

RHEILFFYRDD FFESTINIOG AC ERYRI FFESTINIOG & WELSH HIGHLAND RAILWAYS

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TUESDAY



A13 *A78YCN08* #336
26/06/2018
COMPANIES HOUSE

THE FESTINIOG RAILWAY COMPANY ANNUAL REPORT AND ACCOUNTS YEAR ENDED 31st DECEMBER 2017

The Festiniog Railway Company

Established 23rd May 1832 by Act of Parliament

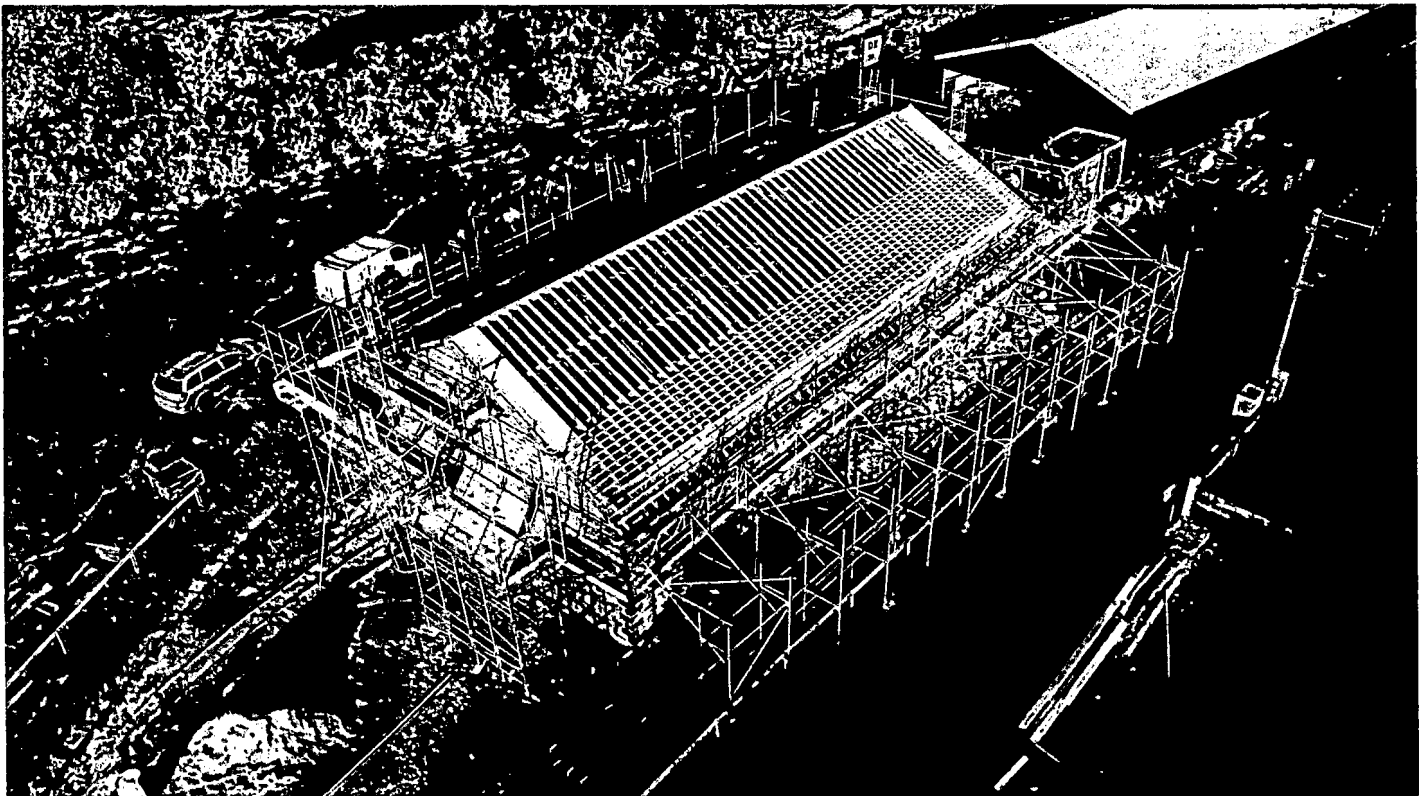
Company Number ZC000203

The Ffestiniog and Welsh Highland Railways Trust (Registered Charity No: 239904)

holds a controlling interest in every class of share in the company



Welsh Highland heritage



Minffordd Goods Shed conservation

Chairman's Statement

Festiniog Railway Company Chairman's Report 2017

2017 was a difficult year, with traffic levels falling slightly on both railways. Traffic revenue marginally increased, and ancillaries (catering and retail) recovered from low levels in 2016. Overall, profit before tax was £118,558, a figure which would have seemed most encouraging several years ago but which now causes your Directors some concern because it is well below the benchmark 5% of turnover (£270,000 on £5.4m) that was set in the Sustainable Railway.

In last year's report I commented on the financial challenge presented by the Government's decision to increase the National Living Wage faster than inflation. Wage costs are our largest expense. It has not helped that our second largest cost – fuel – also increased significantly. We operate on a small margin, and with above inflation cost increases then we must also increase revenues significantly faster than inflation. We have worked hard both to promote the railway itself, and also to attract people to North West Wales, since people have to come here if we are to carry them. These efforts have certainly helped, but not by enough to completely counter a more cautious approach to discretionary spending by many potential customers during 2017.

All our profits are ploughed back into improvements, and usually into the sort of investments that are essential but do not naturally appeal to supporters – such as IT or catering. Our success in generating profits can easily be misinterpreted. I think it has led some supporters to think that the cost of keeping the basic railway in good order can be paid for by our operating profits, freeing up donations for the sort of things we would all like to have as extras. Our accounts show how wrong this is. Both major investments and large renewals charged to revenue (such as engine boilers) depend on supporters' willingness to fund these infrequent rather large outgoings. The railway does (and should) generate enough to pay its day to day costs, and even leave a small margin, but it depends on donations and grants for heavy expenses whether those heavy intermittent expenses are classed as capital or revenue in the accounts.


Caernarfon Station was our largest single project in 2017. Progress was delayed when the town main gas main was found under the site (both documentary research and a survey had failed to show this), but by the end of the year the build was out of the ground with all steelwork erected. I expect it to be complete in 2018 and formally open in 2019.

Great progress was made at Boston Lodge towards the end of 2017. This completed the sea wall, and has defined the site we can build on. The work was carried out on a partnership basis, and at very reasonable cost. Together with the investment in access and drainage made in recent years this ends the enabling works phase of works. These works aim both to conserve the world's oldest working railway works, and to produce the very best facilities for the twenty first century.

In recent years the approach to relaying track has changed. The railway now takes the track bed back to formation level, puts in a membrane and puts in clean ballast to full depth. The resulting track should last much better and provide a better quality track than anything seen since Spooner. During the spring the last section of bull head rail in the main line was replaced, and more relaying work including re-sleepering with plastic sleepers was carried out below Tan-y-bwlch and on the Cob.

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, and our volunteers for doing so much for the railway. And I would like to thank those whose donations continue to make this railway possible.

Dr John Prideaux, C B E
Chairman



27th April 2018

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 2017.

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 2017 contained a number of positive elements as turnover rose by 5.9% when compared to 2016. However, there were some significant items of revenue expenditure required on the railways' infrastructure, which brought the reported profit level down to the same as the previous year.

In trading, traffic levels remained steady, with a marginal decline on the Welsh Highland Railway caused, in part, by the building works at Caernarfon station not giving the best short term impression of one of our principal stations. On train catering has shown another good improvement in turnover but disappointing profits due to sub optimal staffing. Spooner's results were improved, as were those of the shops. Wage costs 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 has risen to over £2.1million in the year, of which more than £300,000 was covered from the company's own resources, with the rest funded by grants from government 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 2018, the board has again had to pay particular attention to a further significant increase in the national living wage and consequent potential impact on the cost of its operations.

Directors' Report (continued)

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 £118,558 (2016 - £110,902).

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 Festiniog 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 2017	1 January 2017
	Number	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:

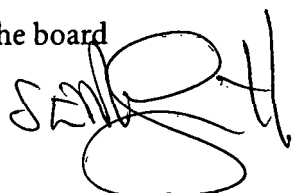
- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

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



27th April 2018

Principal 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 2017 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).

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.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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 Auditor's 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 Report of the Directors, but does not include the financial statements and our Report of the Auditor thereon.

Our opinion on the financial statements does not cover the other information and 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, 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.

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

Opinion 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 Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

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 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

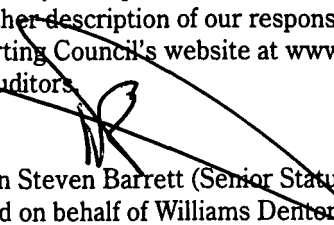
As explained more fully in the Statement of Directors' Responsibilities set out on page three, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary 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.

Our 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.



Martin Steven Barrett (Senior Statutory Auditor)
for and on behalf of Williams Denton Cyf
Chartered Certified Accountants
Statutory Auditors
13 Trinity Square
Llandudno
North Wales
LL30 2RB

Date: 16th May 2018

THE FESTINIOG RAILWAY COMPANY

Income Statement

for the year ended 31st December 2017

	Note	2017 £	2016 £
Turnover	2	5,437,772	5,131,774
Cost of sales before asset charges		(3,890,226)	(3,700,548)
Gross profit before asset charges		1,547,546	1,431,226
Asset Charges:			
Depreciation of company assets		(755,060)	(706,090)
(Loss)/ Profit on disposal of company assets		(629)	(30,955)
Leasing charge on WHLR assets		(222,000)	(222,000)
Release of grants re: company assets		525,477	479,865
Release of grants re: WHLR assets		222,000	222,000
Total asset charges		(230,212)	(257,180)
Total cost of sales		(4,120,438)	(3,957,728)
Gross profit		1,317,334	1,174,046
Administrative expenses		(1,342,994)	(1,316,424)
		(25,660)	(142,378)
Other operating income	3	149,120	257,514
Operating profit		123,460	115,136
Interest received	4	98	766
Interest payable and similar charges	5	(5,000)	(5,000)
Profit on ordinary activities before taxation	6	118,558	110,902
Tax on ordinary activities	9	-	-
Profit for the financial year		118,558	110,902
Statement of other comprehensive income			
Profit for the financial year		118,558	110,902
Actuarial gains and losses - defined benefit pension scheme		345,000	(90,000)
Total recognised gains and losses for the financial year		463,558	20,902
Note of historical cost profits and losses			
Retained profit for the year		118,558	110,902
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount		106,473	106,473
Historical cost profit on ordinary activities		225,031	217,375

All disclosures relate to continuing operations.

There are no recognised gains or losses other than the amount shown above.

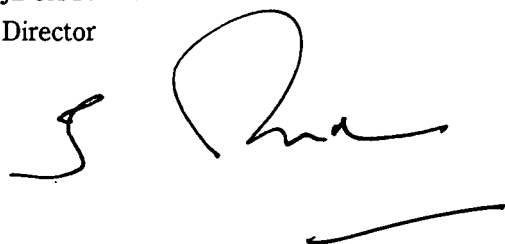
THE FESTINIOG RAILWAY COMPANY
Statement of Financial Position
as at 31st December 2017

	Note	2017	2016
		£	£
Fixed Assets			
Property, plant and equipment	10	17,677,783	16,302,438
Financial assets	11	<u>6,146,532</u>	<u>6,368,532</u>
		23,824,315	22,670,970
Current Assets			
Inventories	12	810,783	550,594
Debtors	13	591,912	428,490
Cash at bank and in hand		<u>505,131</u>	<u>500,148</u>
		1,907,826	1,479,232
Creditors: Amounts falling due within one year	14	<u>(1,331,932)</u>	<u>(935,195)</u>
Net Current Assets		<u>575,894</u>	<u>544,037</u>
Total Assets Less Current Liabilities		24,400,209	23,215,007
Creditors: Amounts falling due after more than one year	15	(17,283,628)	(16,221,984)
Pension scheme assets/(liabilities)	20	<u>162,000</u>	<u>(178,000)</u>
Net Assets		<u><u>7,278,581</u></u>	<u><u>6,815,023</u></u>
Capital and Reserves			
Called up share capital	17	141,273	141,273
Capital reserves	18	2,463,001	2,569,474
Profit and loss account	18	<u>4,674,307</u>	<u>4,104,276</u>
Shareholders' funds	19	<u><u>7,278,581</u></u>	<u><u>6,815,023</u></u>

Approved by the board on 27th April 2018

JDCA Prideaux
Director

NF Burbidge
Director




THE FESTINIOG RAILWAY COMPANY

Statement of cashflows

for the year ended 31st December 2017

	2017	2016
	£	£
Profit for year	118,558	110,902
Loss/(profit) on disposal of assets	629	30,955
Pension fund non-cash movements	5,000	5,000
Depreciation	755,060	706,090
Less: release of grants	(525,477)	(479,865)
	<u>229,583</u>	<u>226,225</u>
(Increase)/decrease in debtors	(163,422)	(96,650)
(Increase)/decrease in stock	(260,189)	(179,202)
Increase/(decrease) in creditors	411,383	170,589
Net cash inflow from operating activities	<u><u>341,542</u></u>	<u><u>267,819</u></u>
CASH FLOW STATEMENT		
Net cash inflow from operating activities	341,542	267,819
Capital expenditure and financial investment		
Payments to acquire fixed assets	(2,131,701)	(1,511,407)
Sales of plant and machinery	667	4,500
Net cash from investing activities	(2,131,034)	(1,506,907)
Cashflows from financing activities		
Capital grants received	1,809,121	1,119,726
Net cashflows from financing	<u>1,809,121</u>	<u>1,119,726</u>
Increase/(decrease) in the year	<u><u>19,629</u></u>	<u><u>(119,362)</u></u>
Reconciliation of net cash flow to movement in net cash and liquid resources		
Increase/(decrease) in cash in year	19,629	(119,362)
Cash and liquid resources at 1 January 2017	481,341	600,703
Cash and liquid resources at 31 December 2017	<u><u>500,970</u></u>	<u><u>481,341</u></u>
Reconciliation of net cash flow to movement in net debt		
Change in cash in year	(19,629)	119,362
Cash to repay debt due within one year	4,018	(3,998)
Net (cash)/debt at 1 January 2017	(418,385)	(533,749)
Net (cash)/debt at 31 December 2017	<u><u>(433,996)</u></u>	<u><u>(418,385)</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 102 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	2017	2016
	£	£
Traffic - Ffestiniog Railway	1,674,347	1,636,170
Traffic - Welsh Highland Railway	1,609,524	1,634,571
Catering	944,789	857,129
Shop sales	396,418	328,536
On-train services	444,281	424,434
Infrastructure sales (net of capitalisation)	29,839	28,321
Boston Lodge sales & grant income (net of capitalisation)	338,574	222,613
	<u>5,437,772</u>	<u>5,131,774</u>
 3 OTHER OPERATING INCOME		
Revenue grants received	97,714	195,348
Rents receivable and other sundry income	51,406	62,166
Pensions service cost surplus for year	-	-
	<u>149,120</u>	<u>257,514</u>
 4 INTEREST RECEIVED		
Interest on bank deposits	98	766
	<u>98</u>	<u>766</u>
 5 INTEREST PAYABLE AND SIMILAR CHARGES		
On bank overdraft repayable within five years, not by instalments	-	-
Interest on net pension assets	5,000	5,000
	<u>5,000</u>	<u>5,000</u>
 6 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		
Profit on ordinary activities before taxation is stated after charging:		
Depreciation on tangible fixed assets	755,060	706,090
Leasing charge on WHLR assets	222,000	222,000
Release of grants against depreciation	(747,477)	(701,865)
Operating lease rentals - plant and machinery	35,576	34,522
Audit fee	7,000	7,000

THE FESTINIOG RAILWAY COMPANY

Notes to the Accounts (continued)

7 EMPLOYEE INFORMATION

Staff costs during the year:

Wages and salaries	2,397,738	2,330,230
Social security costs	178,387	168,414
Pension scheme costs (see note 20)	63,392	58,840
	<u>2,639,517</u>	<u>2,557,484</u>

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

	Number	Number
Full time	72	69
Part time	12	11
Seasonal workers	48	44
	<u>132</u>	<u>124</u>

8 DIRECTORS' REMUNERATION

	2017	2016
	£	£
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.

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 31/12/2016	4,425,941	6,735,299	4,851,583	38,990	2,788,291	18,840,104
	6,441,066	7,926,874	6,253,269	38,990	2,788,291	23,448,490
Additions	625,159	268,859	1,222,882	14,800	-	2,131,701
Less: disposals	-	(237)	-	(5,995)	-	(6,232)
At 31 December 2017	7,066,225	8,195,496	7,476,151	47,795	2,788,291	25,573,959
Depreciation:						
At 1 January 2017	1,534,010	2,798,631	2,742,722	27,825	42,864	7,146,052
Less: disposals	-	(8)	-	(4,928)	-	(4,936)
Charge for year	141,324	272,872	329,723	6,224	4,916	755,060
At 31 December 2017	1,675,334	3,071,495	3,072,445	29,121	47,780	7,896,176
Net book value:						
At 31 December 2017	5,390,891	5,124,001	4,403,706	18,674	2,740,511	17,677,783
At 31 December 2016	4,907,056	5,128,243	3,510,546	11,166	2,745,427	16,302,438

At 31 December 2017 and 2016 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

	2017	2016
	£	£
Investment in Welsh Highland Light Railway Ltd	2,666,877	2,666,877
Long term debt due from Welsh Highland Light Railway Ltd	3,401,306	3,623,306
Investment in Ffestiniog and Welsh Highland Railways Heritage Ltd	78,349	78,349
	<u>6,146,532</u>	<u>6,368,532</u>

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

	2017	2016
	£	£
Work in progress	545,465	330,171
Stocks & goods for resale	265,318	220,423
	<u>810,783</u>	<u>550,594</u>

13 DEBTORS

	2017	2016
	£	£
Trade debtors	118,364	184,580
Other debtors	307,334	-
Amounts owed by group undertakings	40,126	124,670
Taxes recoverable	30,681	35,618
Prepayments and accrued income	95,407	83,622
	<u>591,912</u>	<u>428,490</u>

Amounts owed by group undertakings receivable within one year includes amounts owed by Ffestiniog Railway Holdings Ltd of £Nil (2016 - £Nil) and The Ffestiniog and Welsh Highland Railways Trust of £40,126 (2016 - £124,670). In addition the Ffestiniog Railway Society owed the company £62,086 (2016 - £56,864) and the Welsh Highland Railway Society owed £13,271 (2016: £14,450).

14 CREDITORS: Amounts falling due within one year

	2017	2016
	£	£
Bank loans and overdrafts	4,161	18,808
Unsecured loans	51,213	47,195
Trade creditors	218,763	307,052
Payments on account	557,491	384,808
Taxation and social security	44,191	41,619
Accruals and deferred income	78,432	106,531
Amounts owed to group undertakings	681	2,181
The Ffestiniog & Welsh Highland Railways Trust	350,000	-
Ffestiniog Railway Society	27,000	27,000
	<u>1,331,932</u>	<u>935,195</u>

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	2017	2016
	£	£
Deferred income: capital grants received	17,267,868	16,206,224
Debenture stock (see note 16)	15,760	15,760
	<u>17,283,628</u>	<u>16,221,984</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	2017	2016
	£	£
4% Debenture stock	<u>15,760</u>	<u>15,760</u>

17 CALLED UP SHARE CAPITAL	2017	2016
	£	£
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 FESTINIOG RAILWAY COMPANY

Notes to the Accounts (continued)

18 RESERVES

	Capital Repayment Reserve £	Capital Reserve £	Profit & Loss account £
At 1 January 2017	143,375	2,426,099	4,104,276
Profit for the year	-	-	118,558
Actuarial gain/(loss) on pension scheme	-	-	345,000
Transfer relating to revalued assets	-	(106,473)	106,473
At 31 December 2017	<u>143,375</u>	<u>2,319,626</u>	<u>4,674,307</u>

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS FUNDS

	2017 £	2016 £
Profit for the financial year	118,558	110,902
Other recognised gains and losses for the year	345,000	(90,000)
Net increase in shareholders' funds	463,558	20,902
Opening shareholders' funds	6,815,023	6,794,121
Closing shareholders' funds	<u>7,278,581</u>	<u>6,815,023</u>
Represented by:		
Non-equity shareholders' funds	54,040	54,040
Equity shareholders' funds	7,224,541	6,760,983
	<u>7,278,581</u>	<u>6,815,023</u>

20 PENSIONS

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 34 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.

A full actuarial valuation was carried out as at 1 December 2014, and updated at 31 December 2017.

All valuations were by a qualified independent actuary.

Employee Benefit Obligations	2017 £	2016 £
Fair value of scheme assets	2,204,000	2,040,000
Present value of funded obligations	(2,042,000)	(2,218,000)
Present value of unfunded obligations	162,000	(178,000)
Unrecognised past service cost	-	-
Surplus /(Deficit)	162,000	(178,000)
Related deferred tax asset	-	-
Net asset/(liability)	<u>162,000</u>	<u>(178,000)</u>
Amounts in the balance sheet		
Liabilities	-	(178,000)
Assets	162,000	-
Net asset/(liability)	<u>162,000</u>	<u>(178,000)</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	2017	2016
	£	£
Current service cost	-	-
Net Interest Cost	5,000	5,000
Total	5,000	5,000
Actual return on scheme assets	200,000	291,000
Remeasurements recognised in other comprehensive income	2017	2016
	£	£
Actual return on scheme assets less expected return	(147,000)	(226,000)
Expected return on plan assets excluding amounts included in the Net Interest Cost	-	-
Experience gains and losses on scheme liabilities	-	(74,000)
Changes in assumptions underlying the present value of scheme liabilities	(198,000)	390,000
	(345,000)	90,000
Changes in the present value of the Defined Benefit Obligation		
Defined Benefit Pension Schemes	2017	2016
	£	£
Opening defined benefit obligation	2,218,000	1,940,000
Service cost	-	-
Interest cost	58,000	70,000
Actuarial losses (gains)	(198,000)	316,000
Benefits paid	(36,000)	(108,000)
Closed defined benefit obligation	2,042,000	2,218,000
Changes in the fair value of Plan Assets		
Defined Benefit Pension Schemes	2017	2016
	£	£
Opening fair value of scheme assets	2,040,000	1,857,000
Expected return	53,000	65,000
Actuarial gains and (losses)	147,000	226,000
Assets distributed on settlements	-	-
Contributions by employer	-	-
Assets acquired in business combinations	-	-
Exchange differences on foreign schemes	-	-
Benefits paid	(36,000)	(108,000)
Closing fair value of scheme assets	2,204,000	2,040,000

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:

	2017 Asset Split £'000	2017 Percentage Asset Split %	2016 Asset Split £'000	2016 Percentage Asset Split %
Equities	989	45	891	44
Property	263	12	243	12
Fixed Interest	352	16	338	17
Index Linked	556	25	539	26
Cash	44	2	29	1
Total	2,204	100	2,040	100

The company expects to make no contributions to its defined benefit pension scheme in 2018 as the triennial valuation carried out as at 1 December 2014 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.

	2017	2016
Discount rate at 31 December	2.4%	2.6%
Expected return on plan assets at 31 December*	2.4%	2.6%
Future revaluation in deferment	2.4%	2.5%
Future pension increases	2.4%	2.5%
Post retirement mortality	S2PXA, CMI 2016 with minimum 1.25%	PCXA 00 Year of Birth, Long Cohort, minimum improvement of 1.5% p.a. for men and 1.0% p.a. for women
Life expectancy for 65 year old male	22.1 years	25.3 years
Life expectancy for 65 year old female	23.9 years	28.4 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

	2017 £'000	2016 £'000	2015 £'000	2014 £'000	2013 £'000
Defined benefit obligation	(2,042)	(2,218)	(1,940)	(2,003)	(1,710)
Scheme Assets	2,204	2,040	1,857	1,853	1,680
Surplus/(deficit)	162	(178)	(83)	(150)	(30)
Experience adjustment on scheme liabilities	(198)	316	(104)	250	(2)
Experience adjustment on scheme assets	147	226	(84)	63	112

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. 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:	2017	2016
	£	£
Closed defined benefit scheme	27,073	27,597
Current AE money purchase scheme	36,319	31,243
	<u>63,392</u>	<u>58,840</u>
Amount recognised in the statement of total recognised gains & losses		
The present value of unfunded obligations in the defined benefit scheme	<u>(162,000)</u>	<u>178,000</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 £188,671 (2016: £182,582) 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 £12,660 (2016: £5,347) 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 £785,095 (2016: £734,353).

Amounts due to and from Ffestiniog Railway Holdings Ltd, The Ffestiniog & Welsh Highland Railways Trust, 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 2017 the company had annual commitments under non-cancellable operating leases as follows:

	2017	2016
	£	£
Expiry date:		
Within one year	3,400	4,831
Between 2 and 5 years	<u>30,512</u>	<u>26,724</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 2017 the company had £80,150 (2016: £24,059) 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 2017

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

	2017 Total £	2016 Total £
<i>Traffic</i>		
Ffestiniog Railway	1,674,347	1,636,170
Welsh Highland Railway	1,609,524	1,634,571
	<u>3,283,871</u>	<u>3,270,741</u>
Less: Cost of sales		
Wages and salaries	371,229	374,190
Other costs	110,447	87,747
	<u>481,676</u>	<u>461,937</u>
Traffic income less operating costs	<u><u>2,802,195</u></u>	<u><u>2,808,804</u></u>
<i>Catering</i>		
Sales	944,789	857,129
Less: Cost of sales		
Purchases (net of changes in stock)	380,732	356,974
Wages and salaries	379,634	344,136
	<u>760,366</u>	<u>701,110</u>
Gross profit	<u><u>184,423</u></u>	<u><u>156,019</u></u>
<i>Shops</i>		
Sales	396,418	328,536
Less: Cost of sales		
Purchases (net of changes in stock)	219,673	187,920
Wages and salaries	87,360	82,789
	<u>307,033</u>	<u>270,709</u>
Gross profit	<u><u>89,385</u></u>	<u><u>57,827</u></u>
<i>On-train Services</i>		
Sales	444,281	424,434
Less: Cost of sales		
Purchases (net of changes in stock)	147,872	135,578
Wages and salaries	219,560	183,977
	<u>367,432</u>	<u>319,555</u>
Gross profit	<u><u>76,849</u></u>	<u><u>104,879</u></u>

THE FESTINIOG RAILWAY COMPANY

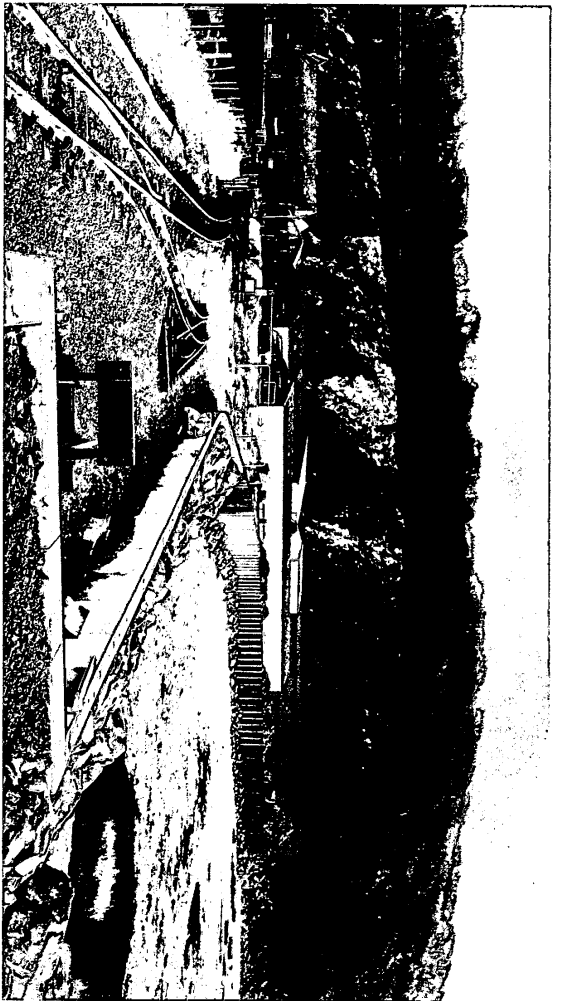
Analysis of Cost of Sales before Asset Charges

for the year ended 31 December 2017

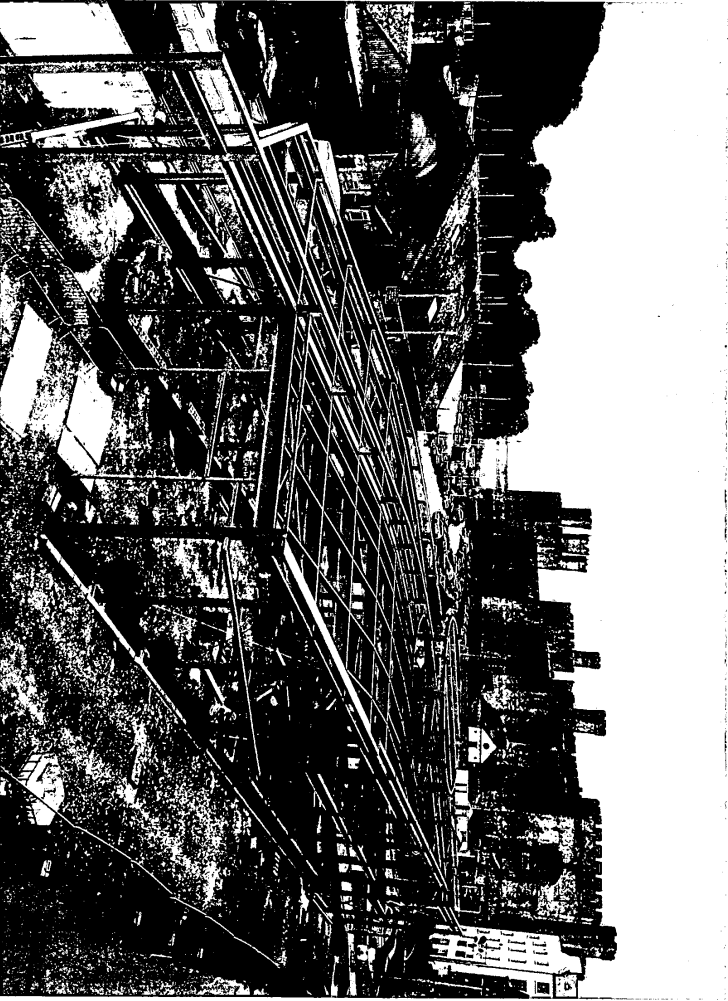
	2017 Total £	2016 Total £
<i>Boston Lodge</i>		
Sales & Grant Income	608,333	673,167
less: projects capitalised	(269,759)	(450,554)
	<u>338,574</u>	<u>222,613</u>
Less: Cost of sales		
Fuel	245,807	229,553
Locomotive and rolling stock operating costs	276,669	267,112
Project materials purchases	244,944	260,142
less: project materials capitalised	(70,343)	(154,975)
Wages and salaries	758,405	749,824
less: project labour capitalised	(199,416)	(295,579)
	<u>1,256,066</u>	<u>1,056,077</u>
Net Boston Lodge operating costs	<u>(917,492)</u>	<u>(833,464)</u>
 <i>Infrastructure</i>		
Sales & Grant income	695,980	392,101
less: projects capitalised	(666,141)	(363,780)
	<u>29,839</u>	<u>28,321</u>
Less: Cost of sales		
Permanent way & general maintenance	1,005,505	892,983
less: project costs capitalised	(650,833)	(350,304)
Wages and salaries	378,289	361,957
less: project labour capitalised	(15,308)	(13,476)
	<u>717,653</u>	<u>891,160</u>
Net Infrastructure costs	<u>(687,814)</u>	<u>(862,839)</u>
 Gross profit from all operations	<u><u>1,547,546</u></u>	<u><u>1,431,226</u></u>

THE FESTINIOG RAILWAY COMPANY
Analysis of Administrative Expenses
for the year ended 31 December 2017

	£	2017 £	£	2017 £
<i>Employment costs</i>				
Administration staff	289,710		287,038	
Pension scheme costs	<u>27,073</u>		<u>27,597</u>	
		316,783		314,635
<i>Publicity, insurance & office expenses</i>				
Marketing	279,450		274,666	
Insurance	87,597		86,967	
Telephones	29,778		36,710	
Postage	11,375		12,133	
Stationery and computers	83,614		95,936	
Office machinery lease & repairs	636		2,051	
Hire, cleaning & rubbish removal	61,653		58,526	
Repairs to buildings	<u>3,357</u>		<u>19,961</u>	
		557,460		586,950
<i>Utilities and road transport</i>				
Rent and rates	104,758		75,109	
Heat, light and power	125,412		113,423	
Motor vehicle leasing and hire	35,576		34,756	
Vehicle & travel expenses	<u>59,863</u>		<u>47,749</u>	
		325,609		271,037
<i>Miscellaneous expenses</i>				
Bank and credit card charges	55,374		56,996	
Legal and professional fees	42,322		48,616	
Health, safety & training	24,346		5,774	
Sundry expenses	<u>21,100</u>		<u>32,416</u>	
		143,142		143,802
		<u>1,342,994</u>		<u>1,316,424</u>



Boston Lodge piling



Caernarfon Station