578,554
Other tangible fixed assets	12	750,988	740,110	750,988	740,110
Investments	13	203,000	208,000	203,002	208,002
		1,532,075	1,526,664	1,532,077	1,526,666
Current assets					
Stocks	14	66,400	57,000	48,100	40,000
Debtors	15	109,644	61,032	150,575	99,597
COIF deposit account		458,771	170,216	458,771	170,216
Bank accounts and cash balances	16	203,579	106,300	164,515	61,558
		838,394	394,548	821,961	371,371
Creditors: amounts falling due within one year					
Trade creditors		17,106	24,013	16,994	24,013
Other creditors including tax and social security	17	5,656	4,742	5,656	4,742
Accruals and deferred income	18	41,097	81,158	38,817	79,058
		63,859	109,913	61,467	107,813
		774,535	284,635	760,494	263,558
Net current assets					
Total assets less current liabilities		2,306,610	1,811,299	2,292,571	1,790,224
Creditors: amounts falling due after more than one year	18	24,806	20,002	24,806	20,002
Total net assets		2,281,804	1,791,297	2,267,765	1,770,222
The funds of the charity:					
Unrestricted funds		1,999,278	1,557,837	1,985,239	1,536,762
Designated funds		104,147	101,114	104,147	101,114
Total unrestricted funds	19	2,103,425	1,658,951	2,089,386	1,637,876
Restricted income funds	20	178,379	132,346	178,379	132,346
Total funding provided		2,281,804	1,791,297	2,267,765	1,770,222

The charity's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime. The financial statements were approved and authorised for issue by the Board of Trustees on 16 March 2019 and signed on their behalf, by:

Steve Clews (Chairman of the Trustees)

Iain McLean (Vice Chairman)

**Consolidated cash flow statement:
for the year ended 31 December 2018**

	Note	2018	2017
		£	£
Net cash provided by/(used in) operating activities	23	523,278	45,254
Cashflows from investing activities:			
Dividends from investments	23	7,036	8,001
Acquisition of heritage and other tangible fixed assets	11 12	(144,480)	(180,247)
Disposal of other tangible fixed assets		-	-
Divestment of investment assets	13	-	99,579
Net cash provided by / (used in) investing activities		(137,444)	(72,667)
Cashflow from financing activities:			
Members' loans received/(repaid)	22	-	-
Net cash provided by/(used in) financing activities		-	-
Change in cash and cash equivalents in the year	22	385,834	(27,413)
Cash and cash equivalents at beginning of year	22	275,086	302,499
Cash and cash equivalents at end of year	22	660,920	275,086

Note: Cash equivalents includes Members' Loans liability

NOTES TO THE ACCOUNTS – 31 December 2018

1. Accounting policies

The Welshpool & Llanfair Light Railway Preservation Co Ltd is a limited company domiciled and incorporated in England and Wales. The registered office is at The Station, Llanfair Caereinion, Welshpool, Powys, SY21 0SF. The company is registered as a charity (Number 1000378) with the Charity Commission. It is limited by guarantee and controlled equally by all its members. The company meets the definition of a public benefit entity under FRS102.

(a) Basis of preparation

These financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) of the Charity Commission (revised 2015), Financial Reporting Standard (FRS) 102 and the Companies Act 2006, under the historical cost convention, modified to include financial instruments at fair value where appropriate. Investments are included at market value.

The company's functional currency is GBP sterling.

No material uncertainties exist and these accounts are prepared on a going concern basis.

(b) Judgements in applying accounting policies and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. In the opinion of the trustees there are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Group financial statements

These financial statements consolidate the results of the charity and its wholly-owned subsidiary, W&L Sales Ltd (registered in England and Wales:03037235), on a line by line basis.

A separate Statement of Financial Activities (SOFA) for the charity itself is not presented because it has taken advantage of the exemptions afforded by section 408 of the Companies Act 2006 and paragraph 14.7 of SORP 2015. The charity has also availed itself of paragraph 4(1) of Schedule 1 of the Companies Act 2006 and adapted the Companies Act formats to reflect the special nature of the charity's activities.

(d) Income

(i) Charitable activities

Income from railway fares is included in income in the period in which the relevant journey takes place.

Subscriptions are brought into income in equal monthly instalments for each length of membership. Life membership income is spread over twenty years.

(ii) Other trading activities

Income from the commercial trading operations of W&L Sales Limited is included in income in the period in which the sale is made.

(iii) Donations, legacies and grants

These are included in income when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

(iv) Intangible income

The group is heavily dependent on members who give their time to assist in the activities and running of the charity and in staffing the trading outlets of W&L Sales Ltd. No monetary value is placed on this time in these financial statements; nor is any value attributed to individual gifts in kind valued at less than £1,000.

(e) Expenditure

All expenditure is included on an accruals basis and is recognised when there is a legal or constructive obligation to pay for the goods or service. Rental payments are charged to income on a straight-line basis over the period to which they relate.

(i) Repairs and maintenance

Expenditure is written off in the period in which it is incurred. A major repair or refurbishment, which gives rise to a significant and continuing economic benefit to the charity by extending the useful life of the asset, is capitalised.

(ii) Overhead allocation

Administration and management costs comprise those overhead expenses which, whilst mainly related to the charitable activities, are not wholly so attributable. The proportion relating to the organisational management of the charity and its compliance with constitutional and statutory requirements is shown separately as Governance.

(iii) Pension costs

Retirement benefits for certain employees are funded by defined contributions from the group. Payments are made to insurance companies. The group's contributions are treated as expended in the period in which they become payable.

(f) Tangible fixed assets and depreciation

The railway's fixed assets are categorised into Heritage and Other.

Heritage fixed assets are land, buildings, permanent way, locomotives and rolling stock which are of historical significance in the preservation of the railway or otherwise integral to the broader objective of educating the public in the history and development of railway locomotion. Other fixed assets are integral to the operation of the railway, but of lesser historical significance and in some form replaceable.

Acquisitions are made by purchase or donation and assets are included at cost, or estimated cost if donated. Major restoration work to assets that have been out of use for some time is also capitalised at cost. Maintenance costs to keep assets in full working order are charged to the income and expenditure account when incurred. Subject to the trustees' approval, the company may dispose of fixed assets; though in the case of heritage fixed assets this will only happen in very exceptional circumstances.

The company's policy and programme of maintenance is summarised in the Trustees' Report and the company's website has details of its collection of locomotives and rolling stock and the history of the line.

No depreciation is charged in respect of freehold land. Other assets are depreciated, so as to write their cost down to estimated residual value. Depreciation is normally charged in equal annual instalments over their anticipated useful lives, as follows:

Permanent way	2%
Site works	4%
Buildings	2% - 3%
Locomotives and rolling stock	5%
Plant and equipment	10% - 20%

(g) Investments

Fixed asset investments are stated at market value at the balance sheet date. The SOFA includes the net gains and losses arising on revaluations and disposals throughout the period.

(h) Stocks

These are stated at the lower of cost or net realisable value, due allowance being made for obsolete and slow-moving items. Donated items are included at estimated cost.

(i) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three

months or less, and bank overdrafts. Any bank overdrafts are shown within borrowings in current liabilities.

(j) Financial assets and liabilities

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Trade debtors, trade creditors and amounts due from the subsidiary company are recognised initially at transaction price. These obligations are intended to be settled within one year, and are therefore not discounted using the effective interest method. Transaction cost represents their fair value.

(k) Equity instruments

There were no equity instruments issued in the year.

(l) Fund accounting

Funds held by the charity are either:

Unrestricted funds – these are funds which can be used in accordance with the charitable objects at the discretion of the trustees;

Designated funds – these are unrestricted funds that have been set aside by the trustees for particular purposes; or

Restricted funds – these funds, which arise from grants or donations made for a specific purpose, can only be used for that particular purpose within the objects of the charity. Restrictions arise when stipulated by the donor or grantor or where funds are raised for a specified purpose. The balances of the funds represent the unspent balances.

(m) Restatement

The Company Balance Sheet, Note 4 and Note 15 have been restated to reflect the new requirement that the Gift Aid donation of profit from W&L Sales Ltd be reflected in the year the donation takes place, rather than the year when it is committed. This does not impact the consolidated, also called group, accounts.

Restatement as at 31 December 2017:	Restated	Original
	£	£
Inter-company balance between Company and W&L Sales Ltd	37,840	58,915
Total funds – W&L Sales Ltd	21,077	2
Total funds – Company	1,770,222	1,791,297
Total funds – Consolidated Group	1,791,297	1,791,297

2. Donations and legacies

	Unrestricted	Restricted	2018	2017
	£	£	£	£
Gift aided donations	29,479	94,348	123,827	94,964
Other donations	11,892	1,019	12,911	5,332
Legacies	476,514	-	476,514	19,171
Grants	27,394	-	27,394	30,710
Total 2018	545,279	95,367	640,646	150,177
Total 2017	68,014	82,163	150,177	

3. Railway operation and preservation

Turnover	Note	2018		2017	
		£	£	£	£
Fares			268,125		247,161
Driving courses			4,808		4,096
Keyse Cottage receipts		4,069		4,787	
Solar panels income		1,831		1,843	
Sale of surplus materials, parking etc		1,959		2,071	
Other operating income			7,859		8,701
Income from railway operation and preservation			280,792		259,958
Working expenses					
Fuel		31,899		28,887	
Repairs and maintenance:					
Mechanical Engineering		32,172		33,980	
Civil Engineering		22,259		26,401	
Costs applicable to special trains		14,482		13,083	
Keyse Cottage running expenses		3,410		3,331	
Administration and management	6	206,665		191,634	
Total working expenses of railway operation and preservation			310,887		297,316
Major project expenditure					
Sierra Leone No. 85 grand tour		-		22,800	
Asbestos remediation		-		47,928	
Mechanical Engineering		-		-	
Civil Engineering		2,514		83,461	
Depreciation	11 12	134,069		136,014	
(Gain)/loss on disposal		-		-	
Total major project spend on railway operation and preservation			136,583		290,203
Net cost of railway operation and preservation			166,678		327,561

4. Subsidiary's trading activities

		2018		2017	
	Note	£	£	£	£
Income - Consultancy fees			-		-
Income – Tearoom takings (net of VAT)		81,612		76,851	
Less: Tearoom cost of sales		(36,870)		(34,095)	
Gross tearoom profit			44,742		42,756
			54.8%		55.6%
Income – Shops takings (net of VAT)		82,580		81,608	
Less: Shops cost of sales		(43,870)		(39,038)	
Gross shops profit			38,710		42,570
			46.9%		52.2%
Less: Administration and management costs	6		(69,413)		(64,251)
Bank interest			-		-
Net profit for the year donated to parent company by gift aid			14,039		21,075

Subsidiary's balance sheet at year-end

	2018	2017 restated
Current assets	57,425	61,887
Current (liabilities) – other	(3,170)	(2,970)
Current (liabilities) – inter-company balance with parent company	(40,214)	(37,840)
Net assets	14,041	21,077

Note: 2017 restatement reflects Gift Aid donation to parent company being recorded when paid, not when committed.

5. Membership and governance expenses

	Note	2018	2017
The Llanfair Railway Journal		10,906	12,019
Membership secretarial expenses	6	1,529	763
Additional audit costs due to higher legacies	6	4,000	-
Governance costs	6	4,167	3,847
		20,602	16,629

6. Administration and management

	Railway operation and preservation	Commercial trading W&L Sales Ltd	Membership and Governance	Total 2018	Total 2017
	£	£	£	£	£
Establishment					
Rent, rates, water and insurance	32,126	-	-	32,126	25,724
Electricity and heating	6,357	-	-	6,357	10,152
Repairs and maintenance	9,306	525	-	9,831	5,574
Cleaning and hygiene supplies	6,237	-	-	6,237	5,900
Rent charged to trading	(16,419)	16,419	-	-	-
	37,607	16,944	-	54,551	47,350
Selling					
Advertising and publicity	29,743	-	-	29,743	39,567
Administrative					
Staff costs <i>(Note 9)</i>	130,419	26,905	-	157,324	135,090
Travelling	1,189	-	-	1,189	306
Telephone and radio	3,246	-	-	3,246	2,989
Postage and stationery	3,796	352	4,696	8,844	8,113
Independent audit/ examination fees	-	-	5,000	5,000	1,000
Accountancy fees	11,450	4,570	-	16,020	15,917
General expenses	2,122	-	-	2,122	3,061
Recharged to trading	(18,000)	18,000			
	134,222	49,827	9,696	193,745	166,476
Financial					
Bank charges and credit card commission	5,093	2,642	-	7,735	7,102
2018 Total	206,665	69,413	9,696	285,774	260,495
2017	191,634	64,251	4,610	260,495	

7. Investment income

	2018	2017
	£	£
COIF Charity Investment Funds:		
– Investment fund shares	7,036	7,220
– Property fund shares	-	781
COIF Deposit Account – Interest	1,519	506
Bank interest	-	-
Interest on tax	41	29
	8,596	8,536
Of which restricted	5,428	3,750
unrestricted	3168	4,786

8. Taxation

No liability arises to corporation tax on the surplus for the financial period by reason of the company's charitable status and the donation by gift aid of its entire net profit by the subsidiary. There is no deferred taxation to be recognised.

9. Information regarding trustees/directors and employees

	2018	2017
	£	£
(a) Staff costs during the period were		
Wages and salaries	143,544	125,230
Social security costs	9,439	7,141
Other pension costs	4,341	2,719
	157,324	135,090

No member of staff received emoluments in excess of £60,000 (2017 nil). The General Manager's emoluments were in the range £40,000 to £45,000. In addition to its paid staff, the charity benefits from the substantial efforts of over 200 working volunteers.

(b) Average number of persons employed	Number	Number
Charity (full time employees)	5	4
Subsidiary (full time equivalent)	1	1
	6	5

The subsidiary employed six different employees in the year, aggregating to one full-time equivalent.

(c) Trustees

As a charity, the company is precluded from providing any emoluments for its trustees/directors and the Articles of Association of the subsidiary contain a similar provision.

Trustees received £Nil as reimbursement of travel expenses (2017: £Nil).

10. Related party transactions

In 2018 Stewart Charman, son of trustee Andrew Charman, was also an employee. The trustee was not involved in either his selection or his remuneration and management. His remuneration was in the band £0 to £5,000 (comparable with other similar employees.) There were no other related party transactions in the year. The railway's General Manager, Charles Spencer, was also Chair of The Great Little Trains of Wales marketing alliance. Of the trustees, Robert Robinson was Welshpool Town Clerk, David Jones was county councillor for most of the railway's area, Helen Ashby was Chair of the Friends of Sierra Leone National Railway Museum, Andrew Charman was editor of Narrow Gauge World. If any of these perceived a conflict of interest, they would have withdrawn from discussions and decisions on that topic.

11. Heritage fixed assets: group and charity

	Freehold land, site works, buildings and permanent way	Locomotives and rolling stock	Other plant and equipment	Total
Cost	£	£	£	£
At 31 December 2017	575,266	889,584	12,507	1,477,357
Additions	21,000	32,783	-	53,783
At 31 December 2018	596,266	922,367	12,507	1,531,140
Depreciation				
At 31 December 2017	348,760	537,536	12,507	898,803
Charge for the period	15,117	39,133	-	54,250
At 31 December 2018	363,877	576,669	12,507	953,053
Net book amount				
31 December 2018	232,389	345,698	NIL	578,087
31 December 2017	226,506	352,048	NIL	578,554

There was capital expenditure of £Nil contracted for at the period end (2017 – £Nil).

Five year summary of heritage fixed asset transactions:

Year	Purchases £	Major items	Recategorised to/(from) heritage £
2014	57,384	No. 10 Sir Drefaldwyn	-
2015	22,698	No. 10 Sir Drefaldwyn	60,448
2016	5,786	Peate wagon / SG wagon	-
2017	3,751	No. 10 Sir Drefaldwyn Bowaters wagon	-
2018	53,783	No. 10 Sir Drefaldwyn Welshpool Shed	-

12. Other tangible fixed assets: group and charity

Cost	Freehold land, site works, buildings and permanent way £	Locomotives and rolling stock £	Other plant and equipment £	Total £
At 31 December 2017	817,271	275,408	213,121	1,305,800
Additions	7,845	56,924	25,928	90,697
(Disposals)	-	-	-	-
At 31 December 2018	825,116	332,332	239,049	1,396,497
Depreciation				
At 31 December 2017	293,194	196,083	76,413	565,690
Charge for the period	36,498	15,369	27,952	79,819
(Disposals)	-	-	-	-
At 31 December 2018	329,692	211,452	104,365	645,509
Net book amount				
31 December 2018	495,424	120,880	134,684	750,988
31 December 2017	524,077	79,325	136,708	740,110

There was capital expenditure of £Nil contracted for at the period end (2017: £Nil).

13. Investments

COIF Charity Funds

Investment Fund shares	Number	Group		Charity	
		2018 £	2017 £	2018 £	2017 £
At 1 January at market value	14,119	208,000	238,000	208,000	238,000
Disposals	-	-	(47,526)	-	(47,526)
Gain/(loss) on investment from change in value		(5,000)	17,526	(5,000)	17,526
At 31 December, at market value	14,119	203,000	208,000	203,000	208,000

Property Fund shares

At 1 January at market value	-	-	52,000	-	52,000
Disposals	-	-	(52,053)	-	(52,053)
Gain/(loss) on investment from change in value		-	53	-	53
At 31 December at market value		-	-	-	-

Shares in subsidiary

At 31 December at cost	2			2	2
		203,000	208,000	203,002	208,002
Historic cost at 31 December		147,000	147,000	147,002	147,002

The investment in the subsidiary represents the whole of the issued share capital, comprising ordinary shares, of W&L Sales Ltd (company number 03037235). W&L Sales Ltd carries on the commercial trading activities of the group through shops and refreshment facilities at stations and away from the line and donates its entire net profit to the parent company by Gift Aid. The total of its capital and reserves is £14,041 (2017: £21,077). Further details on W&L Sales Ltd are shown in Note 4.

14. Stocks

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Stores	48,100	40,000	48,100	40,000
Goods for resale	18,300	17,000	-	-
	66,400	57,000	48,100	40,000

15. Debtors

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Trade debtors	719	-	658	-
Prepayments and accrued income	79,660	43,519	79,660	43,375
VAT	13,664	588	14,442	1,457
Gift Aid recoverable	15,601	16,925	15,601	16,925
Amount due from subsidiary company	-	-	40,214	37,840
	109,644	61,032	150,575	99,597

16. Bank overdraft

The group has overdraft facilities of £Nil (2017 - £Nil)

17. Other creditors including tax and social security

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Members' loans, which are interest free and unsecured				
Repayable on demand	660	660	660	660
Repayable on 3 months' notice from the lender	770	770	770	770
	1,430	1,430	1,430	1,430
PAYE	4,226	3,312	4,226	3,312
VAT	-	-	-	-
	5,656	4,742	5,656	4,742

18. Accruals and deferred income

	Group		Charity	
	2018 £	2017 £	2018 £	2017 £
Subscriptions in advance	39,023	33,574	39,023	33,574
Less: falling due after more than one year	(24,806)	(20,002)	(24,806)	(20,002)
	14,217	13,572	14,217	13,572
Accruals	26,880	67,586	24,600	65,486
	41,097	81,158	38,817	79,058

19. Unrestricted funds

	Balances 31 Dec 2017 £	Income £	(Expenditure) £	Transfers/ revaluation £	Balances 31 Dec 2018 £
<i>General funds</i>	1,557,837	1,009,904	(563,463)	(5,000)	1,999,278
<i>Designated funds – future capital projects</i>					
Museum/ Interpretation Centre	101,114	3,033	-	-	104,147
	101,114	3,033	-	-	104,147
Total unrestricted funds	1,658,951	1,012,937	(563,463)	(5,000)	2,103,425

Many donations and legacies fund the purchase of fixed assets, which are then depreciated over future years. At 31 December 2018, £1,194,974 (2017: £1,148,283) of General funds represents reserves that will match future depreciation of the assets bought with those donations and legacies.

20. Restricted funds

	Balances 31 Dec 2017	Income	(Expenditure)	Transfer from/(to) unrestricted funds	Balances 31 Dec 2018
	£	£	£	£	£
Restoration of No.6 'Monarch'	5,913	227	-	-	6,140
Restoration of No.14/85	31,915	3,143	-	718	35,776
Restoration of No.10 'Sir Drefaldwyn'	5,406	-	(5,406)	-	-
Maintenance of replica Pickering carriages	6,319	190	-	-	6,509
Maintenance of Zillertal carriages	15,914	477	-	-	16,391
Carriage improvement fund	10,000	300	-	-	10,300
Heritage wagon fund	3,580	107	-	-	3,687
Maintenance of diesels	3,298	1,386	-	-	4,684
Purchase of welding equipment	2,184	-	(1,466)	(718)	-
Keyse Cottage refurbishment	1,093	-	-	(1,093)	-
Storage of Zillertal carriages	26,523	166	(21,000)	-	5,689
Viaduct and bridges protection	-	4,120	-	-	4,120
Sylfaen loop	-	25,750	-	-	25,750
2020 Appeal	20,201	64,929	(26,890)	1,093	59,333
	132,346	100,795	(54,762)	-	178,379

21. Analysis of group net assets by fund

	Unrestricted funds £	Restricted funds £	Total 31 Dec 2018 £
Tangible heritage and other fixed assets	1,329,075	-	1,329,075
Investments	203,000	-	203,000
Net current assets	596,156	178,379	774,535
Long term liabilities	(24,806)	-	(24,806)
	2,103,425	178,379	2,281,804

22. Analysis of changes in net funds

	At 31 Dec 2017	Cash flows	At 31 Dec 2018
	£	£	£
Bank and cash balances	106,300	97,279	203,579
COIF Deposit account	170,216	288,555	458,771
Members' loans	(1,430)	-	(1,430)
	275,086	385,834	660,920

23. Net cashflow from operating activities

	2018	2017
	£	£
Net income/(expenditure) per Statement of Financial Activities	490,507	(127,699)
Adjust for non-cash items:		
Depreciation	134,069	136,014
Net loss/(gain) on investments	5,000	(17,579)
Adjust for working capital changes:		
Decrease/(increase) in stocks	(9,400)	2,200
Decrease/(increase) in debtors	(48,612)	34,624
Increase/(decrease) in creditors	(41,250)	25,695
Take out dividends (shown separately in Cashflow)	(7,036)	(8,001)
	523,278	45,254

24. Statement of financial activities:

Prior year comparatives by fund type

	Unrestricted funds	Restricted funds	Total 2017
Income from:	£	£	£
<i>Voluntary income</i>			
Legacies and donations	68,014	82,163	150,177
<i>Charitable activities</i>			
Railway operation and preservation	259,958	-	259,958
Membership subscriptions	19,124	-	19,124
<i>Other trading activities</i>			
Commercial trading operations	158,459	-	158,459
<i>Investment income</i>	4,786	3,750	8,536
Total income	510,341	85,913	596,254
Expenditure on:			
<i>Raising funds</i>	-	-	-
<i>Charitable activities</i>			
Railway operation and preservation – working	297,316	-	297,316
Railway operation and preservation – projects	171,021	119,182	290,203
Membership and governance expenses	16,629	-	16,629
<i>Other trading activities</i>			
Commercial trading operations	137,384	-	137,384
Total expenditure	622,350	119,182	741,532
Net gain/(loss) on investments	17,579	-	17,579
Net income/(expenditure) for the year	(94,430)	(33,269)	(127,699)

25. Management accounts summary financials by activity

	Railway operation and preservation	W&L Sales	Appeals and investment income	Membership and governance	2018	2017
	£	£	£	£	£	£
Income from operating activities	280,792	164,192	8,596	19,506	473,086	446,077
Daily operating (costs)	(310,887)	(150,153)	-	(16,602)	(477,642)	(451,329)
Net income: Daily operations	(30,095)	14,039	8,596	2,904	(4,556)	(5,252)
<i>Long term income</i>						
Donations and legacies			640,646		640,646	119,467
Net (loss) on investments			(5,000)		(5,000)	17,579
Audit costs due to higher donations				(4,000)	(4,000)	-
<i>Long term project expenditure</i>						
Asbestos remediation					-	(47,928)
Major project (spend)	(2,514)	-		-	(2,514)	(83,461)
(Depreciation)	(134,069)	-		-	(134,069)	(128,104)
Net income/ (expenditure) per Statement of Financial Activities	(166,678)	14,039	644,242	1,096	490,507	(127,699)

WELSHPOOL & LLANFAIR LIGHT RAILWAY PRESERVATION CO LTD

**Minutes of the fifty ninth Annual General Meeting held on Saturday
19 May 2018 at The Station, Llanfair Caereinion, Powys**

Present:

Tony Thorndike (Vice President)
Sir Philip Williams (Vice President)
Steve Clews (Chairman)
Iain McLean (Vice Chairman)
Helen Ashby
Simon Bowden
Andrew Charman
John Forman
Richard Green
Bob Mason
Simon Mayor
Robert Robinson
Bruce Webber
Charles Spencer (General Manager)
Michael Reilly (Company Secretary)
and 39 other members

Apologies for Absence

Apologies were received from Ralph Cartwright (Vice-President), Alan Higgins (Vice-President), Annette Berry, Kate Billmore, Sam Billmore, Harry Billmore, D Brady, Reg Davies, Michael & Pamela Denholm, Eric Fairbrother, Kaye Forman, Clifford & Daphne Goodman, Harry Gow, David Gowan, Richard Hodgson, Brian Hunt, Annora Johnson, David Leigh, Mike Lister, Jackie & David Morgan, James Parkinson, Roger Pattie, Roger Perry, Melvyn Pritchard, Frances Robinson, Keith Rogers, Robin Sanders, Chris & Roz Tigwell, Beryl Thorndike, Simon Watts, Patricia White, Roy Wilkinson, Paul Wixey & K Duerden.

1. Minutes of the Annual General Meeting on 20 May 2017

The minutes of the previous AGM were agreed as a true record. There were no matters arising.

2. Audited Consolidated Financial Statements and Report of the Trustees for the year ended 31 December 2017

Iain McLean highlighted the main points of the annual report.

2017 had built on the success of 2016 with a further increase in passenger numbers and income. The timetable had been expanded with 636 passenger trains run, 7% more than in 2016, on 170 operating days (2% more), with more special events. Passenger numbers were the highest since 2011 and the operating surplus was slightly up on 2016. Although tea room and shop income were down on 2016 they were still the second highest on record.

Total revenue was at same level as 2016. One staff vacancy in the office was filled by Sarah Stanbridge and there was a continued steady increase in volunteer numbers. There had been a good recovery from the asbestos incident with investment in state of the art workshop machinery and improved access arrangements; the replica J Ll Peate wagon had been completed and a people strategy had been developed for inclusion into the business plan. The Heritage Lottery Fund had given a grant for loco No. 14 to go on a 'Grand Tour' to six venues, where it had been seen by over 50,000 visitors. Electrical supply had been installed at Welshpool sheds and the platform surfaces improved at Welshpool and Llanfair. The 2017 Gala had culminated with a spectacular firework display in celebration of the preservation company having operated the railway longer than all previous owners combined.

Bob Mason then summarised the main features of the Consolidated Financial Statements.

Points made in answer to questions were:

Although there had been an overall financial shortfall of £5,000 in 2017, over a 5-year average the company made an annual surplus of approximately £15,000. As a charity, we did not aim to make a profit *per se*, so surplus revenue was channelled back into the railway. But we relied on donations and legacies to fund major investment and heavier maintenance. Operating costs had risen substantially, mainly because of higher staff costs, which were kept under constant review.

The amount shown in the Financial Statements as the remediation costs of dealing with asbestos covered all the specialised cleaning and some of the smaller items of replacement equipment but costs of new equipment and the re-roofing of the workshop were shown separately.

Dave Billmore, seconded by Tony Thorndike, asked that members' thanks to the board for publishing the report into the investigation of the discovery of asbestos and subsequent handling be formally recorded. This was duly noted.

The adoption of the Annual Report of the Trustees and the Audited Consolidated Financial Statements was then proposed by Dave Billmore, seconded by Tom White and agreed.

3. Election of Trustees

Since there were five candidates for five places the Articles required a single-stage ballot. The ballot was held and all five candidates received more votes in favour than against. Helen Ashby was therefore elected and Andrew Charman, Iain McLean, Robert Robinson and Bruce Webber re-elected to the board.

4. Election of President

Philip Crook proposed that the Earl of Powis be elected President, which was seconded by Steve Davidson and agreed.

5. Election of Vice Presidents

The following nominations were made: Ralph Cartwright, John Gearey, Alan Higgins, Tony Thorndike and Sir Philip Williams. With the consent of the meeting, the nominations were put collectively and agreed.

6. Change of membership subscriptions

The cost of an annual membership subscription had remained unchanged since 2012. Given fare increases over the last five years, the ratio of the full membership fee to adult fare had dropped from 2:1 to 1.73:1. Trustees believed that a 2:1 ratio was appropriate and therefore proposed an increase in the rate from 2019. Other rates would be increased pro rata apart from Associate membership, the rate for which should remain at £10, with the upper age limit raised to 25, while retaining the minimum age to be eligible to vote as 18 years. The resolution was proposed by Bob Mason, seconded by Tony Thorndike and carried on a show of hands.

Sir Philip Williams then presented to Steve Clews a gift of books to the railway from the Puffing Billy Preservation Society in recognition of the links between our two railways.

There being no further business, the meeting closed at 3.55pm.



Welshpool and Llanfair Light Railway Preservation Co Ltd

Phone: 01938 810441
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Registered charity number 1000378
Company number 00646238