

Watercress Line Heritage Railway Trust Limited

England & Wales · Charity number 284406

Details

Other names	MID-HANTS RAILWAY PRESERVATION SOCIETY LIMITED, WATERCRESS LINE
Status	Registered
Legal form	Charitable company
Company number	01126590
Registered	1982-05-25
Register	View on the Charity Commission register

Contact

Address	Watercress Line Heritage Railway Trust Ltd Alresford Station Station Road Alresford SO24 9JG
Phone	01962733810
Email	groupsecretary@watercressline.co.uk
Website	www.watercressline.co.uk

Activities

Objects: 2. Objects2.1 The Charity's objects are (for public benefit) to preserve, restore, maintain, operate, exhibit, educate, instruct, stimulate, promote and encourage interest in heritage railways, locomotives, rolling stock, buildings, artifacts and equipment and to foster and support railway preservation.2.2 Nothing in these Articles shall authorise an application of the property of the Charity for purposes which are not charitable in accordance with any statutory provision regarding the meaning of the word "charitable" or the words "charitable purposes" in force in any part of the United Kingdom.

Activities: The Charity's objects are to preserve, restore, maintain, operate, exhibit, educate, instruct, stimulate, promote and encourage interest in heritage railways, locomotives, rolling stock, buildings, artifacts and equipment and to foster and support railway preservation. It provides strategic direction to its subsidiary, Mid-Hants Railway Ltd, which operates the Watercress Line.

Classification

- **How:** Makes Grants To Organisations, Provides Buildings/facilities/open Space, Provides Services, Acts As An Umbrella Or Resource Body, Other Charitable Activities
- **What:** Education/training, Arts/culture/heritage/science, Environment/conservation/heritage, Economic/community Development/employment, Recreation, Other Charitable Purposes
- **Who:** Children/young People, The General Public/mankind

Geography

- **Area of benefit:** ALRESFORD
- Hampshire
- Portsmouth City
- Southampton City
- Surrey
- West Berkshire

Finances

Period end	Income	Expenditure	Assets	Employees
2025-03-31	£3,658,953	£3,811,954	£6,465,384	44
2024-03-31	£3,846,638	£3,418,544	£9,009,557	42
2023-03-31	£3,914,320	£4,911,080	£8,547,276	44
2022-03-31	£4,643,677	£3,778,111	£9,543,901	45
2021-01-31	£3,102,562	£2,708,740	£8,674,562	45

Trustees

Name	Role	Appointed
Baron Michael Edward David de Styrcea		2026-02-28
Gregory Hamilton Watson		2018-12-18
Jonathan Charles Robert Morris		2024-02-05
Sabrina Lee-Anne Marsden		2026-02-28
Stephen Nicholas Evans		2018-12-18

Watercress Line Heritage Railway Trust Limited

England & Wales - Charity number 284406

Accounts

Charity Registration No. 284406 (England and Wales)

Company Registration No. 01126590 (England and Wales)

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED
ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2025

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

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WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

LEGAL AND ADMINISTRATIVE INFORMATION

Trustees	Stephen Evans Peter Smith (resigned 07 June 2024) Gregory Watson Richard Hawkins (resigned 28 February 2025) Neil Garwood Jonathan Morris Graham Sumner
Secretary	Rachael Sumner (appointed 26 September 2025) Andrew Bearpark (appointed 12 March 2025, resigned 09 July 2025) Rebecca Dalley (appointed 08 April 2024, resigned 12 March 2025) Peter Smith (resigned 08 April 2024)
Charity number (England and Wales)	284406
Company number	01126590
Registered office	Alresford Station Alresford SO24 9JG
Chief Executive Officer	Rebecca Dalley
Group Treasurer	Gregory Watson
Solicitors	Taylor Fordyce 1 & 2 City Business Centre Hyde Street Winchester SO23 7FA Paris Smith 1 London Road Southampton SO15 2AE
Banker	National Westminster Bank Plc Lloyds Bank Plc
Auditor	Azets Audit Services Third Floor, Gateway House Tollgate Chandlers Ford Hampshire SO53 3TG

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

CHAIR'S REPORT

FOR THE YEAR ENDED 31 MARCH 2025

Let me start at the end. The closing days of the financial year 2024-2025 saw the return to steam of the Watercress Line Heritage Railway Trust's Merchant Navy locomotive, 35005 *Canadian Pacific*. This was marked by a high profile launch, with the guests of honour including the Chief Executive of the National Lottery Heritage Fund and the Canadian Deputy High Commissioner. The event stretched beyond railway boundaries by commemorating the Canadian mariners who kept Britain supplied in the dark days of World War Two and by celebrating the current close relationship between Canada and the United Kingdom.

Bringing 'Can Pac' back into service was the centre piece of a long-term project to engage people of all ages, and from all backgrounds, in railway heritage. This was the vision of those who designed the project, a decade and a half ago, and who secured the necessary funding from the National Lottery and other donors. We remain hugely grateful to all concerned for their extraordinary patience and generosity. It took a very long time but we delivered.

By delivering, we demonstrated at the national level that the Watercress Line's dedicated and skilled volunteers and paid staff can carry out complex engineering tasks to the highest standards, making full use of the excellent facilities at Ropley including our boiler and machine shops. Having fabricated the first inner fire box for a Merchant Navy since British Railways days, we've shown that no engineering challenge is too great.

We overhauled 35005 for a reason. That was to position us as one of the very few heritage railways, perhaps the only one, to offer the opportunity to travel behind a Class 8 Pacific on regular services at a fraction of the price of a main line rail tour ticket. In turn, that means that we can expect an uptick in visitor numbers and revenues in 2025-2026 and beyond. Even more importantly, it allows us to enthuse a new generation in the wonders of steam locomotive engineering, which reached its apogee with the rebuilding of the Merchant Navies just a decade before the end of steam on British Railways.

Encouragingly the Watercress Line's financial recovery continued through 2024-2025. This has enabled the Trust and Mid Hants Railway Boards to pivot towards a more structured approach to assuring the Watercress Line's long-term future. Included in this process is a more rigorous approach to the valuation of our rolling stock, prompted by our auditors, that has seen us reduce their audit value on the books, as you will see in the detail of our accounts. This does not affect our pleasing cash trading but is a prudent revaluation of our assets as advised by the Financial Reporting Council.

We have started to develop a 'Strategy 2050' which will set out what the enterprise aspires to become and how it will get there. The emerging findings of this exercise will be shared with members and shareholders at the 2025 Annual General Meeting, with the Strategy itself due to be finalised in 2026 after a full consultation process.

From its inception in 2024-2025, this strategising has been linked to a refresh of the Trust's approach to fund raising. This has included identifying individuals with expertise in this area who could be brought onto the Trust board, strengthening contacts with key external stakeholders and potential funders, and designing new, financially-viable projects that can further the Watercress Line's objectives. These projects are not just about locomotives, rolling stock and infrastructure. Rather they focus on people and skills because that is where the future of our railway lies.

On that note, I pay tribute to all those who have got the railway to where it is now in heritage and commercial terms and who increased the momentum in 2024-2025. It's a cast of thousands supported by key institutions and groups including the National Lottery, our bankers, our auditors, the local authorities, local communities, and our visitors from across the country and from abroad.

That's what being 'Hampshire's Heritage Railway' is all about and we look forward with confidence to the years ahead.



Stephen Evans CMG OBE
Chair

Date: 08 December 2025

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2025

What we do

The Watercress Line is Hampshire's heritage railway that preserves the memories and skills of the past and promotes sustainable transport for the future. We deliver social value to our volunteers and visitors; economic value to our region; and cultural value to the nation in the preservation of stations, line, track, locomotives and rolling stock of the Southern Railway, reflecting the golden era of steam travel through a time of change.

The Watercress Line Heritage Railway Trust's objectives are to preserve, restore, maintain, operate, exhibit, educate, instruct, stimulate, promote and encourage interest in heritage railways, locomotives, rolling stock, buildings, artifacts and equipment and to foster and support railway preservation. The Watercress Line Heritage Railway Trust supports the railway that is managed by Mid-Hants Railway Limited ('MHR'), of which the Trust is the majority shareholder. The Watercress Line is the trading name of these combined entities. In setting our objectives and planning our activities, the Trustees have considered the Charity Commission's general guidance on public benefit and to its supplementary public benefit guidance on advancing education and on fee-charging.

Preservation and restoration

The Trust fulfils its purpose to ensure our railway forever remains a thriving and beloved part of Hampshire's heritage and transport story by supporting the Watercress Line to:

- Maintain and operate relevant period locomotives, rolling stock, stations, processes and practices.
- Invest in the overhaul, conservation and restoration of relevant period steam locomotives and diesel traction units. Successfully completing the restoration of the 4-6-2 Merchant Navy Class locomotive 35005 *Canadian Pacific* and continuing work on projects which includes our BR Standard Class 4 locomotive 75079, Standard Class 4T locomotive 80150 and the diesel-electric Hampshire Multiple Unit 1125.
- Invest in the overhaul and restoration of relevant period carriages and wagons, including improvements in accessibility and presentation across its significant collection of Mk 1 Carriages and the Bulleid carriage 4211.
- Support education programmes that bring children and young people to the railway to experience the magic of steam and learn about the history, science, technology, engineering and maths behind it.
- Promote Watercress Line heritage through an outreach programme across the region.
- Enable the provision of opportunities for the public to enjoy and learn by experiencing a journey on the railway, through its support of MHR.

Support for Mid-Hants Railway Limited

The Trust owns the majority of shares in MHR which operates the Watercress Line across ten miles of Hampshire countryside bordering the South Downs National Park, with four vintage stations from Alton to Alresford and a large fleet of rolling stock. It supports MHR to maintain heritage engineering and operational skills from the last generation of steam, specifically:

- Maintaining and operating its collection for the public to engage with.
 - Maintaining specialist practical skills and knowledge in the maintenance and operation of industrial heritage, in particular:
 - Locomotives, carriages and wagons from the last generation of steam.
 - Original and reconfigured signalling equipment, their maintenance, integration and operation.
 - The firing and management of steam locomotives on a challenging steep gradient line.
 - The management and maintenance of historic structures and track known as the Permanent Way
 - Creating apprenticeships and training opportunities in heritage engineering.
 - Organising and delivering a suite of structured learning programmes for schools, youth groups and university students.
 - Providing access and interpretation to its engineering facilities from viewing galleries.
 - Organising hands-on learning or skills activities for children and young people during school holidays.
 - Taking specialist knowledge and training to other organisations through outreach.
 - Maintaining a specialist archive.
 - Carrying over 80,000 visitors during the year.
 - Continuing its successful strategy of layering highly targeted events for different audience segments including on-train experiences.
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WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2025

The Trust also supports MHR in the effective management of Watercress Line assets such as:

- A collection of period locomotives, carriages, vans, wagons and steam cranes owned by a variety of partners including the Trust and MHR, and operated for the public for around 200 days a year as part of our visitor attraction.
- Alresford Station - a destination station that houses a café, shop and period buildings on the edge of a characterful Georgian town. It has a community and events space in the former Goods Shed owned by the Trust and owns a car park leased to Hampshire County Council.
- Ropley Station - an event venue station that houses a major engineering maintenance and restoration facility and visitor infrastructure including an event café and shop.
- Medstead and Four Marks Station - the highest station in southern England, a delightful interlude that hosts occasional event facilities and exhibitions.
- Alton Station - a gateway leased from Network Rail that gives the Watercress Line direct access to London Waterloo and South Western Railway services and a historic market town once known to Jane Austen.
- More than 40 acres of land bordering the South Downs National Park on which the track, sidings, yards and stations sit, including cuttings, culverts and bridges.

Partnerships

The Watercress Line delivers its objectives and manages its assets through partnerships and networks of organisations and groups without which it could not function, including:

- Regional Groups that meet to support and maintain interest in the railway.
- Private owner individuals and groups that own key rolling stock, event and operational assets.
- The Urie Society and Wadebridge Ltd that own partner locomotives and undertake restoration projects.
- The Somerset and Dorset Railway Trust that owns partner locomotives and museum objects.
- Network Rail that owns infrastructure that the Watercress Line uses and provides support to the railway.
- South Western Railway that operates London Waterloo services from Alton.
- The National Railway Museum that owns locomotives based at the Watercress Line.

The Watercress Line is a member of the Heritage Rail Association and has a contract with the National Lottery Heritage Fund for the restoration of 35005 *Canadian Pacific*. It participates in the informal Southern Six network of local heritage railways, and is a member of the Hampshire Chamber of Commerce and the Destination Marketing Organisations Visit Winchester, Visit Hampshire and Tourism South East.

Volunteers

The effective operation of the Watercress Line is dependent on 550 volunteers who work as footplate crews, provide engineering expertise, run events, serve on dining trains, fill safety and customer service roles on the stations and in signal boxes. They maintain the stations across horticulture, buildings maintenance and cleanliness, set up and break down events, clean carriages, cook breakfasts and meals, park cars, and provide ticketing services, maintain email and telephone lines, produce magazines, create and edit films, take and market photographs, and distribute leaflets. They provide rostering, timetabling, compliance, safety management and training services across the railway.

The Trustees gratefully acknowledge the continuing financial and physical involvement and support of members and volunteers to restoration projects and running the railway. Without their commitment and enthusiasm, the Trust and the Watercress Line would not be able to operate.

Regional Groups

The Trust values the work and contribution of its seven Regional Groups, scattered across the south-east, who meet regularly and set their own programmes. These groups are a vital outreach of interest in and support for the railway with promotion, fellowship and fundraising at their core.

Fundraising

The Trust raises funds through membership subscriptions, donations, grants, legacies and fundraising events. It is registered by and upholds the standards of the Fundraising Regulator. It appeals for funds from members, supporters and the giving public including in the Watercress Line News, on the website and on stations and in trains. The Charity does not sell or pass on any details about its members, supporters and donors to any other organisation and complies with current data protection requirements.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2025

Strategic plans

The Trust continually reviews the strategies necessary to achieve its objectives and meets with MHR Directors to consider strategic priorities. The Trustees and Directors have formed a working group to review the core strategic intent for 2050 and shape the investment landscape for the Watercress Line. In the meantime, MHR is delivering its objectives through the 2023 Strategic Next Steps Plan in which the Watercress Line aspires to be:

Situated: recognised and valued as a backdrop to Hampshire and the South Downs.

- Brand the Watercress Line with the South Downs and celebrate our views.
- Develop partnerships with local organisations and businesses.
- Celebrate local watercress, food and drink culture through our catering offerings.
- Contribute to a sense of place and social cohesion for new local residents.

Salient: clear about its identity, purpose and relevance.

- Focus on the last generation of steam and the first generation of diesel and celebrate our post-war heritage.
- Fund and expand our STEM education programme.
- Celebrate and leverage our operational and engineering expertise.
- Recognise, measure and devise strategies to minimise its environmental impact.

Polished: known for excellence.

- Have an award-winning education programme.
- Ensure our volunteering experience is 'best in class'.
- Pass on our operations and engineering expertise to the next generation.
- Plan to fund and create undercover storage for rolling stock.
- Support the continuous review and improvement of the railway's safety culture.

Accessible: easy for everyone to use.

- Invest in our stations and rolling stock to be physically accessible.
- Explain the operation and purpose of the railway as well as engineering at a level that everyone can understand across our visitor touch points.
- Celebrate the emotional connection of our target and local audience to the last days of steam.
- Create consistency and clarity in our experiences targeted to a wide and clearly defined range of users.

Performance Report for the Year

Key achievements

Canadian Pacific and the Bulleid Story – The Power to Dream

The highlight of the year was the completion of the restoration of the 4-6-2 Merchant Navy Class locomotive 35005 *Canadian Pacific* and its return to steam in March 2025. This is the culmination of a multi-decade and multi-million pound project to bring this 1941 locomotive back into operation and, in the process, highlight the human stories surrounding it. The Trust funded the completion of the locomotive on time through its legacy income, highlighting the importance of those remembering the Railway in their wills.

At the same time, the Bulleid carriage 4211 restoration was completed, featuring an innovative roof sealing methodology to improve the life of the canvas-covered wooden roof; and internal changes to improve accessibility advised by the students of the local Treloars School.

In addition to the engineering achievement, the launch of the locomotive marked a step change since the Covid contraction in the organisation's ability to engage stakeholders and generate news coverage. A PR strategy based on the main themes of the project

- **Freedom** in the wartime stories of sacrifice in the context of the locomotive build at a time of material shortages and the Merchant Navy shipping losses after which the class was named; the women who took over war work to build the locomotive at Eastleigh Railway Works; and the role of the locomotive around D-Day and repatriation
- **Hope** in the peacetime stories of the Windrush and £10 POMS whose first and last journeys by rail in the UK were the trains to and from the south coast ports; the holiday boom after the war and the glamorous boat trains that promoted international travel by rail

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

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FOR THE YEAR ENDED 31 MARCH 2025

- **Power** in Bulleid's innovative and American-inspired design improvements to produce a loco of speed and capability that defied the BR standard test equipment; set speed records; and modernised the technology and ergonomics of locomotive design of its day.

The launch week made a significant contribution to the Railway at a key moment, coming out of the winter period and welcoming more than 2,500 guests on its celebration trains.

Railway 200

The Watercress Line took an early lead in promoting and engaging the public with the national celebrations for the 200th anniversary of the first passenger rail journey. The Learning and Outreach Co-ordinator partnered with the Winchester Poetry Festival to work with over 100 authors and poets who contributed to the creation of a railway poetry and prose anthology which can be viewed on the railway's website. The team also ran an award-winning creative community engagement project working with over 100 individuals and community groups and funded by the Arts Society Alresford. Tactile textile panels inspired by Railway 200 stories were collaboratively designed and crafted by the volunteers and launched into a programme of display across the region in the Railway 200 year.

Business stability

The Watercress Line welcomed 80,317 passengers in the year, an 8.5% increase at a time of visitors falling across the heritage sector. Business continued to manage on an 'austerity' footing, reviewing and managing its resources relentlessly by improving transparency, driving out inefficiencies, raising margins, streamlining processes and focussing on the visitor experience. Emblematic of this success was the vital winter Steam Illuminations event which ran fewer services, attracted more visitors, and improved the experience, delighting nearly 20,000 visitors while delivering a 12% improvement in Revenue Per Passenger Mile on the prior year.

Learning and Outreach

The Education and Outreach team was shortlisted for the Heritage Railway Association 'Team of the Year' award in February 2025 and received a highly commended award. The team was also the LinkedIn Community and Archive Heritage Group's Group of the Month for its Railway 200 work.

A total of 3,463 learners were engaged across on and offsite activities including formal and informal, led and self-guided visitors to the railway. A further 678 learners were turned away due to capacity constraints. New volunteers were trained and the team expanded in the year. The Little Locos early years club was discontinued due to year-round competition in the local area. The Education Room at Ropley is hampered by a lack of heating to sustain year-round activity.

Education activities are core funded by the Trust and delivered by a Learning and Outreach Officer supported by thirteen volunteers.

	Institutions	Learners
Education:		
Key Stages: Early Years, Reception and Year 1-2	33	1241
Schools	3	42
Key Stage 3-4 schools	4	129
Further and Higher education	2	46
Home Education groups		
Youth Groups:		
Scouting and Girl Guiding groups	8 groups	199
Evening visits at Ropley	15 groups	451
Outreach talks and workshops:		
Youth groups	6 groups	205
Adult and community groups	21 groups	1150

Apprenticeships and Training

Apprentice Matt Parr left his apprenticeship at the end of March 2025 in his third year as a Fitter Machinist apprentice working with Fareham College.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2025

Volunteering

During the year, a volunteer team from the Watercress Line introduced the Heritage Operations Processing Systems (HOPS) for the management of volunteer staff information and compliance. This project, led by the Signalling Department, has enabled the organisation to move its compliance management away from distributed paper and legacy database systems, and to enable better rostering, team visibility, communications and compliance checks. It is an ongoing project but has been an exemplary volunteer team effort.

The Volunteer Steering Group is a group of volunteers that manages the development of volunteering processes and recruitment. It has had huge success with its in year recruitment by re-establishing and revitalising communications and activities that were lost over Covid, setting up systems, running regular volunteer recruitment days; responding to volunteer enquiries and galvanising internal teams to improve the clarity of their needs, responses and inductions. More than 100 new volunteers have been introduced to the Railway.

Membership

Membership of the Trust continued to decline at a rate of 3.6%, with the rates identical across life and discretionary members, and a churn rate of 15% in discretionary members. A membership research project commenced to review options for a major drive for new members and to improve the retention rates of existing membership. We thank the volunteers for continuing to manage the administration of members and company shareholders and the Watercress Line News production team who keep our Members up to date with the Railway's activities.

Structure, Governance and Management

Governing document

The Watercress Line Heritage Railway Trust Limited is a Company Limited by Guarantee. It was granted charitable status in May 1982 and is registered with the Charity Commission. Revised Articles of Association, effective from 1 April 2022, were agreed and registered by Companies House and the Charities Commission. The liability of Members is limited to £1 each.

Trustees

Trustees (who are also Directors of the Company for the purposes of company law) who served through the year are outlined on page 1. Trustees are subject to election or re-election according to procedures set out in the Articles of Association.

The Trust's Articles of Association permit the appointment of a minimum of three and up to nine Trustee/Directors who have to stand-down after three years but may be re-elected for two further periods. All are required to be appropriately skilled, according to needs, to form an effective Board. Trustees receive appropriate induction, ongoing training and annual performance appraisal. On appointment, new Trustees work alongside existing Trustees to gain experience. Training is made available for all Trustees.

Organisation and Management

The Charity operates through a Board that determines the general policy of the Trust. Committees with membership that includes both the Trust and the Company manage the tactical business of the Railway. The Business and Finance Committee ensures decisions are aligned and deliverable, and the Safety & Assurance Committee provides oversight of MHR's railway and operational safety management system.

The Board meets regularly throughout the year and is supported by the Chief Executive Officer who advises on and implements decisions. The Board is responsible for setting strategy and direction with MHR running railway operations and commercial activities. Routine administrative functions are undertaken by MHR.

Risk Management

The Trustees regularly review the finances and risks of the Charity and its subsidiary companies and examines the major risks the Charity faces when preparing and updating their plans. In conjunction with the MHR Directors, the Charity has developed systems to monitor and control these risks and manage any impact that they may have in the future. MHR controls the Safety Management Systems for the operation of the railway and ongoing reviews includes risk analysis and assessment.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2025

The Trustees have identified the top three risks to the Trust are:

- Financial resilience due to changing demographics and giving habits
- Environmental preparedness due to changing legislation and cultural expectations
- Leadership and skills due to increasing competition for effective talent

The key risks for the Company are:

- cash flow, which is being managed in an active turnaround
- matching products with changing consumer spending
- filling technical skilled roles
- supply chain disruption and price volatility

Related parties

The Charity has two subsidiary but not wholly owned companies:

- Mid-Hants Railway Limited which operates the railway under the brand name 'The Watercress Line'.
- Wadebridge (34007) Locomotive Limited which owns the Southern Railway West Country class locomotive 'Wadebridge', which is in restoration.

Shares in each can only be purchased by the Trust and existing shareholders are encouraged to transfer their shares to the Trust.

Sustainability

The Charity Commission encourages Trustees to consider the sustainability of their charity and its future. The Trustees recognise the steps that have been taken to secure the future of the railway, the clearer financial transparency, success in attracting talent, increase in visitors, improved company trading and successful volunteer recruitment. It has supported the active turnaround of the Company and invested in its Locomotive projects providing assets, securing skills and supporting the company. It has confidence in the future and the ability of the charity to attract support to secure the long-term sustainability and viability of the railway.

Financial Review

The Trust (as a group) reported strong income from its trading and charitable activities. However, the Trust reports a net deficit of £2,544,173 compared to a surplus of £462,281 in 2024. This deficit has arisen through a write-down in the value of a number of fixed assets in the current period following the adoption of more rigorous and consistent methodology to determine the audit value of rolling stock, particularly locomotives, for which there is little market data, and which recognises the restoration costs now run ahead of realisable value .

The subsidiary companies, Mid-Hants Railway Limited reported a loss of £683,152 and Wadebridge (34007) Locomotive Limited reported a loss of £420,253 in the year ended 31 March 2025.

MHR has taken active measures to turn around throughout the period, supported by the Trust in improving financial transparency, attracting talent, reviewing its assets and business and winning the support of its volunteers and funders. These measures have been bolstered with firm and positive support from its bank.

As a Group, the Watercress Line derives revenue from

- Travel on and around heritage assets and events that support its charitable aims.
- Trading activities to support visitors and events.
- Rents and revenue from railway estate and infrastructure.
- Earned income from specialist engineering activities.
- Donations, grants and legacies.

Reserves policy

The policy of the Charity is to maintain a level of unrestricted funds, not committed or invested in tangible assets, which will enable the Charity to ensure continuity of activity and have the ability to adjust, in a measured way, to any significant changes in resources. The Reserves Policy recognises that reserves are necessary to maintain the day to day operations of the charity for a period of six months. The Trustees seek to keep a £150,000 buffer between available funds and committed funds. At the year end this criteria was not met but action has been taken since the year end to bring this in line.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT)

FOR THE YEAR ENDED 31 MARCH 2025

As of 31 March 2025, the total funds of the Charity were £6,465,384 (2024: £9,009,557). Of these, £942,750 (2024: £1,107,638) are restricted funds, and £5,523,332 (2024: £7,901,919) are unrestricted funds. Of the unrestricted funds, £6,745,902 (2024: £8,888,601) is represented by tangible fixed assets, and £308,137 represented by net current liabilities (2024: £64,295 net current assets.) There are long-term liabilities and provisions of £914,433 (2024: £1,050,977).

Plans for future periods

The Boards of the Charity and MHR met during the year to review the financial position of the companies, develop the fundraising strategy and grant applications.

The Charity's income includes a large proportion of grants, donations and legacy income. By its nature the level of this income cannot be assured in any year. The Trustees acknowledge that they would be able to delay capital projects if required to balance cash flow were there to be a shortfall in expected income.

The Trust has developed a fundraising strategy and in 2025-6 will leverage the return to steam of Canadian Pacific and develop its long term strategy to create a vision for the Railway in 2050. It will continue to run campaigns to support the Railway and specific projects as well as developing capacity and capability. These campaigns will help to shape and bed in the staff, structures and habits of fundraising that will allow the Trust to continue to raise regular funds to support its charitable objectives across the Railway.

Looking forward, the Trustees expect income to be a continuing mix of grants, subscriptions, donations and legacy income.

Disclosure of information to auditors

In so far as the Trustees are aware:

- there is no relevant audit information of which the charitable group'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.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditor

Azets Audit Services were appointed as auditor to the charitable company and group and a resolution proposing that they be re-appointed will be put to a General Meeting, in accordance with section 485 of the Companies Act 2006.

The Trustees' report, including the Directors' report and strategic report, was approved by the Board of Trustees.

By Order of the Board



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Stephen Evans

Chair of the Board of Trustees

Date: 08 December 2025

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

STATEMENT OF TRUSTEES' RESPONSIBILITIES

FOR THE YEAR ENDED 31 MARCH 2025

The Trustees (who are also Directors of Watercress Line Heritage Railway Trust Limited for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Directors' and Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the Trustees to prepare financial statements for each financial year. Under company law the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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 2019 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group 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 group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

Opinion

We have audited the financial statements of Watercress Line Heritage Railway Trust Limited (the 'charitable parent company') and its subsidiaries (the 'group') for the year ended 31 March 2025 which comprise the consolidated statement of financial activities, the group and charitable parent company balance sheets, the consolidated statement of cash flows and the notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 charitable parent company's affairs as at 31 March 2025 and of the group's incoming resources and application of resources, 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 group and charitable parent 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

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or charitable parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The trustees are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated, we do not express any form of assurance conclusion thereon. 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 course of 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report, which includes the strategic report and directors' report prepared for the purposes of company law, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report included within the trustees' report have been prepared in accordance with the applicable legal requirements

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and charitable parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report included within the trustees' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and proper 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 trustees' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of trustees

As explained more fully in the statement of trustees' responsibilities, the trustees (who are also the directors of the charitable parent company for the purpose 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 group and charitable parent 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 group or charitable parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities is available on the Financial Reporting Council's website at <https://www.frc.org.uk/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx>.

This description forms part of our auditor's report.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES OF WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

In response to the risk of irregularities and non-compliance with laws and regulations, including fraud, we designed procedures which included:

- Enquiry of management and those charged with governance around actual and potential litigation and claims as well as actual, suspected and alleged fraud;
- Reviewing minutes of meetings of those charged with governance;
- Assessing the extent of compliance with the laws and regulations considered to have a direct material effect on the financial statements or the operations of the entity through enquiry and inspection;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management bias and override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for indicators of potential bias.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

Use of our report

This report is made solely to the charitable 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 charitable company's members those matters we are required to state to them in an auditors' 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Azets Audit Services

Jon Noble (Senior Statutory Auditor)
For and on behalf of Azets Audit Services

9 December 2025

Chartered Accountants
Statutory Auditor

Third Floor, Gateway House
Tollgate
Chandlers Ford
Hampshire
United Kingdom
SO53 3TG

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (including Summary of Income and Expenditure)

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	Unrestricted Funds	Restricted Funds	Total Funds	Total Funds (restated)
		£	£	2025 £	2024 £
Income					
Donations and legacies	3	235,597	371,124	606,721	1,115,862
Income from charitable activities	4	36,185	-	36,185	37,514
Income from other trading activities	5	2,955,253	-	2,955,253	2,639,397
Investment income	6	20,984	-	20,984	18,411
Other income	7	39,810	-	39,810	35,454
Total income		3,287,829	371,124	3,658,953	3,846,638
Expenditure					
Costs of raising funds	5	3,519,819	-	3,519,819	3,141,152
Expenditure on charitable activities	8	266,581	25,554	292,135	277,392
Impairment of assets	14/15	2,417,232	-	2,417,232	-
Total expenditure before interest and taxation		6,203,632	25,554	6,229,186	3,418,544
Interest payable		(46,981)	-	(46,981)	(54,760)
Taxation	13	73,041	-	73,041	88,947
Net Income/(Deficit)		(2,889,743)	345,570	(2,544,173)	462,281
Transfers between funds	24/25	511,156	(511,156)	-	-
Net movement in funds		(2,378,587)	(165,586)	(2,544,173)	462,281
Fund balances at 01 April		7,901,919	1,107,638	9,009,557	8,547,276
Fund balances at 31 March		5,523,332	942,052	6,465,384	9,009,557

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (including Summary of Income and Expenditure)

FOR THE YEAR ENDED 31 MARCH 2025

Prior financial year	Notes	Unrestricted Funds (restated)	Restricted Funds (restated)	Total Funds (restated) 2024
		£	£	£
Income				
Donations and legacies	3	798,862	317,000	1,115,862
Income from charitable activities	4	37,514	-	37,514
Income from other trading activities	5	2,639,397	-	2,639,397
Investment income	6	18,411	-	18,411
Other income	7	35,454	-	35,454
Total income		3,529,638	317,000	3,846,638
Expenditure				
Costs of raising funds	5	3,141,152	-	3,141,152
Expenditure on charitable activities	8	261,336	16,056	277,392
Total expenditure before interest and taxation		3,402,488	16,056	3,418,544
Interest payable		(54,760)	-	(54,760)
Taxation	13	88,947	-	88,947
Net Income/(Deficit)		161,337	300,944	462,281
Transfers between funds	24/25	164,273	(164,273)	-
Net movement in funds		325,610	136,671	462,281
Total funds brought forward		7,576,309	970,967	8,547,276
Total funds carried forward		7,901,919	1,107,638	9,009,557

The prior year Statement of Financial Activities has been restated to ensure classification of income and expenditure is consistent with the current financial year. Total income, total expenditure, and total funds are unchanged.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2025

Group	Notes	2025		2024	
		£	£	£	£
Fixed assets:					
Tangible assets	14		6,745,902		8,822,190
Investments	15		-		66,411
			<u>6,745,902</u>		<u>8,888,601</u>
Current assets:					
Stock	16	217,840		267,588	
Debtors	17	241,531		714,967	
Cash at bank and in hand		<u>1,137,919</u>		<u>1,123,859</u>	
		1,597,290		2,106,414	
Creditors: amounts falling due within one year	18	<u>(963,375)</u>		<u>(934,481)</u>	
Net current assets			<u>633,915</u>		<u>1,171,933</u>
Total assets less current liabilities			7,379,817		10,060,534
Creditors: amounts falling due after more than one year	19		(706,661)		(770,164)
Provisions for liabilities	22		(207,772)		(280,813)
Net assets			<u><u>6,465,384</u></u>		<u><u>9,009,557</u></u>
Income funds					
Restricted income funds	25		942,052		1,107,638
Unrestricted income funds:	24				
General funds		4,530,513		6,902,272	
Other reserve		514,765		514,765	
Minority interests		<u>478,054</u>		<u>484,882</u>	
			5,523,332		7,901,919
Total funds			<u><u>6,465,384</u></u>		<u><u>9,009,557</u></u>

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

BALANCE SHEET

FOR THE YEAR ENDED 31 MARCH 2025

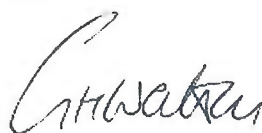
Company

		2025		2024	
	Notes	£	£	£	£
Fixed assets:					
Tangible assets	14		1,854,947		2,688,157
Investments	15		<u>847,920</u>		<u>907,503</u>
			2,702,867		3,595,660
Current assets:					
Debtors	17	119,813		632,634	
Cash at bank and in hand		<u>1,131,310</u>		<u>1,092,547</u>	
		1,251,123		1,725,181	
Creditors: amounts falling due within one year	18	<u>(91,731)</u>		<u>(24,642)</u>	
Net current assets			<u>1,159,392</u>		<u>1,700,539</u>
Total assets less current liabilities			3,862,259		5,296,199
Creditors: amounts falling due after more than one year			-		-
Provisions for liabilities			-		-
Net assets			<u><u>3,862,259</u></u>		<u><u>5,296,199</u></u>
Funds					
Restricted income funds	25		942,052		1,107,638
Unrestricted income funds:			2,920,207		4,188,561
Total funds			<u><u>3,862,259</u></u>		<u><u>5,296,199</u></u>

The financial statements on pages 14 to 39 were approved by the Board of Directors and authorised for issue on 08 December 2025 and were signed on its behalf by:



Director – S Evans



Director – G H Watson

Company registered number: 01126590

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

CONSOLIDATED STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2025

	Notes	2025 £	2024 (restated) £
Net cash provided by operating activities:	31	808,399	86,365
Cash flows from investing activities:			
Interest received	6	20,984	18,411
Proceeds sale fixed assets		225,000	-
Purchase of tangible fixed assets	14	(943,288)	(829,238)
Net cash used in investing activities		<u>(697,304)</u>	<u>(810,827)</u>
Cash flows from financing activities:			
Increase/(reduction) of borrowings	20	(90,099)	(263,362)
Change in cash and cash equivalents in the year		<u>20,996</u>	<u>(987,824)</u>
Cash and cash equivalents at the start of the year		<u>821,047</u>	<u>1,808,871</u>
Cash and cash equivalents at the end of the year	32	<u>842,043</u>	<u>821,047</u>

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

Charity information

Watercress Line Heritage Railway Trust Limited is a private charitable company limited by guarantee incorporated in England and Wales. The registered office is Alresford Station, Alresford, SO24 9JG.

1.1 Accounting convention

The financial statements have been prepared in accordance with the Companies Act 2006, and "Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102)" (effective 1 January 2019). The charitable company is a Public Benefit Entity as defined by FRS 102.

The financial statements are prepared in sterling, which is the functional currency of the charitable company. Monetary amounts in these financial statements are rounded to the nearest £1.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain freehold land and buildings and other assets at fair value. The principal accounting policies adopted are set out below.

Preparation of consolidated financial statements

The financial statements consolidate the results of the charitable company and its subsidiaries. Mid-Hants Railway Limited and Wadebridge (34007) Locomotive Limited are consolidated using the purchase method. The net income from the subsidiary companies is shown in note 5 of the accounts. Transactions within the group are eliminated on consolidation.

1.2 Going concern

At the time of approving the financial statements the Trustees have a reasonable expectation that the charitable company and group have adequate resources to continue in operational existence for the foreseeable future. Thus the Trustees continue to adopt the going concern basis of accounting in preparing the financial statements.

The Trustees recognise that there is uncertainty in a consumer industry and that discretionary spend and donations have to be fought for. Improved transparency and active management has given confidence that costs in the Group are being controlled. The review of major costs such as energy contracts, and the reprofiling of the CBILS loan to a 15-year bank loan has eased the pressure on the Group while new products and improved productivity take effect. Proactive assessment is ongoing to seek new operating income opportunities and other funding options, and these continue to be pursued with vigour.

Whilst the Trustees recognise the challenges and uncertainties that the railway faces, they believe that with continued support from the bank, the actions already implemented detailed above, and continued scrutiny by the Trustees and MHR Board, the Group will continue as a going concern. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements and are content that the budgeted income and expenditure is sufficient to be able to continue as a going concern.

1.3 Charitable funds

Unrestricted funds are available for use at the discretion of the trustees in furtherance of the general objectives of the Company, and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Company for particular purposes. The aim and use of each fund is set out in the notes to the financial statements.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

1.4 Income

Donations and income from subscriptions, stated net of value added tax, are credited on the statement of financial activities in the year to which they relate with any relating to future years being shown in creditors. Income relating to restricted funds is separately disclosed. Income from extended membership subscriptions is recognised in the year of receipt in the statement of financial activities.

In accordance with Charities SORP (FRS 102) no amounts are included in the financial statements for services donated by volunteers. The Trustees' annual report acknowledges their essential contribution to the charity's success.

Income from legacies is recognised at the earlier of the date on which either the Company is aware that probate has been granted, the estate finalised and notification received by the Company that a distribution will be made or has been received. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Company notified of the executor's intention to make a distribution. If the Company is aware of the granting of probate, but the criteria for income recognition have not been met, the legacy is treated as a contingent asset and disclosed if material.

Income from the subsidiary companies represents sales, excluding value added tax, in respect of tickets for steam train experiences and rides, retail and catering goods supplied during the year, external engineering work performed and locomotive hire charges. Payments received on account are not included within turnover until such time as the service is rendered or obligation fulfilled.

Income from government and other grants, whether 'capital' or 'revenue', is recognised when the Company has entitlement to the funds, any performance conditions have been met, it is probable the income will be received and the amount can be measured reliably and is not deferred.

Interest from funds on deposit is included upon notification of interest payable by the bank. Dividends from shareholdings are recognised when the dividend is received.

1.5 Expenditure

Expenditure is accounted for on an accruals basis and recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Cost of raising funds are those incurred by the subsidiary companies in commercial trading.

Charitable activities include expenditure associated with the maintenance and preservation of railway transportation systems, equipment and any support costs associated with those activities.

Support costs include functions that support the work of the Company, but do not directly undertake charitable activities.

Governance costs include those incurred in the governance of the Company and its assets and are primarily associated with constitutional and statutory requirements.

Grants payable are payments to third parties for furtherance of the Company's objectives. The grants are accounted for where either the trustees have agreed to pay the grant without condition and the recipient has a reasonable expectation that they will receive the grant, or any condition attaching to the grant is outside the control of the Company.

1.6 Operating leases

Costs in respect of certain hiring arrangements are accrued on an annual basis and charged directly to the SOFA. Some of the hire arrangements are open ended and have no fixed date of expiry

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

1.7 Tangible fixed assets

Tangible fixed assets are initially measured at cost, or deemed cost, being purchase price or valuation, and subsequently measured at cost, net of depreciation and any impairment losses.

Depreciation is recognised to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold land and buildings	0-2% straight line basis
Plant and machinery	0-25% straight line basis
Rolling stock	10-12.5% straight line basis
Assets in the course of construction	Not depreciated until brought into use

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset and is recognised in net income/(expenditure) for the year.

Restoration costs for locomotives are capitalised as fixed assets, and depreciated from the point at which the locomotive re-enters services over the length of their boiler certificate (usually 10 years), deemed to be the expected useful economic life. Locomotives are depreciated down to their residual non-running value. Where a locomotive, owned by an independent group, is overhauled by the company and a long-term hire agreement is in place, the costs incurred are capitalised. Costs are depreciated on a straight-line basis over the expected useful life (usually 10 years).

Other than the Ropley engineering workshops, depreciated at 2% per annum, the freehold land and buildings are not depreciated below their residual value. In the opinion of the Directors, it is the Company's purpose to restore, preserve and keep these assets in good repair for the future. Freehold property consists mainly of historic buildings which have long useful economic lives and high residual values. The trustees are of the opinion that no circumstances causing an impairment of value of land and buildings have occurred. The Group has taken advantage of the transitional provisions of FRS102 to retain previously re-valued assets at their book value.

1.8 Fixed asset investments

Fixed asset investments are stated at cost, or valuation, less provision for any impairment in value.

1.9 Impairment of fixed assets

At each reporting end date, the charity reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Any impairment is recorded via the profit and loss account.

1.10 Stocks

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

1.11 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

1 Accounting policies

1.12 Financial instruments

The charity has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all its financial instruments.

Financial instruments are recognised in the charity's balance sheet when the charity becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Basic financial liabilities

Basic financial liabilities including creditors are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of operations from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the charity's contractual obligations expire or are discharged or cancelled.

1.13 Taxation

The Company is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Within the subsidiary companies, deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used. Current and deferred tax assets and liabilities are not discounted.

1.14 Employee benefits

Termination benefits are recognised immediately as an expense when the charity is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

1.15 Retirement benefits

The Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

1.16 Provisions

Provisions are recognised when the company has a legal or constructive present obligation as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting end date, taking into account the risks and uncertainties surrounding the obligation. Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value. When a provision is measured at present value, the unwinding of the discount is recognised as a finance cost in the statement of financial activities in the period in which it arises.

1.17 Regional groups

A number of regional groups of volunteers and supporters hold funds to support their day to day activities. Total income and expenditure is shown in these accounts whilst specific donations to the Company are included in donations on a received basis.

2 Judgements and key sources of estimation uncertainty

In the application of the charity's accounting policies, the trustees are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements:

- Depreciation, and estimation of the useful lives of fixed assets
- Residual values of tangible fixed assets
- Legacy income recognition

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

3 Income from donations and legacies

	Unrestricted funds	Restricted funds	Total funds	Total funds
	2025	2025	2025	2024
	£	£	£	£
Donations	84,196	301,240	385,436	362,719
Legacies	130,554	2,000	132,554	735,120
Grants	-	67,884	67,884	-
Gift aid	20,847	-	20,847	18,023
Total donations and legacies	235,597	371,124	606,721	1,115,862

	Unrestricted funds	Restricted funds	Total funds	Total funds
	2024	2024	2024	2023
	£	£	£	£
Donations	45,719	317,000	362,719	640,141
Legacies	735,120	-	735,120	24,462
Grants	-	-	-	-
Gift aid	18,023	-	18,023	15,275
Total donations and legacies	798,862	317,000	1,115,862	679,878

4 Income from charitable activities

	Unrestricted funds	Total funds	Unrestricted funds	Total funds
	2025	2025	2024	2024
	£	£	£	£
Subscriptions	36,185	36,185	34,970	34,970
Regional groups	-	-	2,544	2,544
	36,185	36,185	37,514	37,514

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

5 Trading activities

	Note	Total Unrestricted funds 2025 £	Total Unrestricted funds 2024 £
Charity trading income			
Trading income		2,955,253	2,639,397
Fundraising and trading expenses			
Cost of goods sold		1,174,473	1,063,419
Staff related costs		1,155,359	1,033,841
Marketing		152,276	141,874
Utilities		205,578	206,711
Depreciation		374,609	286,640
All other costs		136,225	99,031
Support costs	9	130,688	109,107
Governance costs	9	190,611	200,529
		3,519,819	3,141,152
Net expenditure from trading activities		(564,566)	(501,755)

Included in the above trading activities are the results of the group's subsidiaries, Mid-Hants Railway Limited (Company No. 01673483), which operates commercial activities on The Watercress Line, and Wadebridge (34007) Locomotive Limited. The results have been adjusted to remove transactions between group companies. A summary of the results for the subsidiaries is as follows:

	Mid-Hants Railway Limited		Wadebridge (34007) Locomotive Limited	
	2025 £	2024 £	2025 £	2024 £
Turnover	3,386,882	2,803,390	223	1,285
Other income	240,934	418,037	430,698	102,386
Expenditure	(4,129,925)	(3,739,498)	(13,483)	(8,429)
Movements relating to taxation	1,979	107,043	71,062	(18,096)
Impairment of assets	(183,022)	-	(908,753)	-
Profit/(loss) for the year	(683,152)	(411,028)	(420,253)	77,146
Net Assets / Capital & Reserves	3,149,575	3,832,727	390,160	810,413

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

6 Investment income

	Unrestricted funds	Total funds	Unrestricted funds	Total funds
	2025	2025	2024	2024
	£	£	£	£
Bank interest receivable	20,984	20,984	18,411	18,411

7 Other incoming resources

	Unrestricted funds	Total funds	Unrestricted funds	Total funds
	2025	2025	2024	2024
	£	£	£	£
Rental income	31,482	31,482	28,650	28,650
Other income	8,328	8,328	6,804	6,804
	39,810	39,810	35,454	35,454

The presentation of the comparative figures has been restated to be consistent with the presentation of other income in the current year.

8 Expenditure on charitable activities

		Unrestricted funds	Restricted funds	Total funds	Unrestricted funds	Restricted funds	Total funds
	Note	2025	2025	2025	2024	2024	2024
		£	£	£	£	£	£
Locomotive maintenance		16,157	25,554	41,711	7,500	16,056	23,556
Watercress Line News		7,922	-	7,922	9,804	-	9,804
Regional group expenditure		4,023	-	4,023	4,125	-	4,125
Hampshire Unit costs		67,449	-	67,449	11,895	-	11,895
Subscriptions		4,360	-	4,360	4,282	-	4,282
Depreciation of tangible fixed assets		42,018	-	42,018	40,120	-	40,120
Loco storage costs		910	-	910	4,260	-	4,260
Support costs	9	91,536	-	91,536	137,911	-	137,911
Governance costs	9	32,206	-	32,206	41,439	-	41,439
		266,581	25,554	292,135	261,336	16,056	277,392

Following a review of the allocation of costs in the current financial year, the comparative figures have been restated to show costs previously included as costs of trading activities as apportioned against cost of charitable activities, consistent with presentation in the current year. (There has been no change in total expenditure recognised in the prior year).

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

9 Support and governance costs

	Support costs	Governance costs	2025	Support costs	Governance costs	2024
	£	£	£	£	£	£
Staff costs	217,311	-	217,311	244,708	-	244,708
Printing, postage, IT and stationery	3,965	-	3,965	1,648	-	1,648
Bank charges	948	-	948	662	-	662
Auditors remuneration	-	40,824	40,824	-	44,625	44,625
Professional fees	-	66,483	66,483	-	82,305	82,305
Meeting costs	-	100	100	-	1,237	1,237
Insurance	-	115,410	115,410	-	113,801	113,801
	222,224	222,817	445,041	247,018	241,968	488,986

Support costs in the prior year have been restated to be comparable with costs identified as support and governance costs in the current year. Total expenditure for the prior year is unchanged.

10 Net movement in funds

Net movement in funds is stated after:	2025	2024
	£	£
Depreciation of owned tangible fixed assets	416,629	326,760
(Profit)/ loss on disposal of tangible fixed assets	27,126	(3,000)
Impairment of tangible fixed assets	2,350,821	-
Impairment of investments	66,411	-
Operating lease costs	14,127	13,790

11 Auditors' remuneration

Fees payable to the company's auditor and associates	2025	2024
	£	£
Audit of the financial statements of the group and companies	16,500	22,000
Non audit services	12,400	11,750
	28,900	33,750

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

12 Staff costs

Staff costs for the group during the year were as follows:

	2025	2024
	£	£
Wages and salaries	1,143,687	988,076
Social security costs	106,579	91,191
Pension costs	22,965	19,947
	<u>1,273,231</u>	<u>1,099,214</u>

The average monthly number of employees was as follows:

	2025	2024
	No.	No.
Trading operations	14	12
Engineering	22	23
CEO, senior team, and admin	8	7
	<u>44</u>	<u>42</u>

The average monthly number of full-time equivalent employees during the year was 36 (2024: 30.5).

The number of higher paid employees was:

	2025	2024
	No.	No.
In the band £60,001 - £70,000	-	1
In the band £80,001 - £90,000	1	1

Key management personnel received remuneration and benefits totalling £144,455 (2024: £144,735) and pension contributions of £2,428 (2024: £2,642). During the year, the charity recognised expenditure for termination payments totalling £4,900 (2024: £0).

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

13 Taxation

The Company is a registered charity and is exempt from taxation under S505 Taxes Act 1988. The Company is registered for Value Added Tax. No provision for corporation tax has been made for Mid-Hants Railway Limited or Wadebridge (34007) Locomotive Limited following their results for the year.

a) Analysis of charge in the year

	2025	2024
	£	£
Deferred tax movement	73,041	88,947

(b) Factors affecting current tax charge

	2025	2024
	£	£
Loss on ordinary activities before taxation	(1,176,446)	(422,829)
Loss on ordinary activities by rate of tax 25% (2024: 19%)	(294,112)	(80,338)
Effects of:		
Items not deductible	2,630	14,586
Impact of rate changes	171,969	(75,984)
Fixed asset adjustment	-	54,161
Permanent differences in respect of depreciation	17,145	-
Sale proceeds	-	(46,318)
Chargeable gain	-	44,946
Deferred tax asset not recognised in relation to losses	29,327	-
Total current tax	(73,041)	(88,947)

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

14 Tangible fixed assets

Group	Freehold land and buildings	Plant and machinery	Rolling stock	Assets in course of construction	Total
Cost	£	£	£	£	£
At 01 April 2024	3,345,840	2,502,228	3,979,340	2,232,527	12,059,935
Additions	-	39,213	6,612	897,463	943,288
Disposals	-	(41,544)	(764,504)	-	(806,048)
Transfer between classes	-	-	1,472,510	(1,472,510)	-
At 31 March 2025	3,345,840	2,499,897	4,693,958	1,657,480	12,197,175
Depreciation					
At 01 April 2024	568,285	886,213	1,783,247	-	3,237,745
Charge for the year	77,183	119,156	220,290	-	416,629
Depreciation on disposals	-	(3,168)	(550,754)	-	(553,922)
Impairment	-	-	1,061,231	1,289,590	2,350,821
At 31 March 2025	645,468	1,002,201	2,514,014	1,289,590	5,451,273
Net book value					
At 31 March 2025	2,700,372	1,497,696	2,179,944	367,890	6,745,902
At 31 March 2024	2,777,555	1,616,015	2,196,093	2,232,527	8,822,190

Rolling stock, previously included as part of plant and equipment, has been presented as a separate class of asset in the current year, to give a clear presentation of movements relating to these assets. The brought forward figures have been restated to show this classification.

An open market vacant possession valuation undertaken by Grimley, international property advisers, in August 1999 at the request of MHR Ltd, placed a value of £860,000 on the freehold land and buildings. The Directors consider that this valuation supports the existing use value placed on these assets in the financial statements. Freehold land and buildings are included above at this open market valuation together with the cost of subsequent additions and improvements.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

14 Tangible Fixed Assets (continued)

	2025	2024
	£	£
Cost or valuation of freehold land and buildings is represented by:		
Valuation in 1999	860,000	860,000
Costs since 1999	2,485,840	2,485,840
	<u>3,345,840</u>	<u>3,345,840</u>

If land and buildings had not been revalued, they would have been included at the following amounts:

Historical Cost	2,831,075	2,831,075
Cumulative Depreciation	(614,629)	(568,285)
Net Book Value	<u>2,216,446</u>	<u>2,262,790</u>

Company

	Freehold land and buildings	Plant and machinery	Rolling stock	Assets in course of construction	Total
Cost	£	£	£	£	£
At 01 April 2024	494,785	78,822	844,229	1,803,827	3,221,663
Additions	-	-	5,017	462,839	467,856
Disposals	-	-	-	-	-
Transfer between classes	-	-	1,453,209	(1,453,209)	-
At 31 March 2025	<u>494,785</u>	<u>78,822</u>	<u>2,302,455</u>	<u>813,457</u>	<u>3,689,519</u>
Depreciation					
At 01 April 2024	81,239	44,194	408,073	-	533,506
Charge for the year	8,604	5,476	27,939	-	42,019
Depreciation on disposals	-	-	-	-	-
Impairment	-	-	878,209	380,838	1,259,047
At 31 March 2025	<u>89,843</u>	<u>49,670</u>	<u>1,314,221</u>	<u>380,838</u>	<u>1,834,572</u>
Net book value					
At 31 March 2025	<u>404,942</u>	<u>29,152</u>	<u>988,234</u>	<u>432,619</u>	<u>1,854,947</u>
At 31 March 2024	<u>413,546</u>	<u>34,628</u>	<u>436,156</u>	<u>1,803,827</u>	<u>2,688,157</u>

The Directors regard all the Company's fixed assets as being used for direct charitable purposes. Land and buildings owned by the Company are the Alresford Goods Shed.

Included in the Company's assets in course of construction are locomotives 75079, 34005 and 80150. Included in the Group disclosures are locomotives 41312 and 3781, and coaches SC1105, E4549, E4910, S35329, S21236, 3769 and van 765.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

15 Fixed asset investments

	Group		Company	
	2025	2024	2025	2024
	£	£	£	£
Market value at 1 April 2024	66,411	66,411	907,503	902,973
Increase from donation of shares	-	-	6,828	4,280
Additional investment	-	-	-	250
Impairment of investments	(66,411)	-	(66,411)	-
Market value at 31 March 2025	-	66,411	847,920	907,503

Investments at market value comprise:

	Group		Company	
	2025	2024	2025	2024
	£	£	£	£
Shares in Mid-Hants Railway Ltd				
· Dividend shares of £1 each	-	-	100	100
· Ordinary shares of 25p each	-	-	433,217	427,389
Shares in Wadebridge (34007) Locomotive Ltd	-	-	414,603	413,603
	-	-	847,920	841,092
34105 Light Pacific Group (unlisted investments)	-	66,411	-	66,411
	-	66,411	847,920	907,503

The Company owns all of the issued Equity Dividend shares in Mid-Hants Railway Limited (company registered number 1117090) in addition to 55.05% (2024: 54.3%) of the issued Ordinary non equity 25p shares. MHR Ltd is an unlisted company registered and operating in England and Wales, and its accounting year-end is co-terminus with the Company. It is not possible to quantify the likely market value of the investment. At 31 March 2025 the net assets of MHR Ltd were £3,149,575.

The Company also owns a controlling interest of 76.96% (2024: 76.8%) of the issued share capital of Wadebridge (34007) Locomotive Limited (company registered number 01673483). The objectives of this company are to maintain and hire ex-Southern Railway Locomotive 34007 Wadebridge. At 31 March 2025 the net assets of Wadebridge Ltd were £390,160.

The 34105 Light Pacific Group is an unincorporated organisation which owns ex-British Railways Southern Region Locomotive 34105 Swanage. The company owns 26.6% of the issued shares in the locomotive. The value of this share has been impaired during the year, to reflect the expected realisable value of the investment to the charity, in accordance with FRS 102. However, the share of ownership of the locomotive is still held.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

16 Stocks

	Group		Company	
	2025	2024	2025	2024
	£	£	£	£
Raw materials	37,018	40,381	-	-
Finished goods	180,822	227,207	-	-
	<u>217,840</u>	<u>267,588</u>	<u>-</u>	<u>-</u>

17 Debtors

	Group		Company	
	2025	2024	2025	2024
	£	£	£	£
Trade debtors	83,221	22,699	-	-
Other taxation and social security costs	27,822	37,582	15,454	8,011
Other debtors	39,811	48,008	13,682	11,284
Regional group balances	15,442	15,442	15,442	15,442
Accrued legacy income	75,235	591,236	75,235	591,236
Amounts due from subsidiaries	-	-	-	6,661
	<u>241,531</u>	<u>714,967</u>	<u>119,813</u>	<u>632,634</u>

18 Creditors: amounts falling due within one year

	Group		Company	
	2025	2024	2025	2024
	£	£	£	£
Bank loans and overdraft	359,315	392,847	-	-
Trade creditors	232,097	276,434	9,707	17,642
Amounts due to subsidiaries	-	-	71,320	-
Other creditors	44,636	44,051	-	-
Other taxation and social security	23,671	6,269	-	-
Accruals	58,775	27,319	10,704	7,000
Deferred income	244,881	187,561	-	-
	<u>963,375</u>	<u>934,481</u>	<u>91,731</u>	<u>24,642</u>

The presentation of accruals, other creditors, and deferred income has been reclassified in the current and comparative figures, to give a clearer view of the nature of different balances contained within current creditors.

The bank loans and overdraft are secured by a fixed and floating charge over the subsidiary company's freehold railway property and other assets.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

19 Creditors: amounts falling due after more than one year

	Group		Company	
	2025	2024	2025	2024
	£	£	£	£
Bank loans	413,661	477,164	-	-
Other creditors	293,000	293,000	-	-
	<u>706,661</u>	<u>770,164</u>	-	-

20 Loans

	Group	
	2025	2024
	£	£
Bank loan	<u>477,100</u>	<u>567,199</u>
Payable within one year	63,439	90,035
Payable between two to five years by instalments	169,936	218,676
Payable in more than 5 years by instalments	243,725	258,488

21 Deferred income

	Group	
	2025	2024
	£	£
Deferred income at start of year	213,931	112,700
Resources deferred during the year	(213,931)	(112,700)
Amounts released from previous years	244,881	213,931
Deferred income at end of year	<u>244,881</u>	<u>213,931</u>

Deferred income relates to bookings made in advance for events and journey tickets.

22 Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the group:

	Group	
	2025	2024
	£	£
Deferred tax balances	<u>207,772</u>	<u>280,813</u>

23 Retirement benefit schemes

Since August 2015, Mid-Hants Railway Limited has operated a defined contribution pension scheme for its employees under the government's auto enrolment scheme. The assets of the scheme are held separately from those of the charity in an independently administered fund. The charge to profit or loss in respect of defined contribution schemes was £22,965 (2024: £19,947).

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

24 Unrestricted Funds

	Balance at 01 April 2023	Incoming resources	Resources expended	Transfers	Movement in minority interest	Balance at 01 April 2024	Incoming resources	Resources expended	Transfers	Movement in minority interest	Balance at 31 March 2025
	£	£	£	£	£	£	£	£	£	£	£
General Funds	6,572,132	3,529,638	(3,368,301)	164,273	4,530	6,902,272	3,287,829	(6,177,572)	511,156	6,828	4,530,513
Other Reserve	514,765	-	-	-	-	514,765	-	-	-	-	514,765
Minority Interests	489,412	-	-	-	(4,530)	484,882	-	-	-	(6,828)	478,054
Total Unrestricted Funds	7,576,309	3,529,638	(3,368,301)	164,273	-	7,901,919	3,287,829	(6,177,572)	511,156	-	5,523,332

The other reserve of £514,765 relates to the valuation of land and buildings which took place in 1999 which is detailed in Note 14, and is the difference between the original valuation and 1999 revaluation.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

25 Restricted funds	Balance at 01 April 2023		Incoming resources		Resources expended		Transfers		Balance at 01 April 2024		Incoming resources		Resources expended		Transfers		Balance at 31 March 2025	
	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£	£
Restoration of wagons	6,000	8,739	-	-	14,739	-	-	-	14,739	-	-	-	-	14,739	-	-	-	14,739
Bulleid coaches	13,133	923	(112)	-	13,944	5,692	-	2,000	21,636	5,692	-	2,000	-	21,636	2,000	-	-	21,636
Restoration of Locomotive 34058	207,835	347	(15,944)	-	192,238	14	-	(25,554)	166,698	14	-	(430,698)	-	166,698	-	-	-	166,698
Restoration of Locomotive 80150	54,909	12,706	-	-	67,615	9,622	-	-	77,237	9,622	-	-	-	77,237	-	-	-	77,237
Restoration of Locomotive 73096	7,859	-	-	-	7,859	-	-	-	7,859	-	-	-	-	7,859	-	-	-	7,859
Restoration of Haying coaches	21,900	2,000	-	-	23,900	-	-	(2,000)	21,900	-	-	(2,000)	-	21,900	(2,000)	-	-	21,900
Restoration of Locomotive 34007	654,331	200,993	-	(100,000)	755,324	252,675	-	(430,698)	577,301	252,675	-	(430,698)	-	577,301	(430,698)	-	-	577,301
Black 5	5,000	1,600	-	-	6,600	-	-	-	6,600	-	-	-	-	6,600	-	-	-	6,600
Restoration of Canadian Pacific	-	64,273	-	(64,273)	-	80,458	-	(80,458)	-	80,458	-	(80,458)	-	-	-	-	-	-
Restoration of Carriage F03063	-	25,000	-	-	25,000	-	-	-	25,000	-	-	-	-	25,000	-	-	-	25,000
Restoration of Locomotive 75079	-	419	-	-	419	326	-	-	745	326	-	-	-	745	-	-	-	745
Provision of Tooling	-	-	-	-	-	2,000	-	-	2,000	2,000	-	-	-	2,000	-	-	-	2,000
Maintenance of Footbridge	-	-	-	-	-	1,800	-	-	1,800	1,800	-	-	-	1,800	-	-	-	1,800
Hampshire Unit 1125	-	-	-	-	-	18,537	-	-	18,537	18,537	-	-	-	18,537	-	-	-	18,537
	970,967	317,000	(16,056)	(164,273)	1,107,638	371,124	(25,554)	(511,156)	942,052	371,124	(25,554)	(511,156)	(511,156)	942,052	(511,156)	-	-	942,052

Transfers between classes of funds

£80,458 was transferred from Restoration of Canadian Pacific to General Unrestricted Funds, reflecting the transfer of restricted donations received in the year that have been spent on restoration of this Canadian Pacific.

£430,698 was transferred from Restoration of Locomotive 34007 to General Unrestricted Funds, reflecting the transfer of restricted donations brought forward and received in the year, that have been spent on restoration of locomotive Wadebridge (34007).

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

25 Restricted funds (continued)

Restoration of Locomotive 34058 'Sir Frederick Pile'

Locomotive was previously owned by the Trust and during the prior year, ownership was transferred to Southern Locomotive Ltd ('SLL'), who will undertake the restoration of the locomotive. This fund represents donations received specifically to assist the restoration and is being used to part fund the restoration being undertaken by SSL.

Restoration of Locomotive 80150

Locomotive is owned by the Trust. This fund represents donations received specifically to assist the restoration. Funds not spent in the year have been carried forward.

Restoration of Locomotive 73096

Locomotive is owned by MHR Ltd. This fund represents donations received specifically to assist the restoration. Funds not spent in the year have been carried forward.

Restoration of Locomotive 34007 'Wadebridge'

Locomotive is owned by Wadebridge (34007) Locomotive Limited, which is undertaking the restoration. Some funds have been transferred where spend on restoration works, and the balance carried forward.

Restoration of wagons

This fund represents donations received specifically to assist with the restoration of wagons. Funds not spent in the year have been carried forward.

Bulleid coaches

This fund is to restore and replace the racks in two Bulleid coaches, S1456S and S4367S. Funds not spent in the year have been carried forward.

Restoration of Hayling coaches

This fund represents donations received towards the restoration of four 19th century coaches built by the London Brighton and South Coast Railway. Funds not spent in the year have been carried forward.

Restoration of Black 5

Locomotive is owned by the Trust. This fund represents donations received specifically to assist the restoration. Funds not spent in the year have been carried forward.

Restoration of Canadian Pacific

This fund represents grants and donations received specifically to assist with the restoration of the Canadian Pacific locomotive. Grants and donations received in the year have been spent on restoration, with no balance carried forward.

Restoration of carriage F03063

This fund represents donations received specifically to assist with the restoration of First Class carriage F03063. Funds not spent in the year have been carried forward.

Restoration of Locomotive 75079

This fund represents donations received specifically to assist with the restoration of locomotive 75079. Funds not spent in the year have been carried forward.

Provision of Tooling

This fund represents a donation specifically received to assist with the purchase of tooling for the railway. Funds not spent in the year have been carried forward.

Maintenance of Footbridge

This fund represents a donation specifically received to assist with the maintenance of the Medstead & Four Marks Footbridge. Funds not spent in the year have been carried forward.

Hampshire Unit 1125

This fund represents donations received specifically to assist with the restoration of Hampshire Unit 1125. Funds not spent in the year have been carried forward.

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

26 Analysis of net assets between funds

At 31 March 2025, fund balances are represented by:

	Group			Company		
	Unrestricted funds	Restricted funds	Total	Unrestricted funds	Restricted funds	Total
	£	£	£	£	£	£
Fixed assets	6,745,902	-	6,745,902	2,702,867	-	2,702,867
Current assets	655,238	942,052	1,597,290	309,071	942,052	1,251,123
Current liabilities	(963,375)	-	(963,375)	(91,731)	-	(91,731)
Long term liabilities	(706,661)	-	(706,661)	-	-	-
Provisions for liabilities	(207,772)	-	(207,772)	-	-	-
Total Net Assets	5,523,332	942,052	6,465,384	2,920,207	942,052	3,862,259

27 Contingent assets

There is inherent uncertainty in the probate valuation of estates as a result of the nature of underlying assets and liabilities, and the time that elapses between probate and closure of other contingencies that attend the estate. Legacies are recognised at the point of notification of grant of probate, when it can be measured or estimated with sufficient reliability.

At the year end, the charity was entitled to multiple legacies whose value could not be estimated with sufficient reliability to recognise in the year, in accordance with FRS 102 and the Charities' SORP.

28 Related party transactions

During the year, a locomotive was sold for £225,000 to a company controlled by an individual considered to be a related party of Mid-Hants Railway Ltd, and therefore of the group. The transaction took place at arm's length basis.

29 Trustees Liability Insurance

Watercress Line Heritage Railway Trust Limited have established indemnity insurance on behalf of the Trustees and Directors costing £4,642 (2024 - £4,642).

30 Operating lease commitments

The group had future minimum rentals payable under non-cancellable operating leases as follow:

	Group	
	2025	2024
	£	£
Within 1 years	18,950	19,715
Between 2 and 5 years	56,079	62,106
In over 5 years	254,612	267,536
	329,641	349,357

WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2025

31 Reconciliation of net movement in funds to net cash flow from operating activities

		Group	
	Notes	2025	2024
		£	£
Net income/(deficit) before taxation for the year		(2,617,214)	373,334
Adjustments for:			
Depreciation charges	14	416,629	326,760
Interest received	6	(20,984)	(18,411)
Decrease/(increase) in debtors		473,436	(623,404)
Increase/(decrease) in other creditors		62,426	18,495
Decrease/(increase) in stock		49,748	9,591
Impairment of tangible fixed assets and investment		2,417,232	-
Loss on disposal		27,126	-
Net cash provided by operating activities		<u>808,399</u>	<u>86,365</u>

32 Analysis of cash and cash equivalents

	Group	
	2025	2024
	£	£
Cash at bank and in hand	1,137,919	1,123,859
Overdrafts	(295,876)	(302,812)
	<u>842,043</u>	<u>821,047</u>

33 Analysis of changes in net cash

	Group		
	01 April 2024	Cash flows	31 March 2025
	£	£	£
Cash in hand	1,123,859	14,060	1,137,919
Bank loans	(567,199)	90,099	(477,100)
Overdraft	(302,812)	6,936	(295,876)
	<u>253,848</u>	<u>111,095</u>	<u>364,943</u>

Watercress Line Heritage Railway Trust Limited

England & Wales - Charity number 284406

Accounts



Watercress Line Heritage Railway Trust Limited
(Limited by Guarantee)
(Previously Mid-Hants Railway Preservation Society Limited)

Annual Report and
Consolidated Statement of Accounts
for the period ended
31 March 2022

Company registered number: 1126590

Charity registered number: 284406

Watercress Line Heritage Railway Trust Limited

Annual Report and Consolidated Accounts For the period ended 31 March 2022

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Watercress Line Heritage Railway Trust Limited

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TRUSTEES AND ADVISERS FOR THE PERIOD ENDED 31 MARCH 2022

Trustees

David Jones – Chair – appointed 24 April 2021
Peter Smith – Group Secretary
Gregory Watson – Group Treasurer
Rob Latham – resigned 12 September 2022
David Ford – resigned 1 April 2022
Richard Hawkins – appointed 24 April 2021
Stephen Evans
Richard Lacey – appointed 1 November 2021; resigned 12 September 2022
Charles Ackroyd – appointed 12 September 2022
Cathy Hakes – appointed 12 September 2022
Neil Garwood – appointed 12 September 2022
Jeremy Small – appointed 12 September 2022

Secretary and registered office

Peter Smith
Alresford Station
Alresford
SO24 9JG

Chief Executive Officer

Amanda Squires

Registered Auditors

Cochrane & Co Accountants Limited
Registered Auditor
38 Kings Road
Lee-on-the-Solent
PO13 9NU

Bankers

Barclays Bank Plc
National Westminster Bank Plc
Lloyds Bank Plc

Solicitors

Taylor Fordyce
1 & 2 City Business Centre
Hyde Street
Winchester
SO23 7FA

Paris Smith
1 London Road
Southampton
SO15 2AE

Watercress Line Heritage Railway Trust Limited

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CHAIR'S REPORT

FOR THE PERIOD ENDED 31 MARCH 2022

As I wrote this, I reflect on how much has happened in just a year.

Two years ago, we started work on a review of the governance of both the Trust and the operating company and their relationship. These new arrangements were endorsed by members and shareholders at the last AGMs in February and this year has seen the implementation and consolidation of our plans.

The newly named Trust - The Watercress Line Heritage Railway Trust, is now established and is responsible for the policy, strategic direction and fundraising for Mid-Hants Railway Ltd which manages and operates the railway and commercial activities.

We were delighted that Amanda Squires, previously COO at Brooklands Museum, joined us in August 2022 as our Chief Executive of the Watercress Line. She will provide strong leadership at a very important time for the railway.

We have also conducted an extensive search and four new Trustees join the Trust in October 2022, bringing a mixture of commercial business, leisure and heritage tourism, governance and charitable experience to strengthen our board. Our thanks go to Rob Latham for his long service as he stands down from the Trust.

We continue to face strong financial headwinds as the economy falters and the implications of a war in Europe continue to affect confidence. Costs are rising, not only in coal prices but inflation will have an effect on our operation. We are clear that our major goal must be to embark on a major fundraising campaign to mitigate these increases.

The Trust and MHR Boards continue to work together to develop the Watercress Line brand, recognising the Trust's obligation as a Charitable Trust to ensure alignment between the Railway's activities and our published educational and heritage aims.

I would like to thank my fellow Trustees, our volunteers and the employees and officers of the Mid-Hants Railway Ltd for their dedication and hard work over the last 14 months. Our collective gratitude goes to the donors, benefactors and grant-awarding bodies whose generosity helps keep us going and secure the future of the Watercress Line.

With a new structure and new Trust Board, we have every confidence we can weather the storm and ensure The Watercress Line thrives!

David Jones
Chair
17 October 2022

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) FOR THE PERIOD ENDED 31 MARCH 2022

The Trustees present their report and audited consolidated accounts for the period ended 31 March 2022 in compliance with statutory requirements and the Society's Memorandum and Articles of Association. These reflect the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

Objectives and activities

The Charity's objectives are (for public benefit) to preserve, restore, maintain, operate, exhibit, educate, instruct, stimulate, promote and encourage interest in heritage railways, locomotives, rolling stock, buildings, artifacts and equipment and to foster and support railway preservation.

Structure, governance and management

Governing document

The Watercress Line Heritage Railway Trust Limited is a Company limited by guarantee. The Company was granted charitable status in May 1982 and is registered with the Charity Commission. Revised Articles of Association, effective from 1 April 2022, were agreed and registered by Companies House and the Charities Commission.

Trustees

The Trustees (who are also Directors of the Company for the purposes of company law) who have served through the year under review were:

D Jones* – Chair (appointed 24 April 2021)

S N Evans +

R Latham (resigned 12 September 2022)

P Smith*

G H Watson+

R Hawkins* (appointed 24 April 2021)

David Ford+ (resigned 1 April 2022)

Richard Lacey (appointed 1 November 2021; resigned 12 September 2022)

Charles Ackroyd (appointed 12 September 2022)

Cathy Hakes (appointed 12 September 2022)

Neil Garwood (appointed 12 September 2022)

Jeremy Small (appointed 12 September 2022)

* Trustees who are also Directors of the subsidiary Company Mid-Hants Railway Ltd.

+ Trustees who are also Directors of the subsidiary Company Wadebridge (34007) Locomotive Ltd

As set out in Note 23, the liability of Members is limited to £1 each. The Trustees are subject to election or re-election according to procedures set out in the Company's Articles of Association which is its governing document. On appointment, new Trustees work alongside existing Trustees to gain experience. Training is made available for all Trustees.

Trustee Recruitment and Training

The Trust's Articles of Association permit the appointment of a minimum of three and up to nine Trustee/Directors who have to stand-down after three years but may be re-elected for two further periods. All are required to be appropriately skilled according to the needs of the Trust to form an effective Board. Trustees receive appropriate induction, ongoing training and annual performance appraisal.

Organisation and Management

The Charity operates through a Board and the Trustees are also Directors of the Company. The Trustees determine the general policy of the Trust. The Board meets regularly throughout the year and is supported by the Chief Executive Officer who advises on and implements decisions. The Board is responsible for setting strategy and direction with the Mid-Hants Railway Limited (a subsidiary Company) running railway operations and commercial activities. The Board regularly reviews the finances and risks of the Charity and its subsidiary company. Routine administrative functions are undertaken by Mid-Hants Railway Limited.

Watercress Line Heritage Railway Trust Limited

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) FOR THE PERIOD ENDED 31 MARCH 2022 (Continued)

Related parties

The Company has two subsidiary companies:

Mid-Hants Railway Limited ('MHR Ltd') which operates the railway under the brand name 'The Watercress Line'. Shares in MHR Ltd may only be purchased by the Trust with effect from 1 April 2022.

Wadebridge (34007) Locomotive Limited ('Wadebridge Ltd') which owns the Southern Railway West Country class locomotive 'Wadebridge', which is in the initial stages of restoration.

Shareholders of MHR Ltd and Wadebridge Ltd are encouraged to consider transferring their shares to the Charity.

Activities and operations

The Charity continues to achieve its objectives of supporting heritage railway preservation and restoration which it mainly carries out through its subsidiary MHR Ltd. The Charity makes grants for specific projects which fall within its objectives. The Charity, through MHR Ltd, welcomes visitors and volunteers from all backgrounds. Volunteers are the foundation of the railway, and are advised and trained on areas where they can assist.

The Watercress Line welcomes young people who want to learn about and enjoy the complexities of running a heritage railway, including a Miniature Railway at Ropley that provides a unique insight.

A number of local interest Groups enable Members to learn about the Society and to meet and exchange views and information. The Trustees take account of these views when considering future projects. The work of the railway's Marketing Department also helps inform Trustees about the profile of visitors and their expectations.

The Trustees gratefully acknowledge the continuing financial and physical involvement and support of members and volunteers to restoration projects and running the railway. Without their commitment and enthusiasm the Charity and Railway would not be able to operate.

Risk Management

The Trustees examine the major risks that the Charity faces when preparing and updating their plans. In conjunction with the Directors of MHR Ltd, the Charity has developed systems to monitor and control these risks to manage any impact that they may have in the future. MHR Ltd controls the Safety Management Systems for the operation of the railway and ongoing reviews includes risk analysis and assessment.

Public Benefit

The Trustees have had regard to the guidance on public benefit issued by the Charities Commission and are satisfied that all Charity operations and activities fall within that guidance.

Fund raising standards

The Charity is registered by and upholds the standards of the Fundraising Regulator. It appeals for funds from members and supporters including in the Watercress Line News, and on the website. The Charity does not sell or pass on any details about its members and supporters to any other organisation and complies with data protection requirements.

Period of accounts

The accounts cover the 14 month period from 1 February 2021 to 31 March 2022. The figures, are therefore, not comparable to the previous accounts which were for the 12 months to 31 January 2021.

Watercress Line Heritage Railway Trust Limited

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TRUSTEES' REPORT (INCLUDING DIRECTORS REPORT AND STRATEGIC REPORT) FOR THE PERIOD ENDED 31 MARCH 2022 (Continued)

Strategic Plans

The Boards of the Charity and MHR Ltd routinely meet to consider and agree strategic priorities and plans.

Sustainability and planning for the future.

The Charity Commission encourages Trustees to consider the sustainability of their charity and its future. Current knowledge indicates no current specific financial or operating problems. However, it is recognised that members and volunteers are ageing and, whilst younger volunteers are taking on new responsibilities, the Trust recognises that significant changes are needed so the Charity and its operating subsidiary can thrive and continue to achieve its main objectives in the coming decades.

In the year under review, the Charity and MHR Limited implemented the recommendations of its Governance Group to change their constitutions and ways of working to enable the future achievement of its objectives. Whilst economic and other challenges remain, the Trustees are satisfied that the successful implementation of these changes provides a secure foundation for the long-term sustainability and viability of the railway.

Financial review

The year produced a good result with net income of £869,339 compared to £394,748 last year.

The subsidiary companies, Mid-Hants Railway Limited reported a profit of £111,165 (Note 9) and Wadebridge (34007) Locomotive Limited reported a loss of £13,076 in the period year ended 31 March 2022.

Reserves policy

Note 20 to the financial statements shows the assets and liabilities attributable to the various funds by type. Group unrestricted funds (Note 19) amount to £8,876,437. After allowing for fixed assets of £9,154,376 there is a deficit of 'free' reserves of £277,939 compared to the 2021 deficit figure of £142,513. The Trustees' stated objective is to maintain a level of 'free' reserves at a level of one year's unrestricted expenditure in the Company (2022: £136,422 - 2021: £228,345). There has been continued to be very significant investment in group fixed assets this year (2022: £1,028,346 - 2021: £345,280) which affects the level of 'free' reserves but continues to place the Charity in an excellent position for the future. The Trustees' policy is, therefore, to continue building up funds by means of annual operating surpluses, supplemented by general purpose or specific appeals from time to time.

Plans for future periods

The Covid-19 Pandemic continued to affect the operations of the Watercress Line during the period. The Boards of the Charity and MHR Ltd met during the period to review the financial position of the companies, develop the fundraising strategy and grant applications.

The Charity's income includes a large proportion of grants, donations and legacy income. By its nature the level of this income cannot be assured in any year. The Trustees acknowledge that they would be able to delay capital projects if required to balance cash flow were there to be a shortfall in expected income.

Looking forward, the Trustees expect income to be a continuing mix of grants, subscriptions, donations and legacy income. Short term objectives of the Trust include a number of restoration projects the most significant of which is to complete the HLF funded restoration of locomotive 35005 and the restoration of locomotive 75079.

Watercress Line Heritage Railway Trust Limited

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TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) FOR THE PERIOD ENDED 31 MARCH 2022 (Continued)

Trustees' responsibilities statement

The Trustees (who are also Directors of Watercress Line Heritage Railway Trust Limited for the purposes of company law) are responsible for preparing the Trustees' Annual Report, including the Strategic Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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 Company will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charitable Company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Cochrane & Co Accountants Limited are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

In approving the Trustees' Annual Report, we also approve the Strategic Report included therein.

Date: 4/1/22
Alresford Station
Alresford
SO24 9JG

By Order of the Board



Peter Smith
Group Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

Qualified Opinion

We have audited the financial statements of Watercress Line Heritage Railway Trust Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the period ended 31 March 2022 which comprise the Consolidated Statement of Financial Activities, The Group and Parent Charitable Company Balance Sheets, The Consolidated Cash Flow Statement and the related 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, except for the possible effects on the corresponding figures, of the matter described in the basis for qualified opinion section of our report, 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 March 2022, 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 2022.

Basis of qualified opinion

Due to COVID 19, the country was in full lockdown at the 31 January 2021. The client was, not able to carry out a full stocktake at that year end and we were not able to attend. Stock was included in the balance sheet at a value of £211,805. Consequently, we are unable to determine whether there is any consequential adjustment effect on the cost of sales for the period ended 31 March 2022. Our audit opinion on the financial statements for the year ended 31 January 2021 was modified accordingly. Our opinion on the current period's financial statements is also modified because of the possible effect of this matter on the comparability of the current period's figures and the corresponding figures.

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 qualified opinion. Except for the matter described in the basis for qualified opinion section, we have determined that there are no key audit matters to be communicated in our report.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Except for the matter described in the basis for opinion section of our report, in the light of the 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.

Arising solely from the limitation of scope of our work relating to stock quantities, referred to above;

- we have not received all the information and explanations we require for our audit.
- We are unable to determine whether adequate accounting records have been kept.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF WATERCRESS LINE HERITAGE RAILWAY TRUST LIMITED

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and sufficient 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
- the directors were not entitled to prepare accounts in accordance with the small companies regime and take advantage of the small companies exemptions in preparing the directors' report and from the requirements to prepare a strategic report.

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 8, 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 group's and parent 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 group or the parent 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 auditor under the Companies Act 2006 and the Charities Act 2022 and report in accordance with these Acts.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below;

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to material misstatement in the financial statements or non-compliance with regulation. The risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than the error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation. As we are able to review the entire nominal ledger it is felt that our chance of detection is increased.


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/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, 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 members and its 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 members as a body and the charitable company's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Joanne Cochrane BSc FCA (Senior Statutory Auditor)
For and on behalf of Cochrane & Co Accountants Limited
Accountants and Statutory Auditors
38 Kings Road, Lee-on-the-Solent
Hampshire PO13 9NU


Date: 18/11/22

Watercress Line Heritage Railway Trust Limited

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Consolidated Statement of financial activities (including consolidated Income and Expenditure account) For the 14 month period ended 31 March 2022

	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2022 £	2021 £
Income					
Donations and legacies	2	444,279	400,661	844,940	354,483
Income from charitable activities	3	48,191	8,549	56,740	45,959
Income from other trading activities	4	3,741,027	-	3,741,027	2,701,660
Investment income	5	970	-	970	460
Total income		4,234,467	409,210	4,643,677	3,102,562
Expenditure					
Costs of raising funds	6	3,668,377	-	3,668,377	2,607,922
Expenditure on charitable activities	7	106,896	2,838	109,734	100,818
Total expenditure		3,775,273	2,838	3,778,111	2,708,740
Unrealised/realised gain on investments		3,773	-	3,773	1,551
Interest payable		-	-	-	625
Net Income		462,967	406,372	869,339	394,748
Transfers between funds	19	125,058	(125,058)	-	-
Net movement in funds		588,025	281,314	869,339	394,748
Reconciliation of funds:		8,288,412	386,150	8,674,562	8,279,814
Total funds brought forward					
Total funds carried forward	19	8,876,437	667,464	9,543,901	8,674,562

Continuing operations

All of the activities of the group are classed as continuing.

Total recognised gains and losses

The group has no recognised gains or losses other than the surplus above.

Watercress Line Heritage Railway Trust Limited

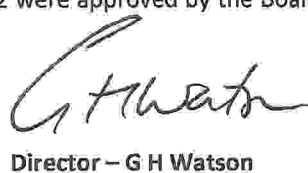
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Balance sheets At 31 March 2022

		Group		Company	
		2022	2021	2022	2021
	Notes	£	£	£	£
Fixed assets:					
Tangible assets	12	9,154,376	8,430,925	2,631,514	2,333,387
Investments	13	91,861	88,088	918,383	905,465
<i>Total fixed assets</i>		<u>9,246,237</u>	<u>8,519,013</u>	<u>3,549,897</u>	<u>3,238,852</u>
Current assets:					
Stock	14	270,233	211,805	-	-
Debtors	15	57,238	340,535	23,964	27,519
Cash at bank and in hand		2,253,885	2,265,090	1,449,179	858,873
<i>Total current assets</i>		<u>2,581,356</u>	<u>2,817,430</u>	<u>1,473,143</u>	<u>886,392</u>
Liabilities:					
Creditors: amounts falling due within one year	16	(971,793)	(944,991)	(215,994)	(39,448)
<i>Net current assets</i>		<u>1,609,563</u>	<u>1,872,439</u>	<u>1,257,149</u>	<u>846,944</u>
<i>Total assets less current liabilities</i>		<u>10,855,800</u>	<u>10,391,452</u>	<u>4,807,046</u>	<u>4,085,796</u>
Creditors: amounts falling due after more than one year	17	(938,873)	(1,395,185)	-	(50,000)
Provisions for liabilities		(373,026)	(321,705)	-	-
Total net assets		<u>9,543,901</u>	<u>8,674,562</u>	<u>4,807,046</u>	<u>4,035,796</u>
The Funds of the Charity:					
Restricted income funds		<u>667,464</u>	<u>386,150</u>	<u>667,464</u>	<u>386,150</u>
Unrestricted income funds					
General funds		7,847,808	7,257,998	4,139,582	3,649,646
Other reserve		514,765	514,765	-	-
Minority interests		513,864	515,649	-	-
<i>Total unrestricted funds</i>		<u>8,876,437</u>	<u>8,288,412</u>	<u>4,139,582</u>	<u>3,649,646</u>
Total Charity funds	19 & 20	<u>9,543,901</u>	<u>8,674,562</u>	<u>4,807,046</u>	<u>4,035,796</u>

The financial statements on pages 11 to 32 were approved by the Board of Directors and authorised for issue on and were signed on its behalf by:


Director – D Jones


Director – G H Watson

04/11/22

Watercress Line Heritage Railway Trust Limited

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Statement of consolidated cash flow For the period ended 31 March 2022

	Notes	2022 £	2021 £
Net cash provided by operating activities:	18	1,230,986	573,787
Cash flows from investing activities:			
Interest received		970	789
Dividends received		-	-
Purchase of tangible fixed assets		(1,027,381)	(337,821)
Net cash used in investing activities		<u>204,575</u>	<u>236,755</u>
Cash flows from financing activities:			
Increase/(reduction) of borrowings		(215,780)	863,852
Change in cash and cash equivalents in the year		<u>(11,205)</u>	<u>1,100,607</u>
Cash and cash equivalents at the start of the year		<u>2,265,090</u>	<u>1,164,483</u>
Cash and cash equivalents at the end of the year	18	<u>2,253,885</u>	<u>2,265,090</u>

Notes to the consolidated financial statements For the period ended 31 March 2022

1 Summary of significant accounting policies

The principal accounting policies adopted, judgements and key sources of estimation and uncertainty in the preparation of the financial statements are as follows:

Basis of preparation

The Company is a registered charity and constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) – Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006 and UK Generally Accepted Accounting Practice.

The financial statements are prepared on a going concern basis under the historical cost basis of accounting, modified to include the revaluation of freehold land and buildings and certain other assets. The financial statements are presented in sterling which is the functional currency of the charity rounded to the nearest £1.

Basis of consolidation

The Group accounts consolidate the results of the Charity and its subsidiaries. Mid-Hants Railway Limited and Wadebridge (34007) Locomotive Limited are consolidated using the purchase method. The net income from the subsidiary companies is shown in note 9 of the accounts. Internal sales and profits are eliminated on consolidation.

Going Concern

The financial statements have been prepared on a going concern basis as the Directors believe that no material uncertainties exist. During the period, the Watercress Line was forced to close due to Covid-19 Pandemic lockdown requirements, re-opening with revised services and meeting Government guidelines. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with level of reserves for the Charity to be able to continue as a going concern.

Tangible fixed assets

Tangible fixed assets are stated at cost, or deemed cost, being purchase price or valuation, less accumulated depreciation. No lower limit is applied to individual items that are capitalised.

Depreciation is provided to write off the cost of fixed assets to their residual values by equal annual instalments at the following rates:

Freehold land and buildings	Nil to 2% per annum
Plant and machinery	Nil to 25% per annum
Assets in the course of construction	Not depreciated until brought into use

Locomotives are depreciated over the length of their boiler certificate (usually 10 years) down to their residual value. Where a locomotive, owned by an independent group, is overhauled by the company and a long term hire agreement is in place, the costs incurred are capitalised. Costs are depreciated on a straight line basis over the expected useful life (usually 10 years). Other than the engineering workshops at Ropley, depreciated at 2% per annum, the freehold land and buildings are not depreciated below their residual value. In the opinion of the Directors, it is the Company's purpose to restore, preserve and keep these assets in good repair for the future. Freehold property consists mainly of historic buildings which have long useful economic lives and high residual values. Any depreciation charge would be immaterial. The Directors are of the opinion that no circumstances causing an impairment of value have occurred. The Group has taken advantage of the transitional provisions of FRS102 to retain previously re-valued assets at their book value.

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

1 Principal accounting policies (continued)

Fixed asset investments

Investments held as fixed assets are stated at cost, or valuation, less provision for any impairment in value.

Income

Donations and income from subscriptions, stated net of value added tax, are credited on the statement of financial activities in the year to which they relate with any relating to future years being shown in creditors. Income relating to restricted funds is separately disclosed. Income from extended membership subscriptions is recognised in the year of receipt in the statement of financial activities.

In accordance with Charities SORP (FRS 102) no amounts are included in the financial statements for services donated by volunteers. The Trustees' annual report acknowledges their essential contribution to the charity's success.

Income from legacies is recognised at the earlier of the date on which either the Company is aware that probate has been granted, the estate finalised and notification received by the Company that a distribution will be made or has been received. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Company notified of the executor's intention to make a distribution. If the Company is aware of the granting of probate, but the criteria for income recognition have not been met, the legacy is treated as a contingent asset and disclosed if material.

Income from the subsidiary companies represents sales, excluding value added tax, in respect of tickets for steam train experiences and rides, retail and catering goods supplied during the year, external engineering work performed and locomotive hire charges. Payments received on account are not included within turnover until such time as the service is rendered or obligation fulfilled.

Income from government and other grants, whether 'capital' or 'revenue', is recognised when the Company has entitlement to the funds, any performance conditions have been met, it is probable the income will be received and the amount can be measured reliably and is not deferred.

Interest from funds on deposit is included upon notification of interest payable by the bank. Dividends from shareholdings are recognised when the dividend is received.

Expenditure

Expenditure is accounted for on an accruals basis and recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Cost of raising funds are those incurred by the subsidiary companies in commercial trading.

Charitable activities include expenditure associated with the maintenance and preservation of railway transportation systems, equipment and any support costs associated with those activities.

Support costs include functions that support the work of the Company, but do not directly undertake charitable activities.

Governance costs include those incurred in the governance of the Company and its assets and are primarily associated with constitutional and statutory requirements.

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

1 Principal accounting policies (continued)

Grants payable are payments to third parties for furtherance of the Company's objectives. The grants are accounted for where either the Directors have agreed to pay the grant without condition and the recipient has a reasonable expectation that they will receive the grant, or any condition attaching to the grant is outside the control of the Company.

Operating leases

Costs in respect of certain hiring arrangements are accrued on an annual basis and charged directly to the SOFA. Some of the hire arrangements are open ended and have no fixed date of expiry.

Stocks

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

Debtors

Trade and other debtors are recognised at the settlement amount due.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Creditors and provisions

Creditors and provisions are recognised where the group has a present obligation resulting from a past event that is expected to result in the transfer of funds to a third party and the amount due can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Pensions

The Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Fund accounting

Unrestricted funds are available for use at the discretion of the Directors in furtherance of the general objectives of the Company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Company for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

1 Principal accounting policies (continued)

Taxation

The Company is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Within the subsidiary companies deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used. Current and deferred tax assets and liabilities are not discounted.

Regional groups

A number of regional groups of volunteers and supporters hold funds to support their day to day activities. Total income and expenditure is shown in these accounts whilst specific donations to the Company are included in donations on a received basis.

Financial instruments

The Company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value, with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

2 Donations and legacies

	Unrestricted	Restricted	Total	
	£	£	£	£
			2022	2021
General donations and appeal income	46,714	-	46,714	27,770
Restoration of wagons/luggage racks	-	74	74	20
Wickam Trolley	-	-	-	125
Carriage restoration	-	-	-	620
Locomotive Sir Frederick Pile	-	4,000	4,000	377
Locomotive Canadian Pacific	-	6,633	6,633	26,491
Locomotive 75079	-	3,489	3,489	2,825
Locomotive Wadebridge	-	351,479	351,479	-
Locomotive 08288	-	1,375	1,375	-
Locomotive 73096	-	739	739	213
Locomotive 80150	-	27,872	27,872	7,167
Black 5	-	5,000	5,000	-
Legacy income	361,776	-	361,776	281,341
Gift aid	35,789	-	35,789	7,534
	<u>444,279</u>	<u>400,661</u>	<u>844,940</u>	<u>354,483</u>

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

3 Income from charitable activities

	Unrestricted	Restricted	Total	
	£	£	£	£
			2022	2021
Subscriptions	47,905	-	47,905	32,087
Locomotive 35005 raffle proceeds	-	8,549	8,549	5,314
Regional groups and 200 Club income	286	-	286	8,438
	<u>48,191</u>	<u>8,549</u>	<u>56,740</u>	<u>45,959</u>

4 Income from other trading activities: Commercial trading operations

	Note	Unrestricted	Restricted	Total	
		£	£	£	£
				2022	2021
Income from trading subsidiaries	9	<u>3,741,027</u>	<u>-</u>	<u>3,741,027</u>	<u>2,701,660</u>

5 Investment income

	Unrestricted	Restricted	Total	
	£	£	£	£
			2022	2021
Dividends received	-	-	-	-
Bank interest receivable	970	-	970	460
	<u>970</u>	<u>-</u>	<u>970</u>	<u>460</u>

6 Costs of raising funds: Commercial trading operations

	Note	Unrestricted	Restricted	Total	
		£	£	£	£
				2022	2021
Expenditure by trading subsidiaries	9	<u>3,668,377</u>	<u>-</u>	<u>3,668,377</u>	<u>2,607,922</u>

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

7 Expenditure on charitable activities

	Unrestricted	Restricted	Total 2022	2021
	£	£	£	£
Grants payable	3,334		3,334	4,225
Locomotive maintenance	4,610		4,610	4,010
Watercress Line News 80150	17,273 -	2,838	17,273 2,838	11,737 -
Regional group expenditure	945		945	12,173
Draw costs	3,349		3,349	5,048
Hampshire Unit costs	7		7	7,155
Wagon restoration costs	-		-	3,307
Depreciation of tangible fixed assets	20,068		20,068	14,986
HLF project costs	-		-	12,504
<u>Support costs:</u>				
Printing, postage, IT and stationery	14,815		14,815	5,041
Sundries	372		372	59
Bank charges	1,836		1,836	1,190
<u>Governance costs:</u>				
Auditors remuneration	8,700		8,700	8,998
Professional fees	29,930		29,930	7,700
Health and safety	-		-	1,410
Insurance	1,657		1,657	1,275
	<u>106,896</u>	<u>2,838</u>	<u>109,734</u>	<u>100,818</u>

Support and governance costs have been allocated wholly to charitable activities as the costs relate to the furtherance of the Company's objectives. All charitable activities undertaken wholly relate to the single activity of the Company being the preservation, restoration and operation of railway transportation systems.

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

9 Net income of trading subsidiaries

The contributions from the subsidiary companies for the period ended 31 March 2022 are as follows:

	Mid-Hants Railway Ltd	Wadebridge (34007) Locomotive Ltd	Total	
	£	£	2022 £	2021 £
Income	3,760,404	7,203	3,767,607	2,829,187
Net operating expenses	(3,584,505)	(3,311)	(3,587,816)	(2,517,315)
Operating profit	175,899	3,892	179,791	311,872
Bank interest receivable	103	5	108	329
Bank interest payable	(30,489)	-	(30,489)	(32,133)
	145,513	3,897	149,410	280,068
Taxation and deferred tax	(34,348)	(16,973)	(51,321)	(59,803)
Retained profit in subsidiary accounts	111,165	(13,076)	98,089	220,265
Exclude transactions between group companies:				
Administration charges	(23,333)	-	(23,333)	(20,000)
Grant received	(3,356)	-	(3,356)	(107,527)
Shop rent	1,250	-	1,250	1,000
Black 5 / Hampshire Unit hire	-	-	-	-
Total profit/(loss) brought into consolidated accounts	85,726	(13,076)	72,650	93,738

The results of the subsidiaries are incorporated in the Consolidated Statement of Financial Activities (page 11) as follows:

Income from other trading activities (Note 4)	3,741,027	2,701,660
Expenditure on charitable activities (Note 6)	(3,668,377)	(6,607,922)
Total profit brought into consolidated accounts	72,650	93,738

Watercress Line Heritage Railway Trust Limited

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Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

10 Taxation

The Company is a registered charity and is exempt from taxation under S505 Taxes Act 1988. The Company is registered for Value Added Tax.

No provision for corporation tax has been made for Mid-Hants Railway Limited or Wadebridge (34007) Locomotive Limited following their results for the year.

(a) Analysis of charge in the year

	2022	2021
	£	£
UK Corporation tax	-	-
(Over) provision in prior year	-	-
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

(b) Factors affecting current tax charge

	2022	2021
	£	£
Profit on ordinary activities before taxation (note 9)	149,410	280,068
	<u>149,410</u>	<u>280,068</u>
Profit on ordinary activities by rate of tax 19%; (2021 – 19%)	28,388	53,212
Effects of:		
Items not taxable	6,701	5,411
Other timing differences	-	-
Capital allowances for period in excess of depreciation	(35,089)	(14,465)
Use of losses brought forward	-	(44,158)
	<u>-</u>	<u>-</u>
Total current tax	<u>-</u>	<u>-</u>

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

11 Directors and employees

The Charity does not have any direct employees. Reasonable and necessary out of pocket expenses can be reimbursed to Trustees in accordance with the Trust's Expenses Policy although none were claimed in 2022 (2021 - £Nil).

Employee information in respect of the subsidiary, Mid-Hants Railway Limited, is as follows:

	2022	2021
Directors and employees:		
The average monthly head count was 45 (2021 - 45) as follows:		
General Manager/Acting Managing Director and Senior Team.	4	4
Administration	3	3
Direct – full time equivalent	38	38
	<u>45</u>	<u>45</u>

Staff costs	£ (14 months)	£ (12 months)
Wages and salaries	985,525	807,960
Social security costs	103,969	69,345
Pension costs	22,347	14,742
Recharges to capital	<u>1,111,811</u>	<u>892,047</u>

Employees of MHR Ltd, a subsidiary company, receiving remuneration in excess of £60,000 per annum were;

	2021/22 (14 months)	2020/21 (12 months)
£60,000-£70,000	1	-
£90,000-£100,000	-	1
£110,000-£120,000	1	-

The highest paid employee was S Baggot, whose remuneration (including national insurance in the periods was £119,783 (2020/21 £93,775).

MHR Ltd relies heavily on volunteer staff in all its operational areas.

Wadebridge Ltd has no employees and no remuneration was charged during the year.

Since August 2015, MHR Ltd has operated a pension scheme for its employees under the government's auto enrolment scheme.

The Charity and MHR Ltd have established indemnity insurance on behalf of the Trustees and Directors costing £3,315 (2021 - £2,550).

Payments to staff, including those whose employment is terminated, is in accordance with their contracts and appropriate legislation.

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

12 Tangible fixed assets

Group

	Freehold land and buildings	Plant and machinery	Assets in course of construction	Total
Cost or valuation	£	£	£	£
At 1 February 2021	3,311,737	6,247,540	1,649,940	11,209,217
Additions	9,415	707,019	310,947	1,028,346
Disposals	-	(16,127)	-	(16,127)
Transfers	-	965	(965)	-
At 31 March 2022	<u>3,321,152</u>	<u>6,939,397</u>	<u>1,959,922</u>	<u>12,220,471</u>
Depreciation				
At 1 February 2021	388,127	2,390,165	-	2,778,292
Disposals	-	(16,127)	-	(16,127)
Charge for year	46,159	257,771	-	303,930
At 31 March 2022	<u>434,286</u>	<u>2,631,809</u>	<u>-</u>	<u>3,066,095</u>
Net book value				
At 31 March 2022	<u>2,886,866</u>	<u>4,307,588</u>	<u>1,959,922</u>	<u>9,154,376</u>
At 31 January 2021	<u>2,923,610</u>	<u>3,857,375</u>	<u>1,649,940</u>	<u>8,430,925</u>

An open market vacant possession valuation undertaken by Grimley, International property advisers, in August 1999 at the request of MHR Ltd, placed a value of £860,000 on the freehold land and buildings. The Directors consider that this valuation supports the existing use value placed on these assets in the financial statements. Freehold land and buildings are included above at this open market valuation together with the cost of subsequent additions and improvements.

	2022	2021
Cost or valuation of freehold land and buildings is represented by:	£	£
Valuation in 1999	860,000	860,000
Costs since 1999	2,461,152	2,451,737
	<u>3,321,152</u>	<u>3,311,737</u>
 If land and buildings had not been revalued they would have been included at the following amounts		
Cost	<u>2,806,387</u>	<u>2,796,972</u>

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

12 Tangible fixed assets (continued)

Company

	Freehold land and buildings £	Plant and Machinery £	Assets in course of Construction £	Total £
Cost				
At 1 February 2021	494,784	1,016,091	1,255,950	2,766,825
Additions	-	7,646	310,548	318,194
Transfer	-	-	-	-
At 31 March 2022	494,784	1,023,737	1,566,497	3,085,019
Depreciation				
At 1 February 2021	64,013	369,425	-	433,438
Charge for year	2,125	17,942	-	20,067
Disposal	-	-	-	-
At 31 March 2022	66,138	387,367	-	453,505
Net book value				
At 31 March 2022	428,647	636,370	1,566,497	2,631,514
At 31 January 2021	430,772	646,666	1,255,950	2,333,387

The Directors regard all the Company's fixed assets as being used for direct charitable purposes. Land and buildings owned by the Company are the Alresford Goods Shed.

Included in the Company's assets in course of construction are locomotives 75079, 35005, 34058 and 80150, and Bulleid coach 54367. Included in the Group disclosure is locomotive 34105. All these locomotives are in the process of restoration and will not be depreciated until the work is completed. Significant balances also included in the group disclosure include the renovation of Mark 1 coaches 15939, 25591 and 24808 and the Medstead signalling scheme.

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

13 Fixed asset investments

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Market value at 1 February 2021	88,088	86,537	905,465	901,580
Unrealised/realised gain in the year on listed investments	3,773	1,551	3,773	1,551
Donation of shares in MHR Ltd	-	-	1,125	2,009
Investment in Wadebridge Ltd	-	-	8,020	325
Market value at 31 March 2022	<u>91,861</u>	<u>88,088</u>	<u>918,383</u>	<u>905,465</u>

Investments at market value comprise:

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Shares in MHR Ltd:				
• Dividend shares of £1 each	-	-	100	100
• Ordinary shares of 25p each	-	-	413,729	412,604
Shares in Wadebridge Ltd	-	-	412,693	404,673
UK Equities (listed investments)	<u>25,450</u>	<u>21,677</u>	<u>826,522</u>	<u>817,377</u>
34105 Light Pacific Group (unlisted investments)	<u>66,411</u>	<u>66,411</u>	<u>66,411</u>	<u>66,411</u>
	<u>91,861</u>	<u>88,088</u>	<u>918,383</u>	<u>905,465</u>

The Company owns all of the issued Equity Dividend shares in Mid-Hants Railway Limited (company registered number 1117090) in addition to 52.77% (2021: 52.49%) of the issued Ordinary non equity 25p shares. MHR Ltd is an unlisted company registered and operating in England and Wales, and its accounting year-end is co-terminus with the Company. It is not possible to quantify the likely market value of the investment. At 31 March 2022 the net assets of MHR Ltd were £4,930,451.

The Company also owns a controlling interest of 76.6% of the issued share capital of Wadebridge (34007) Locomotive Limited (company registered number 01673483). The objectives of this company are to maintain and hire ex-Southern Railway Locomotive 34007 Wadebridge. At 31 March 2022 the net assets of Wadebridge Ltd were £721,615.

The UK equities were received through legacies. The value included in the accounts represents the market valuation of the shares at 31 March 2022.

The 34105 Light Pacific Group is an unincorporated organisation which owns ex-British Railways Southern Region Locomotive 34105 Swanage. The Locomotive is based on the Watercress Line where it is being overhauled. The company owns 26.6% of the issued shares in the locomotive.

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

14 Stocks

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Raw materials	59,058	49,115	-	-
Finished goods	211,175	162,690	-	-
	<u>270,233</u>	<u>211,805</u>	<u>-</u>	<u>-</u>

15 Debtors

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Trade debtors	7,354	11,650	159	-
Other taxation and social security costs	9,673	80,956	9,673	-
Other debtors	30,083	237,141	4,004	16,731
Regional group balances	10,128	10,788	10,128	10,788
	<u>57,238</u>	<u>340,535</u>	<u>23,964</u>	<u>27,519</u>

16 Creditors: amounts falling due within one year

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Bank loan	234,526	93,994	-	-
Payments received on account	61,204	163,293	-	-
Trade creditors	264,808	303,633	9,187	3,999
Amounts due to MHR Ltd	-	-	202,870	22,020
Other creditors	364,915	349,812	-	-
Other taxation and social security	40,315	19,830	-	-
Accruals	4,425	7,579	2,337	6,579
Other loans	1,600	6,850	1,600	6,850
	<u>971,793</u>	<u>944,991</u>	<u>215,994</u>	<u>39,448</u>

Bank loans and overdrafts

The bank loans and overdraft are secured by a fixed and floating charge over the subsidiary company's freehold railway property and other assets.

Payments received on account

Payments received on account relate entirely to bookings from customers for events taking place after the year end. These amounts will be released to the Statement of Financial Activities when the event has taken place.

Other loans

Other loans represent loans received from supporters. The loans are interest free and repayable on demand.

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2022	2021	2022	2021
	£	£	£	£
Bank loans	838,873	1,195,185	-	50,000
Trade creditors	100,000	200,000		
	<u>938,873</u>	<u>1,395,185</u>	<u>-</u>	<u>50,000</u>

The bank loans are secured by a fixed and floating charge over the subsidiary company's freehold property and other assets. Of the amount due by instalments after more than one year £201,850 (2021 - £232,744) is due in more than five years.

18 Notes to the statement of cash flow

Reconciliation of net income to net cash inflow from operating activities

	Notes	2022	2021
		£	£
Net income for the year (page 9)		869,339	394,748
Adjustments for:			
Depreciation charges	12	303,930	250,709
Unrealised loss(gain) on investments	13	(3,773)	(1,551)
Interest received		(940)	(789)
Decrease/(Increase) in debtors		283,297	1,688,281
Increase/(Decrease) in creditors		(213,760)	(1,782,723)
Decrease (increase) in stock		(58,428)	(34,691)
Movement in deferred taxation	9	51,321	59,803
Net cash provided by operating activities (page 11)		<u>1,230,986</u>	<u>573,787</u>

Notes to the consolidated financial statements
For the period ended 31 March 2022 (Continued)

18 Notes to the statement of cash flow (continued)

Reconciliation of net cashflow to movement
in net funds

	Group	
	2022	2021
	£	£
Changes during the year		
At 1 February 2021	2,265,090	1,164,483
Net cash inflow/(outflow)	(11,205)	1,100,607
At 31 March 2022	<u>2,253,885</u>	<u>2,265,090</u>

Group

	2022	2021/22	2021
		Cash	
	£	Flows	£
	£	£	£
Analysis of changes in net Funds			
Cash at bank	2,253,885	(11,205)	2,265,090
	<u>2,253,885</u>	<u>(11,205)</u>	<u>2,265,090</u>

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

19 Fund Balances Group:

	General Funds £	Other Reserve £	Minority Interests £	Total Unrestricted Funds £	Total Restricted Funds £	Total £
Balance at 1 February 2021	7,257,998	514,765	515,649	8,288,412	386,150	8,674,562
Total income less total expenditure for year	459,194	-	-	459,194	406,372	865,566
Unrealised/realised gain on listed investments	3,773	-	-	3,773	-	3,773
Transfer between general and restricted	125,058	-	-	125,058	(125,058)	-
	<u>7,846,023</u>	<u>514,765</u>	<u>515,649</u>	<u>8,876,437</u>	<u>667,464</u>	<u>9,543,901</u>
Movement in minority Interest	<u>1,785</u>	<u>-</u>	<u>(1,785)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 March 2022	<u><u>7,847,808</u></u>	<u><u>514,765</u></u>	<u><u>513,864</u></u>	<u><u>8,876,437</u></u>	<u><u>667,464</u></u>	<u><u>9,543,901</u></u>

The other reserve of £514,765 relates to the valuation of land and buildings which took place in 1999 and detailed in Note 12, and is the difference between the original valuation and 1999 revaluation.

The level of the Group's 'free' reserves may be calculated by deducting the value of fixed assets (note 12) from the balance of unrestricted funds at 31 March 2022 (£8,876,437 less £9,154,376) giving a negative balance of £277,939. The comparative figure at 31 January 2021 was negative £142,513 (£8,288,412 less £8,430,925).

Watercress Line Heritage Railway Trust Limited

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Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

19 Fund Balances (continued)

Analysis of restricted fund movements:

Fund name:	Balance At 1 February 2021	Incoming Resources	Expenditure (Revenue)	Net of capital expenditure and transfer from restricted funds	Balance At 31 March 2022
	£	£	£	£	£
Restoration of wagons	3,995	-	-	-	3,995
Canadian Pacific 35005	19,371	15,182	-	(34,553)	-
Bulleid Coach luggage racks	17,987	74	-	-	18,061
Walk the Line – Ballast Appeal	3,355	-	-	-	3,355
Restoration of locomotive 34058	202,850	4,000	-	(581)	206,269
Restoration of locomotive 75079	73,344	3,489	-	(76,833)	-
Restoration of locomotive 80150	26,114	27,872	(2,838)	(2,844)	48,304
Restoration of locomotive 73096	7,120	739	-	-	7,859
Restoration of Hayling coaches	21,900	-	-	-	21,900
Restoration of locomotive 34007	4,617	351,479	-	(6,671)	349,425
Miniature Railway	3,576	-	-	(3,576)	-
Diesel 08288	1,796	1,375	-	-	3,171
Wickham Trolley	125	-	-	-	125
Black 5		5,000			5,000
	<u>386,150</u>	<u>409,210</u>	<u>(2,838)</u>	<u>(125,058)</u>	<u>667,464</u>

Company:

	Total Unrestricted Funds	Total Restricted Funds	Total
	£	£	£
Balance at 1 February 2021	3,649,646	386,150	4,035,796
Net Income for the year	364,878	406,372	771,250
Unrealised losses on investment assets	-	-	-
Transfer	125,058	(125,058)	-
Balance at 31 March 2022	<u>4,139,582</u>	<u>667,464</u>	<u>4,807,046</u>

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

19 Fund Balances (continued)

Description of Funds:

Unrestricted Funds

These funds are for general use in the furtherance of the Company's objectives. There are no funds designated for specific purposes.

Restricted Funds

Locomotive 35005 'Canadian Pacific' (Project Engineering a Future from the Past)

Locomotive 35005 is owned by the Company. This fund represents giving associated with the appeal to overhaul the locomotive and the restoration of two Bulleid coaches, S1456S and S4367S. The excess costs have been taken from the unrestricted funds.

Restoration of Locomotive 34058 'Sir Frederick Pile' - Locomotive is owned by the Company. This fund represents donations received specifically to assist the restoration.

Restoration of Locomotive 75079 - Locomotive is owned by the Company. This fund represents donations received specifically to assist the restoration. Some of the funds have been spent and the balance is carried forward.

Restoration of Locomotive 80150 - Locomotive is owned by the Company. This fund represents donations received specifically to assist the restoration. Some funds have been spent and the balance carried forward.

Restoration of Locomotive 73096 - Locomotive is owned by MHR Ltd. This fund represents donations received specifically to assist the restoration. Some funds have been spent and the balance carried forward.

Restoration of Locomotive 34007 'Wadebridge' - Locomotive is owned by Wadebridge Ltd, which is undertaking the restoration. Some funds have been spent and the balance carried forward.

Diesel shunter 08288 - Locomotive is owned by MHR Ltd. This fund represents donations received specifically to assist the restoration. At the year the funds have not been spent and are carried forward.

Restoration of wagons - This fund represents donations received specifically to assist with the restoration of wagons. Some of the funds have been spent and the balance carried forward.

Bulleid Luggage racks - This fund is to restore and replace the racks in two Bulleid coaches, S1456S and S4367S. At the year the funds have not been spent and are carried forward.

Restoration of Hayling coaches - This fund represents donations received towards the restoration of four 19th century coaches built by the London Brighton and South Coast Railway. At the year the funds have not been spent and are carried forward.

Miniature Railway - This fund represents monies received to support the expansion of the miniature railway. At the year the funds have not been spent and are carried forward.

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

20 Analysis of net assets between funds

At 31 March 2022 fund balances are represented by:

Group

	Total Unrestricted Funds £	Total Restricted Funds £	Total £
Fixed assets	8,578,773	667,464	9,246,237
Current assets	2,581,356	-	2,581,356
Current liabilities	(971,793)	-	(971,793)
Long term liabilities	(938,873)	-	(938,873)
Provisions for liabilities	(373,026)	-	(373,026)
	<hr/>	<hr/>	<hr/>
Total Net Assets	8,876,437	667,464	9,543,901
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Company

	Total Unrestricted Funds £	Total Restricted Funds £	Total £
Fixed assets	2,882,433	667,464	3,549,897
Current assets	1,473,143	-	1,473,143
Current liabilities	(215,994)	-	(215,994)
	<hr/>	<hr/>	<hr/>
Total Net Assets	4,139,582	667,464	4,807,046
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

21 Auditors' remuneration

The auditors' remuneration in respect of non-audit fees, rendered to the group, is £8,910 (2021: £8,734).

Notes to the consolidated financial statements For the period ended 31 March 2022 (Continued)

22 Capital and financial commitments

Total future minimum lease payments under non-cancellable operating leases:

	2022		2021	
	Land and Buildings	Other	Land and Buildings	Other
Falling due:	£	£	£	£
Within 1 year	-	87,871	-	39,452
Within 2 to 5 years	-	-	-	-
After more than 5 years	307,720	75,200	319,000	94,000
	<u>307,720</u>	<u>127,323</u>	<u>319,000</u>	<u>133,452</u>

As at 31 March 2022, the Group had capital commitments totalling £Nil (2021: £Nil).

23 Constitution

The Company has no share capital and is limited by guarantee. In the event of a winding up, each member of the Company is liable to contribute an amount not exceeding £1.

As permitted by section 408 of the Companies Act 2006, the holding Company's income and expenditure account has not been separately included in these financial statements. The holding Company's surplus for the financial year was £771,250 (2021: £174,483).

24 Related party transactions

The Company has transactions with its subsidiaries, Mid-Hants Railway Limited and Wadebridge (34007) Locomotive Limited. These transactions are detailed in Note 9.

As at 31 March 2022, the following individuals held shares in Mid-Hants Railway Limited: R Latham 900 shares and R Lacey 400 shares.

25 Control

The Company is under the control of the Board of Trustees.

Watercress Line Heritage Railway Trust Limited

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Company statement of financial activities (including Income and Expenditure account) For the period ended 31 March 2022

	Unrestricted Funds £	Restricted Funds £	Total Funds 2022 £	2021 £
Income				
Donations and legacies	444,280	400,661	844,941	354,483
Income from charitable activities	49,439	8,549	57,988	46,959
Investment income	970	-	970	460
Total income	<u>494,689</u>	<u>409,210</u>	<u>903,899</u>	<u>401,902</u>
Expenditure				
Costs of raising funds	21,567	-	21,567	28,997
Expenditure on charitable activities	112,017	2,838	114,855	199,348
Total resources expended	<u>133,584</u>	<u>2,838</u>	<u>136,422</u>	<u>228,345</u>
Unrealised/realised gain/(loss) on investments	3,773	-	3,773	1,551
Net income	<u>364,878</u>	<u>406,372</u>	<u>771,250</u>	<u>174,483</u>
Transfers between funds	125,058	(125,058)	-	-
Net movement in Funds	<u>489,936</u>	<u>281,314</u>	<u>771,250</u>	<u>174,483</u>
Reconciliation of Funds:				
Total funds brought forward	3,649,646	386,150	4,035,796	3,861,313
Total funds carried forward	<u><u>4,139,582</u></u>	<u><u>667,464</u></u>	<u><u>4,807,046</u></u>	<u><u>4,035,796</u></u>

This statement does not form part of the audited accounts.

Watercress Line Heritage Railway Trust Limited

England & Wales - Charity number 284406

Accounts



**Mid-Hants Railway Preservation Society Limited
(Limited by Guarantee)**

**Annual Report and
Consolidated Statement of Accounts
for the year ended
31 January 2021**

Company registered number: 1126590

Charity registered number: 284406

Mid-Hants Railway Preservation Society Limited

Annual Report and Consolidated Accounts For the year ended 31 January 2021

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Mid-Hants Railway Preservation Society Limited

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TRUSTEES AND ADVISERS FOR THE YEAR ENDED 31 JANUARY 2021

Trustees

Stephen Evans (Chair)
Gregory Watson
Rob Latham
David Ford
Peter Smith
Richard Hawkins
David Jones

Secretary and registered office

Peter Smith
Alresford Station
Alresford
SO24 9JG

Registered Auditors

Cochrane & Co Accountants Limited
Registered Auditor
38 Kings Road
Lee-on-the-Solent
PO13 9NU

Bankers

Barclays Bank Plc
National Westminster Bank Plc
Lloyds Bank Plc

Solicitors

Taylor Fordyce
1 & 2 City Business Centre
Hyde Street
Winchester
SO23 7FA

Paris Smith
1 London Road
Southampton
SO15 2AE

CHAIR'S REPORT FOR THE YEAR ENDED 31 JANUARY 2021

2020 was, of course, the year of Covid. The Mid-Hants Railway Preservation Society Limited ('MHRPS') and its subsidiary, the Mid-Hants Railway Limited ('MHR') were directly affected by lockdowns and a range of public health regulations and requirements. For both the MHRPS and the MHR, the overriding priority was the health of our visitors, volunteers and paid staff. We halted services and closed the railway as necessary, re-opened when it was prudent to do so, and took Covid-related precautions including social distancing and the enhanced cleaning of carriages and stations. This required strong leadership by the MHRPS and MHR Boards, each of which met very regularly during the crisis, and by the General Manager and his department heads. Even more importantly, it necessitated an enormous effort by volunteers, paid staff and MHRPS members who rose to the occasion magnificently. Their wisdom and experience made it possible for us not only to run safe services but also to introduce the innovative and hugely popular Steam Illuminations product as 2020 drew to a close. This attracted national and international publicity, casting a positive light on our Railway at an otherwise pretty dark time. The Watercress Line's collective response to the Covid crisis is something of which all involved can be enormously proud.

Inevitably, lockdowns and restrictions reduced our revenues from tickets and other sales although we did benefit from the Flying Scotsman event, in February 2020, and by the success of Steam Illuminations. Fortunately, our emergency appeal had raised over £100,000 by January 2021 and we were able to secure Covid-relief funding from the National Lottery Heritage Fund, with further assistance coming from the government furlough scheme. As a result, we ended the financial year in a better financial position than had seemed possible back in March 2020 when we literally locked our locomotives away and turned out the lights. Crucially, this has provided us with the resources to run a full range of services in the 2021 operating season.

Despite the Covid upheaval, we continued with the National Lottery Heritage Fund grant funded 'Engineering a Future from the Past' project, with its focus on outreach, the major overhaul of very own Merchant Navy, 35005, and the operation of newly restored Bulleid coach 1456. Outside this project, 2020 saw progress in restoring 75079, owned by the MHRPS, and on conserving two other ex-Barry locomotives in the Society's possession – 80150 and 34058. Much of this work was carried out by volunteers, whose efforts we warmly acknowledge. Significant funds were also raised for the overhaul of 34007, in which the MHRPS holds a 76% share.

The MHRPS and MHR Boards continued to work together to develop the Watercress Line brand, recognising the MHRPS's obligation as a Charitable Trust to ensure alignment between the Railway's activities and our published educational and heritage aims. During 2020, preparations were made for a thorough review of the governance of the Watercress Line, in the context of discharging our key responsibilities as a heritage railway under the five headings of volunteers and members, the visitor experience, infrastructure, locomotives and rolling stock, and financing the future. The findings of this review will be considered by MHRPS members and MHR shareholders in late-2021 and early-2022.

I set on record my thanks to my fellow Trustees, our volunteers, and the employees and officers of the Mid-Hants Railway Ltd for their dedication and hard work at a time of crisis. Our collective gratitude goes to the donors, benefactors and grant-awarding bodies whose generosity has kept us going during this most challenging of years and helped us secure the future of the Watercress Line.

Stephen Evans
Chair
11th October 2021



TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) FOR THE YEAR ENDED 31 JANUARY 2021

The Trustees present their report and audited consolidated accounts for the year ended 31 January 2021 in compliance with statutory requirements and the Society's Memorandum and Articles of Association. These reflect the requirements of Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS102) and the Companies Act 2006.

Objectives and activities

The principal activities of Mid-Hants Railway Preservation Society Limited are to preserve, operate and exhibit for the public benefit and education and to stimulate and encourage interest in all kinds of railway transportation systems, vehicles and equipment and to foster and support railway preservation.

Structure, governance and management

Governing document

Mid-Hants Railway Preservation Society Limited is a Company limited by guarantee. The Company was granted charitable status in May 1982 and is registered with the Charity Commission.

Trustees

The Trustees (all Directors of the Company for the purposes of company law) who have served through the year under review were:

S N Evans (Chair)*
S C Crowther (resigned 9 December 2020)+
R Latham
L Kenchenten (resigned 2 September 2020)*
D Ford+
D Simmonds (resigned 9 December 2020)
P Smith*
G H Watson+
R Hawkins (appointed 24 April 2021)*
D Jones (appointed 24 April 2021)*

* Trustees who are also Directors of the subsidiary Company Mid-Hants Railway Ltd.

+ Trustees who are also Directors of the subsidiary Company Wadebridge (34007) Locomotive Ltd

As set out in Note 23, the liability of the members is limited to £1 each. The Trustees are subject to election or re-election according to procedures set out in the Company's Memorandum and Articles of Association which is its governing document. On appointment, new Trustees work alongside existing Trustees to gain experience. Training is made available for all Trustees.

Organisation

The Charity operates through a Board and the Trustees are also Directors of the Company. The Trustees determine the general policy of the Society.

The Board meets regularly throughout the year. Annual financial budgets are prepared and are compared to actual results monthly.

Administration

To provide timely and effective administration, some functions are outsourced to Mid-Hants Railway Limited.

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) FOR THE YEAR ENDED 31 JANUARY 2021 (Continued)

Related parties

The Company has two subsidiary companies:

Mid-Hants Railway Limited ('MHR Ltd') which operates the railway under the brand name 'The Watercress Line'.

Wadebridge (34007) Locomotive Limited ('Wadebridge Ltd') which owns the Southern Railway West Country class locomotive 'Wadebridge'. The locomotive is currently being assessed for overhaul.

Shareholders of MHR Ltd and Wadebridge Ltd are encouraged to consider transferring their shares to the Charity, thus reducing the administration costs of the subsidiary companies.

Activities and operations

The Charity continues to achieve its objectives of supporting heritage railway preservation and restoration which it mainly carries out through MHR Ltd. The Charity makes grants for specific projects which fall within its objectives. Its main aims have continued to be achieved through the overhauls of locomotives and carriages and in supporting some heritage railway infrastructure developments.

The National Lottery Heritage Funded 'Engineering a Future from the Past' Project includes restoration of locomotive 35005 and two Bulleid coaches, 1456 and 4367. The locomotive is painstakingly being reassembled. Its frames are at Eastleigh, and its boiler and the Bulleid coaches in Ropley. The boiler still requires extensive work which is taking longer than originally planned and further fundraising continues. Restoration of 1456 has been completed and that of 4367 continues. The projects also include work experience and training at Eastleigh and an oral history exercise involving people not normally be involved in the restoration process. These aspects have been very successful.

The Charity, through its subsidiary MHR Ltd, welcomes visitors and volunteers from all backgrounds. Volunteers are the foundation of the railway. Potential volunteers are advised and trained on areas where they can assist.

The Watercress Line welcomes young people who want to learn about and enjoy the complexities of running a heritage railway. We have focused on encouraging 16 to 21 year olds who work alongside a mentor whilst learning a wealth of operational skills. A Miniature Railway at Ropley continues to provide an insight and induction to running a heritage railway.

A number of local interest Groups enable Members to learn about the Society and to meet and exchange views and information. The Trustees take account of these views when considering future projects. The work of the railway's Marketing Department also helps inform Trustees about the profile of visitors and their expectations.

The Trustees gratefully acknowledge the continuing financial and physical involvement and support of members and volunteers to restoration projects and running the railway. Without their commitment and enthusiasm the Charity and Railway would not be able to operate.

Risk Management

The Trustees examine the major risks that the Charity faces when preparing and updating their plans. In conjunction with the Directors of MHR Ltd, the Charity has developed systems to monitor and control these risks to manage any impact that they may have in the future. MHR Ltd controls the Safety Management Systems for the operation of the railway and their annual review includes risk analysis and assessment.

Public Benefit

The Trustees have had regard to the guidance on public benefit issued by the Charities Commission and are satisfied that all Charity operations and activities fall within that guidance.

TRUSTEES' REPORT (INCLUDING DIRECTORS REPORT AND STRATEGIC REPORT) FOR THE YEAR ENDED 31 JANUARY 2021 (Continued)

Fund raising standards

The Charity sends appeal letters to its members and supporters, generally with Mid-Hants News, and on the Watercress Line website to encourage donations towards ongoing projects. The Charity does not sell or pass on any details about its members and supporters to any other organisation. It is registered by and upholds the standards of the Fundraising Regulator.

Five-year Plan

The Boards of the Charity and MHR Ltd jointly developed a Five Year Plan for the period 2018-2022 which is regularly reviewed and updated.

Sustainability and planning for the future.

The Charity Commission encourages Trustees to consider the sustainability of their charity and its future. Current knowledge indicates no current specific financial or operating problems. However, it is recognised that enthusiasts who remember the 'real' steam railway are ageing and, whilst younger volunteers are taking on new responsibilities, some significant changes are needed so the Charity and its operating subsidiary can thrive and continue to achieve its main objectives in the coming decades. In the year under review, the Society and MHR Limited formed a Governance Group to consider how its constitution and functioning might change to enable the future achievement of its objectives. Trustees and the Directors of MHR Limited are considering and taking professional advice on future options.

The Trustees are thus satisfied about the long-term sustainability and viability of the Charity.

Financial review

The year produced a satisfactory result with net income of £394,748 compared to £438,683 last year.

The subsidiary companies, Mid-Hants Railway Limited reported a profit of £18,728 (Note 9) and Wadebridge (34007) Locomotive Limited reported a profit of £201,751 in the year ended 31 January 2021.

Reserves policy

Note 20 to the financial statements shows the assets and liabilities attributable to the various funds by type. Group unrestricted funds (Note 19) amount to £8,288,412. After allowing for fixed assets of £8,430,925 there is a deficit of 'free' reserves of £142,513 showing a decrease compared to the 2020 negative figure of £419,431. The Trustees' stated objective is to maintain a level of 'free' reserves at a level of one year's unrestricted expenditure in the Company (2021: £228,345 - 2020: £443,342). There has been continued to be very significant investment in group fixed assets this year (2021: £345,280 - 2020: £804,100) which affects the level of 'free' reserves but continues to place the Charity in an excellent position for the future. The Trustees' policy is, therefore, to continue building up funds by means of annual operating surpluses, supplemented by general purpose or specific appeals from time to time. This will enable the projects in hand to be progressed as quickly as practicable.

Plans for future periods

The Covid-19 Pandemic significantly affected the operations of the Watercress Line during the year. The Boards of the Charity and MHR Ltd have met during the period to review the financial position of the companies, develop the fundraising strategy and grant applications.

Looking forward, the Trustees expect income to be a continuing mix of grants, subscriptions, donations and legacy income. Whilst the Charity's subsidiary, MHR Ltd, continues with activities that promote the objectives of the Society, the Trustees do not expect a financial contribution, preferring that any surplus funds are invested in activities which promote our objectives.

The short and medium term objectives of the Society are to progress the projects that are already underway and detailed above. The most significant of these will be continuing the HLF funded restoration of locomotive 35005 and restoration of locomotive 75079.

TRUSTEES' REPORT (INCLUDING DIRECTORS' REPORT AND STRATEGIC REPORT) FOR THE YEAR ENDED 31 JANUARY 2021 (Continued)

The Charity's income includes a large proportion of grants, donations and legacy income. By its nature the level of this income cannot be assured in any year. Although it would be unwelcome, the Trustees acknowledge that they would be able to delay capital projects if this was required to balance cash flow were there to be a shortfall in expected income.

Trustees' responsibilities statement

The Trustees (who are also Directors of Mid-Hants Railway Preservation Society Limited for the purposes of company law) are responsible for preparing the Trustees' Annual Report, including the Strategic Report, and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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 Company will continue in business.

The Trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Charitable Company and the group 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 the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to auditors

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.

The Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

Cochrane & Co Accountants Limited are deemed to be re-appointed as auditors under section 487(2) of the Companies Act 2006.

In approving the Trustees' Annual Report, we also approve the Strategic Report included therein.

Date: 25/10/21
Alresford Station
Alresford
SO24 9JG

By Order of the Board


Peter Smith
Company Secretary

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MID-HANTS RAILWAY PRESERVATION SOCIETY LIMITED

Qualified Opinion

We have audited the financial statements of Mid-Hants Railway Preservation Society Limited (the 'parent charitable company') and its subsidiaries (the 'group') for the year ended 31 January 2021 which comprise the Consolidated Statement of Financial Activities, The Group and Parent Charitable Company Balance Sheets, The Consolidated Cash Flow Statement and the related 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, except for the possible effects of the matter described in the basis for qualified opinion section of our report, 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 January 2021, 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 of qualified opinion

Due to COVID 19, the country was in full lockdown at the 31 January 2021. The client was, not able to carry out a full stocktake at the year end and we were not able to attend. We have always found the clients systems to accurately report stock quantities but this year are unable to obtain audit evidence as regards stock quantities at 31 January 2021. Stock is included in the balance sheet at a value of £211,805. Consequently, we are unable to determine if any adjustment is necessary to this amount.

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 qualified opinion. Except for the matter described in the basis for qualified opinion section, we have determined that there are no key audit matters to be communicated in our report.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the trustees' use of the going concern basis of preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or parent charitable company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the trustees with respect to going concern are described in the relevant sections of this report.

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.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report (incorporating the strategic report and the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

Except for the matter described in the basis for opinion section of our report, in the light of the 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.

Arising solely from the limitation of scope of our work relating to stock quantities, referred to above;

- we have not received all the information and explanations we require for our audit.
- We are unable to determine whether adequate accounting records have been kept.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MID-HANTS RAILWAY PRESERVATION SOCIETY LIMITED

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate and sufficient 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

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement set out on page 8, 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 group's and parent 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 group or the parent 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 auditor under the Companies Act 2006 and the Charities Act 2011 and report in accordance with these Acts.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below;

There is a strong board overseeing operating activities and management information. We are able to review the entire nominal ledger and all transactions, offering us the opportunity to identify irregularities. Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to material misstatement in the financial statements or non-compliance with regulation. The risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than the error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

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/Our-Work/Audit/Audit-and-assurance/Standards-and-guidance-for-auditors/Auditors-responsibilities-for-audit/Description-of-auditors-responsibilities-for-audit.aspx.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and to the charitable company's trustees, 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 members and its 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 members as a body and the charitable company's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Joanne Cochrane BSc FCA (Senior Statutory Auditor)

For and on behalf of Cochrane & Co Accountants Limited

Accountants and Statutory Auditors

38 Kings Road, Lee-on-the-Solent

Hampshire PO13 9NU



Date: 26.10.21

Consolidated Statement of financial activities
(including consolidated Income and Expenditure account)
For the year ended 31 January 2021

Income	Notes	Unrestricted Funds £	Restricted Funds £	Total Funds 2021 £	2020 £
Donations and legacies	2	316,645	37,838	354,483	360,986
Income from charitable activities	3	40,575	5,384	45,959	60,191
Income from other trading activities	4	2,701,660	-	2,701,660	4,444,897
Investment income	5	460	-	460	1,043
Total income		3,059,340	43,222	3,102,562	4,867,117
Expenditure					
Costs of raising funds	6	2,607,922	-	2,607,922	4,209,413
Expenditure on charitable activities	7	88,314	12,504	100,818	223,317
Total expenditure		2,696,236	12,504	2,708,740	4,432,730
Unrealised gain/(loss) on investments		1,551	-	1,551	4,296
Interest payable		625	-	625	
Net Income		364,030	30,718	394,748	438,683
Transfers between funds	19	-	-	-	-
Net movement in funds		364,030	30,718	394,748	438,683
Reconciliation of funds:		7,924,382	355,432	8,279,814	7,841,131
Total funds brought forward					
Total funds carried forward	19	8,288,412	386,150	8,674,562	8,279,814

Continuing operations

All of the activities of the group are classed as continuing.

Total recognised gains and losses

The group has no recognised gains or losses other than the surplus above.

Balance sheets At 31 January 2021

	Notes	Group		Company	
		2021	2020	2021	2020
		£	£	£	£
Fixed assets:					
Tangible assets	12	8,430,925	8,343,813	2,333,387	2,267,925
Investments	13	88,088	86,537	905,465	901,580
<i>Total fixed assets</i>		<u>8,519,013</u>	<u>8,430,350</u>	<u>3,238,852</u>	<u>3,169,505</u>
Current assets:					
Stock	14	211,805	177,114	-	-
Debtors	15	340,535	2,208,816	27,519	159,517
Cash at bank and in hand		2,265,090	1,164,483	858,873	665,353
<i>Total current assets</i>		<u>2,817,430</u>	<u>3,370,413</u>	<u>886,392</u>	<u>825,052</u>
Liabilities:					
Creditors: amounts falling due within one year	16	(1,144,991)	(2,874,451)	(39,448)	(133,244)
<i>Net current assets</i>		<u>1,672,439</u>	<u>495,962</u>	<u>846,944</u>	<u>691,808</u>
<i>Total assets less current liabilities</i>		<u>10,191,452</u>	<u>8,926,312</u>	<u>4,085,796</u>	<u>3,861,313</u>
Creditors: amounts falling due after more than one year	17	(1,195,185)	(384,596)	(50,000)	-
Provisions for liabilities		(321,705)	(261,902)	-	-
Total net assets		<u>8,674,562</u>	<u>8,279,814</u>	<u>4,035,796</u>	<u>3,861,313</u>
The Funds of the Charity:					
Restricted income funds		<u>386,150</u>	<u>355,432</u>	<u>386,150</u>	<u>355,432</u>
Unrestricted income funds					
General funds		7,257,998	6,893,655	3,649,646	3,505,881
Other reserve		514,765	514,765	-	-
Minority interests		515,649	515,962	-	-
Total unrestricted funds		<u>8,288,412</u>	<u>7,924,382</u>	<u>3,649,646</u>	<u>3,505,881</u>
Total Charity funds	19 & 20	<u>8,674,562</u>	<u>8,279,814</u>	<u>4,035,796</u>	<u>3,861,313</u>

The financial statements on pages 11 to 33 were approved by the Board of Directors and authorised for issue on 25th October 2021 and were signed on its behalf by:


Director – S Evans


Director – G H Watson

Statement of consolidated cash flow
For the year ended 31 January 2021

	Notes	2021 £	2020 £
Net cash provided by operating activities:	18	573,787	1,402,825
Cash flows from investing activities:			
Interest received		789	942
Dividends received		-	100
Purchase of tangible fixed assets		(337,821)	(804,100)
Net cash used in investing activities		236,755	599,767
Cash flows from financing activities:			
Increase/(reduction) of borrowings		863,852	(38,544)
Change in cash and cash equivalents in the year		1,100,607	561,233
Cash and cash equivalents at the start of the year		1,164,483	603,260
Cash and cash equivalents at the end of the year	18	2,265,090	1,164,483

Notes to the consolidated financial statements For the year ended 31 January 2021

1 Summary of significant accounting policies

The principal accounting policies adopted, judgements and key sources of estimation and uncertainty in the preparation of the financial statements are as follows:

Basis of preparation

The Company is a registered charity and constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) – Charities SORP (FRS 102)), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and the Companies Act 2006 and UK Generally Accepted Accounting Practice.

The financial statements are prepared on a going concern basis under the historical cost basis of accounting, modified to include the revaluation of freehold land and buildings and certain other assets. The financial statements are presented in sterling which is the functional currency of the charity rounded to the nearest £1.

Basis of consolidation

The Group accounts consolidate the results of the charity and its subsidiaries. Mid-Hants Railway Limited is consolidated using the purchase method and Wadebridge (34007) Locomotive Limited is consolidated using the purchase method since acquired in 2008. The net income from the subsidiary companies is shown in note 9 of the accounts. Internal sales and profits are eliminated on consolidation.

Going Concern

The financial statements have been prepared on a going concern basis as the Directors believe that no material uncertainties exist. Following a successful re-opening by the Flying Scotsman, the Watercress Line was forced to close due to the Covid-19 Pandemic, re-opening in July 2020 with a revised service and meeting Government guidelines. The Trustees have considered the level of funds held and the expected level of income and expenditure for 12 months from authorising these financial statements. The budgeted income and expenditure is sufficient with level of reserves for the charity to be able to continue as a going concern.

Tangible fixed assets

Tangible fixed assets are stated at cost, or deemed cost, being purchase price or valuation, less accumulated depreciation. No lower limit is applied to individual items that are capitalised.

Depreciation is provided to write off the cost of fixed assets to their residual values by equal annual instalments at the following rates:

Freehold land and buildings	Nil to 2% per annum
Plant and machinery	Nil to 25% per annum
Assets in the course of construction	Not depreciated until brought into use

Locomotives are depreciated over the length of their boiler certificate (usually 10 years) down to their residual value. Where a locomotive, owned by an independent group, is overhauled by the company and a long term hire agreement is in place, the costs incurred are capitalised. Costs are depreciated on a straight line basis over the expected useful life (usually 10 years). Other than the engineering workshops at Ropley, depreciated at 2% per annum, the freehold land and buildings are not depreciated below their residual value. In the opinion of the Directors, it is the Company's purpose to restore, preserve and keep these assets in good repair for the future. Freehold property consists mainly of historic buildings which have long useful economic lives and high residual values. Any depreciation charge would be immaterial. The Directors are of the opinion that no circumstances causing an impairment of value have occurred. The Group has taken advantage of the transitional provisions of FRS102 to retain previously re-valued assets at their book value.

Notes to the consolidated financial statements For the year ended 31 January 2021 (Continued)

1 Principal accounting policies (continued)

Fixed asset investments

Investments held as fixed assets are stated at cost, or valuation, less provision for any impairment in value.

Income

Donations and income from subscriptions, stated net of value added tax, are credited on the statement of financial activities in the year to which they relate with any relating to future years being shown in creditors. Income relating to restricted funds is separately disclosed. Income from extended membership subscriptions is recognised in the year of receipt in the statement of financial activities.

In accordance with Charities SORP (FRS 102) no amounts are included in the financial statements for services donated by volunteers. The Trustees' annual report acknowledges their essential contribution to the charity's success.

Income from legacies is recognised at the earlier of the date on which either the Company is aware that probate has been granted, the estate finalised and notification received by the Company that a distribution will be made or has been received. Receipt of a legacy, in whole or in part, is only considered probable when the amount can be measured reliably and the Company notified of the executor's intention to make a distribution. If the Company is aware of the granting of probate, but the criteria for income recognition have not been met, the legacy is treated as a contingent asset and disclosed if material.

Income from the subsidiary companies represents sales, excluding value added tax, in respect of tickets for steam train experiences and rides, retail and catering goods supplied during the year, external engineering work performed and locomotive hire charges. Payments received on account are not included within turnover until such time as the service is rendered or obligation fulfilled.

Income from government and other grants, whether 'capital' or 'revenue', is recognised when the Company has entitlement to the funds, any performance conditions have been met, it is probable the income will be received and the amount can be measured reliably and is not deferred.

Interest from funds on deposit is included upon notification of interest payable by the bank. Dividends from shareholdings are recognised when the dividend is received.

Expenditure

Expenditure is accounted for on an accruals basis and recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably.

Cost of raising funds are those incurred by the subsidiary companies in commercial trading.

Charitable activities include expenditure associated with the maintenance and preservation of railway transportation systems, equipment and any support costs associated with those activities.

Support costs include functions that support the work of the Company, but do not directly undertake charitable activities.

Governance costs include those incurred in the governance of the Company and its assets and are primarily associated with constitutional and statutory requirements.

Notes to the consolidated financial statements For the year ended 31 January 2021 (Continued)

1 Principal accounting policies (continued)

Grants payable are payments to third parties for furtherance of the Company's objectives. The grants are accounted for where either the Directors have agreed to pay the grant without condition and the recipient has a reasonable expectation that they will receive the grant, or any condition attaching to the grant is outside the control of the Company.

Operating leases

Costs in respect of certain hiring arrangements are accrued on an annual basis and charged directly to the SOFA. Some of the hire arrangements are open ended and have no fixed date of expiry.

Stocks

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

Debtors

Trade and other debtors are recognised at the settlement amount due.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short term investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Creditors and provisions

Creditors and provisions are recognised where the group has a present obligation resulting from a past event that is expected to result in the transfer of funds to a third party and the amount due can be measured or estimated reliably. Creditors and provisions are normally recognised at their settlement amount after allowing for any trade discounts due.

Pensions

The Group operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

Fund accounting

Unrestricted funds are available for use at the discretion of the Directors in furtherance of the general objectives of the Company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the Company for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

1 Principal accounting policies (continued)

Taxation

The Company is an exempt charity within the meaning of schedule 3 of the Charities Act 2011 and is considered to pass the tests set out in Paragraph 1 Schedule 6 Finance Act 2010 and therefore it meets the definition of a charitable company for UK corporation tax purposes.

Within the subsidiary companies deferred tax is recognised in respect of all timing differences between the recognition of income and expenses in the financial statements and their inclusion in tax assessments. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the reporting date and that are expected to apply to the reversal of the timing difference, except for revalued land and investment property where the tax rate that applies to the sale of the asset is used. Current and deferred tax assets and liabilities are not discounted.

Regional groups

A number of regional groups of volunteers and supporters hold funds to support their day to day activities. Total income and expenditure is shown in these accounts whilst specific donations to the Company are included in donations on a received basis.

Financial instruments

The Company only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value, with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

2 Donations and legacies

	Unrestricted	Restricted	Total 2021	2020
	£	£	£	£
General donations and appeal income	27,770	-	27,770	36,357
Restoration of wagons	-	20	20	3,555
Wickam Trolley	-	125	125	-
Carriage restoration	-	620	620	8,715
Locomotive Sir Frederick Pile	-	377	377	2,365
Locomotive Canadian Pacific	-	26,491	26,491	119,915
Locomotive 75079	-	2,825	2,825	13,839
Locomotive Wadebridge	-	-	-	25
Locomotive 08 288	-	-	-	346
Locomotive 73096	-	213	213	168
Locomotive 80150	-	7,167	7,167	11,132
Miniature Railway	-	-	-	695
Legacy income	281,341	-	281,341	155,529
Gift aid	7,534	-	7,534	8,345
	<u>316,645</u>	<u>37,838</u>	<u>354,483</u>	<u>360,986</u>

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

3 Income from charitable activities

	Unrestricted	Restricted	Total 2021	2020
	£	£	£	£
MHR newsletter sales	-	-	-	266
Subscriptions	32,087	-	32,087	43,221
Locomotive 35005 raffle proceeds	-	5,384	5,384	6,689
Regional groups and 200 Club income	8,488	-	8,488	10,015
	<u>40,575</u>	<u>5,384</u>	<u>45,959</u>	<u>60,191</u>

**4 Income from other trading activities:
Commercial trading operations**

	Note	Unrestricted	Restricted	Total 2021	2020
		£	£	£	£
Income from trading subsidiaries	9	<u>2,701,660</u>	<u>-</u>	<u>2,701,660</u>	<u>4,444,897</u>

5 Investment income

	Unrestricted	Restricted	Total 2021	2020
	£	£	£	£
Dividends received	-	-	-	100
Bank interest receivable	460	-	460	943
	<u>460</u>	<u>-</u>	<u>460</u>	<u>1,043</u>

**6 Costs of raising funds:
Commercial trading operations**

	Note	Unrestricted	Restricted	Total 2021	2020
		£	£	£	£
Expenditure by trading subsidiaries	9	<u>2,607,922</u>	<u>-</u>	<u>2,607,922</u>	<u>4,209,413</u>

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

7 Expenditure on charitable activities

	Unrestricted	Restricted	Total	2020
	£	£	£	£
Grants payable	4,225	-	4,225	4,995
Locomotive maintenance	4,010	-	4,010	4,921
Mid-Hants News	11,737	-	11,737	14,053
Volunteer costs	-	-	-	227
Regional group expenditure	12,173	-	12,173	7,479
Draw costs	5,048	-	5,048	2,324
Hampshire Unit costs	7,155	-	7,155	2,339
Wagon restoration costs	3,307	-	3,307	2,911
Depreciation of tangible fixed assets	14,986	-	14,986	14,228
HLF project costs	-	12,504	12,504	155,392
<u>Support costs:</u>				
Printing, postage, IT and stationery	5,041	-	5,041	1,794
Sundries	59	-	59	1,805
Bank charges	1,190	-	1,190	1,260
<u>Governance costs:</u>				
Auditors remuneration	8,998	-	8,998	8,468
Professional fees	7,700	-	7,700	13
Health and safety	1,410	-	1,410	-
Insurance	1,275	-	1,275	1,108
	<u>88,314</u>	<u>12,504</u>	<u>100,818</u>	<u>223,317</u>

Support and governance costs have been allocated wholly to charitable activities as the costs relate to the furtherance of the Company's objectives. All charitable activities undertaken wholly relate to the single activity of the Company being the preservation, restoration and operation of railway transportation systems.

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

9 Net income of trading subsidiaries

The contributions from the subsidiary companies for the year ended 31 January 2021 are as follows:

	Mid-Hants	Wadebridge	Total	
	Railway Ltd	(34007) Locomotive Ltd	2021	2020
	£	£	£	£
Income	2,579,079	250,108	2,829,187	4,664,922
Net operating expenses	(2,516,186)	(1,129)	(2,517,315)	(4,051,474)
Operating profit	62,893	248,979	311,872	613,448
Bank interest receivable	258	71	329	221
Bank interest payable	(32,133)	-	(32,133)	(36,413)
	31,018	249,050	280,068	577,256
Taxation and deferred tax	(12,504)	(47,299)	(59,803)	(130,347)
Retained profit in subsidiary accounts	18,514	201,751	220,265	446,909
Exclude transactions between group companies:				
Administration charges	(20,000)	-	(20,000)	(20,000)
Grant received	(107,527)	-	(107,527)	(200,025)
Shop rent	1,000	-	1,000	1,000
Black 5 / Hampshire Unit hire	-	-	-	7,600
Total profit/(loss) brought into consolidated accounts	(108,013)	201,751	93,738	235,484

The results of the subsidiaries are incorporated in the Consolidated Statement of Financial Activities (page 11) as follows:

Income from other trading activities (Note 4)	2,701,660	4,444,897
Expenditure on charitable activities (Note 6)	(2,607,922)	(4,209,413)
Total profit brought into consolidated accounts	93,738	235,484

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

10 Taxation

The Company is a registered charity and is exempt from taxation under S505 Taxes Act 1988. The Company is registered for Value Added Tax.

No provision for corporation tax has been made for Mid-Hants Railway Limited or Wadebridge (34007) Locomotive Limited following their results for the year.

(a) Analysis of charge in the year

	2021	2020
	£	£
UK Corporation tax	-	-
(Over) provision in prior year	-	-
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

(b) Factors affecting current tax charge

	2021	2020
	£	£
Profit on ordinary activities before taxation (note 9)	280,068	577,256
	<u> </u>	<u> </u>
Profit on ordinary activities by rate of tax 19%; (2020 – 19%)	53,212	109,679
Effects of:		
Items not taxable	5,411	(863)
Other timing differences	-	-
Capital allowances for period in excess of depreciation	(14,465)	(13,178)
Use of losses brought forward	(44,158)	(95,638)
	<u> </u>	<u> </u>
Total current tax	<u> </u>	<u> </u>

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

11 Directors and employees

The average weekly number of staff of the Charity during the year was 6 (2020 - 6), all of whom were Directors who are not entitled to receive remuneration in respect of their services. Reasonable and necessary out of pocket expenses are reimbursed where considered appropriate. No out of pocket expenses were reimbursed in 2020 (2019 - £Nil).

Employee information in respect of the subsidiary, Mid-Hants Railway Limited, is as follows:

	2021	2020
Directors and employees:		
The average monthly head count was 45 (2020 - 40) as follows:		
General Manager and Senior Team.	4	4
Administration	3	3
Direct – full time equivalent	38	33
	<u>45</u>	<u>40</u>
Staff costs (for the above persons):	£	£
Wages and salaries	812,945	742,873
Social security costs	69,345	57,984
Pension costs	14,742	13,949
	<u>897,032</u>	<u>814,806</u>

Employees of MHR Ltd receiving remuneration in excess of £60,000 per annum were: S Baggot, whose total remuneration (including national insurance) in the period was £93,775.

MHR Ltd relies heavily on volunteer staff in all its operational areas.

Wadebridge Ltd has no employees and no remuneration was charged during the year.

Since August 2015, MHR Ltd has operated a pension scheme for its employees under the government's auto enrolment scheme.

The Charity and MHR Ltd have established indemnity insurance on behalf of the Trustees and Directors costing £2,550 (2020 - £700).

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

12 Tangible fixed assets

Group

	Freehold land and buildings	Plant and machinery	Assets in course of construction	Total
Cost or valuation	£	£	£	£
At 1 February 2020	3,243,252	5,892,957	1,767,354	10,903,563
Additions	75,944	147,981	121,355	345,280
Disposals	(7,459)	(32,167)	-	(39,626)
Transfers	-	238,769	(238,769)	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 January 2021	3,311,737	6,247,540	1,649,940	11,209,217
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
At 1 February 2020	349,555	2,210,195	-	2,559,750
Disposals	-	(32,167)	-	(32,167)
Charge for year	38,572	212,137	-	250,709
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 January 2021	388,127	2,390,165	-	2,778,292
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net book value				
At 31 January 2021	<u>2,923,610</u>	<u>3,857,375</u>	<u>1,649,940</u>	<u>8,430,925</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 31 January 2020	<u>2,893,697</u>	<u>3,682,762</u>	<u>1,767,354</u>	<u>8,343,813</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

An open market vacant possession valuation undertaken by Grimley, international property advisers, in August 1999 at the request of MHR Ltd, placed a value of £860,000 on the freehold land and buildings. The Directors consider that this valuation supports the existing use value placed on these assets in the financial statements. Freehold land and buildings are included above at this open market valuation together with the cost of subsequent additions and improvements.

	2021	2020
Cost or valuation of freehold land and buildings is represented by:	£	£
Valuation in 1999	860,000	860,000
Costs since 1999	2,451,737	2,383,252
	<u> </u>	<u> </u>
	<u>3,311,737</u>	<u>3,243,252</u>
	<u> </u>	<u> </u>
If land and buildings had not been revalued they would have been included at the following amounts		
	2,796,972	2,728,487
Cost	<u> </u>	<u> </u>

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

12 Tangible fixed assets (continued)

Company

	Freehold land and buildings £	Plant and Machinery £	Assets in course of Construction £	Total £
Cost				
At 1 February 2020	488,028	987,950	1,210,399	2,686,377
Additions	6,756	28,141	68,447	103,344
Transfer	-	-	(22,896)	(22,896)
At 31 January 2021	494,784	1,016,091	1,255,950	2,766,825
Depreciation				
At 1 February 2020	62,811	355,641	-	418,452
Charge for year	1,202	13,784	-	14,986
Disposal	-	-	-	-
At 31 January 2021	64,013	369,425	-	433,438
Net book value				
At 31 January 2021	430,771	646,666	1,255,950	2,333,387
At 31 January 2020	425,217	632,309	1,210,399	2,267,925

The Directors regard all the Company's fixed assets as being used for direct charitable purposes. Land and buildings owned by the Company are the Alresford Goods Shed.

Included in the Company's assets in course of construction are locomotives 75079, 35005, 34058 and 80150, and Bulleid coach S4367. Included in the Group disclosure is locomotive 34105. All these locomotives are in the process of restoration and will not be depreciated until the work is completed. Significant balances also included in the group disclosure include the renovation of Mark 1 coaches 15939 and 16083, and the Medstead signalling scheme.

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

13 Fixed asset investments

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Market value at 1 February 2020	86,537	82,241	901,580	895,602
Gain/(Loss) in the year on listed investments	1,551	4,296	1,551	4,296
Donation of shares in MHR Ltd	-	-	2,009	772
Investment in Wadebridge Ltd	-	-	325	910
Market value at 31 January 2021	<u>88,088</u>	<u>86,537</u>	<u>905,465</u>	<u>901,580</u>

Investments at market value comprise:

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Shares in MHR Ltd:				
• Dividend shares of £1 each	-	-	100	100
• Ordinary shares of 25p each	-	-	412,604	410,595
Shares in Wadebridge Ltd	-	-	404,673	404,348
UK Equities (listed investments)	21,677	20,126	817,377	815,043
34105 Light Pacific Group (unlisted investments)	66,411	66,411	21,677	20,126
	<u>88,088</u>	<u>86,537</u>	<u>905,465</u>	<u>901,580</u>

The Company owns all of the issued Equity Dividend shares in Mid-Hants Railway Limited (company registered number 1117090) in addition to 52% (2020: 52%) of the issued Ordinary non equity 25p shares. MHR Ltd is an unlisted company registered and operating in England and Wales, and its accounting year-end is co-terminus with the Company. It is not possible to quantify the likely market value of the investment. MHR Ltd At 31 January 2021 the net assets of MHR Ltd were £4,818,161.

The Company also owns a controlling interest of 76% of the issued share capital of Wadebridge (34007) Locomotive Limited (company registered number 01673483). The objectives of this company are to maintain and hire ex-Southern Railway Locomotive 34007 Wadebridge. At 31 January 2021 the net assets of Wadebridge Ltd were £726,191.

The UK equities were received through legacies. The value included in the accounts represents the market valuation of the shares at 31 January 2021.

The 34105 Light Pacific Group is an unincorporated organisation which owns ex-British Railways Southern Region Locomotive 34105 Swanage. The Locomotive is based on the Watercress Line where it is being overhauled. The company owns 26.6% of the issued shares in the locomotive.

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

14 Stocks

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Raw materials	49,115	62,548	-	-
Finished goods	162,690	114,566	-	-
	<u>211,805</u>	<u>177,114</u>	<u>-</u>	<u>-</u>

15 Debtors

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Trade debtors	11,650	15,238	-	6,016
Other taxation and social security costs	80,956	183,869	-	-
Other debtors	237,141	1,807,965	16,731	131,757
Regional group balances	10,788	21,744	10,788	21,744
	<u>340,535</u>	<u>2,028,816</u>	<u>27,519</u>	<u>159,517</u>

16 Creditors: amounts falling due within one year

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Bank loan	93,994	40,731	-	-
Payments received on account	163,293	492,683	-	-
Trade creditors	503,633	1,966,128	3,999	3,207
Amounts due to MHR Ltd	-	-	22,020	120,448
Other creditors	349,812	347,540	-	-
Other taxation and social security	19,830	16,829	-	-
Accruals	7,579	3,690	6,579	2,739
Other loans	6,850	6,850	6,850	6,850
	<u>1,144,991</u>	<u>2,874,451</u>	<u>39,448</u>	<u>133,244</u>

Bank loans and overdrafts

The bank loans and overdraft are secured by a fixed and floating charge over the subsidiary company's freehold railway property and other assets.

Payments received on account

Payments received on account relate entirely to bookings from customers for events taking place after the year end. These amounts will be released to the Statement of Financial Activities when the event has taken place.

Other loans

Other loans represent loans received from supporters. The loans are interest free and repayable on demand.

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

17 Creditors: amounts falling due after more than one year

	Group		Company	
	2021	2020	2021	2020
	£	£	£	£
Bank loans	1,195,185	384,596	50,000	-
	<u>1,195,185</u>	<u>384,596</u>	<u>50,000</u>	<u>-</u>

The bank loans are secured by a fixed and floating charge over the subsidiary company's freehold railway property and other assets. Of the amount due by instalments after more than one year £232,744 (2020 - £238,685) is due in more than five years.

18 Notes to the statement of cash flow

Reconciliation of net income to net cash inflow from operating activities

	Notes	2021	2020
		£	£
Net income for the year (page 11)		394,748	438,683
Adjustments for:			
Depreciation charges	12	250,709	229,993
Unrealised loss(gain) on investments	13	(1,551)	(4,296)
Interest received		(789)	(942)
Dividends received		-	(100)
Decrease/(Increase) in debtors		1,688,281	(1,615,959)
Increase/(Decrease) in creditors		(1,782,723)	2,191,455
Decrease (increase) in stock		(34,691)	33,645
Movement in deferred taxation	9	59,803	130,347
Net cash provided by operating activities (page 13)		<u>573,787</u>	<u>1,402,826</u>

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

18 Notes to the statement of cash flow (continued)

Reconciliation of net cashflow to movement
in net funds

	Group	
	2021	2020
	£	£
Changes during the year		
At 1 February 2020	1,164,483	603,260
Net cash inflow/(outflow)	1,100,607	561,223
	<u>2,265,090</u>	<u>1,164,483</u>
At 31 January 2021	<u>2,265,090</u>	<u>1,164,483</u>

Group

	2021	2020/21	2020
	£	Cash Flows £	£
Analysis of changes in net Funds			
Cash at bank	2,265,090	1,100,607	1,164,483
	<u>2,265,090</u>	<u>1,100,607</u>	<u>1,164,483</u>

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

19 Fund Balances
Group:

	General Funds £	Other Reserve £	Minority Interests £	Total Unrestricted Funds £	Total Restricted Funds £	Total £
Balance at 1 February 2020	6,893,655	514,765	515,962	7,924,382	355,432	8,279,814
Total income less total expenditure for year	362,479	-	-	362,479	30,718	393,197
Unrealised gain on listed investments	1,551	-	-	1,551	-	1,551
Transfer between general and restricted	-	-	-	-	-	-
	<u>7,257,685</u>	<u>514,765</u>	<u>515,962</u>	<u>8,288,412</u>	<u>386,150</u>	<u>8,674,562</u>
Movement in minority Interest	<u>313</u>	<u>-</u>	<u>(313)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance at 31 January 2021	<u><u>7,257,998</u></u>	<u><u>514,765</u></u>	<u><u>515,649</u></u>	<u><u>8,288,412</u></u>	<u><u>386,150</u></u>	<u><u>8,674,562</u></u>

The other reserve of £514,765 relates to the valuation of land and buildings which took place in 1999 and detailed in Note 12, and is the difference between the original valuation and 1999 revaluation.

The level of the Group's 'free' reserves may be calculated by deducting the value of fixed assets (note 12) from the balance of unrestricted funds at 31 January 2021 (£8,288,412 less £8,430,925) giving a negative balance of £142,513. The comparative figure at 31 January 2020 was negative £419,431 (£7,924,382 less £8,343,813).

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

19 Fund Balances (continued)

Analysis of restricted fund movements:

Fund name:	Balance At 1 February 2020 £	Incoming Resources £	Expenditure £	Transfer from Unrestricted Funds £	Balance At 31 January 2021 £
Restoration of wagons	3,975	20	-	-	3,995
Canadian Pacific 35005	-	31,875	12,504	-	19,371
Bulleid Coach luggage racks	17,367	620	-	-	17,987
Walk the Line – Ballast Appeal	3,355	-	-	-	3,355
Restoration of locomotive 34058	202,473	377	-	-	202,850
Restoration of locomotive 75079	70,519	2,825	-	-	73,344
Restoration of locomotive 80150	18,947	7,167	-	-	26,114
Restoration of locomotive 73096	6,907	213	-	-	7,120
Restoration of Hayling coaches	21,900	-	-	-	21,900
Restoration of locomotive 34007	4,617	-	-	-	4,617
Miniature Railway	3,576	-	-	-	3,576
Diesel 08288	1,796	-	-	-	1,796
Wickham Trolley	-	125	-	-	125
	<u>355,432</u>	<u>43,222</u>	<u>12,504</u>	<u>-</u>	<u>386,150</u>

Company:

	Total Unrestricted Funds £	Total Restricted Funds £	Total £
Balance at 1 February 2020	3,505,881	355,432	3,861,313
Net Income for the year	143,765	30,718	174,483
Unrealised losses on investment assets	-	-	-
Transfer	-	-	-
Balance at 31 January 2021	<u>3,649,646</u>	<u>386,150</u>	<u>4,035,796</u>

Notes to the consolidated financial statements For the year ended 31 January 2020 (Continued)

19 Fund Balances (continued)

Description of Funds:

Unrestricted Funds

These funds are for general use in the furtherance of the Company's objectives. There are no funds designated for specific purposes.

Restricted Funds

Locomotive 35005 'Canadian Pacific' (Project Engineering a Future from the Past)

Locomotive 35005 is owned by the Company. This fund represents giving associated with the appeal to overhaul the locomotive and the restoration of two Bulleid coaches, S1456S and S4367S. The excess costs have been taken from the unrestricted funds.

Restoration of Locomotive 34058 'Sir Frederick Pile' - Locomotive is owned by the Company. This fund represents donations received specifically to assist the restoration.

Restoration of Locomotive 75079 - Locomotive is owned by the Company. This fund represents donations received specifically to assist the restoration. Some of the funds have been spent and the balance is carried forward.

Restoration of Locomotive 80150 - Locomotive is owned by the Company. This fund represents donations received specifically to assist the restoration. Some funds have been spent and the balance carried forward.

Restoration of Locomotive 73096 - Locomotive is owned by MHR Ltd. This fund represents donations received specifically to assist the restoration. Some funds have been spent and the balance carried forward.

Restoration of Locomotive 34007 'Wadebridge' - Locomotive is owned by Wadebridge Ltd, which is undertaking the restoration and funds have been transferred to that company.

Diesel shunter 08288 - Locomotive is owned by MHR Ltd. This fund represents donations received specifically to assist the restoration. At the year the funds have not been spent and are carried forward.

Restoration of wagons - This fund represents donations received specifically to assist with the restoration of wagons. Some of the funds have been spent and the balance carried forward.

Bulleid Luggage racks - This fund is to restore and replace the racks in two Bulleid coaches, S1456S and S4367S. At the year the funds have not been spent and are carried forward.

Restoration of Hayling coaches - This fund represents donations received towards the restoration of four 19th century coaches built by the London Brighton and South Coast Railway. At the year the funds have not been spent and are carried forward.

Miniature Railway - This fund represents monies received to support the expansion of the miniature railway. At the year the funds have not been spent and are carried forward.

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

20 Analysis of net assets between funds

At 31 January 2021 fund balances are represented by:

Group

	Total Unrestricted Funds	Total Restricted Funds	Total
	£	£	£
Fixed assets	8,132,863	386,150	8,519,013
Current assets	2,817,430	-	2,817,430
Current liabilities	(1,144,991)	-	(1,144,991)
Long term liabilities	(1,195,185)	-	(1,195,185)
Provisions for liabilities	(321,705)	-	(321,705)
	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	8,288,412	386,150	8,674,562
	<u> </u>	<u> </u>	<u> </u>

Company

	Total Unrestricted Funds	Total Restricted Funds	Total
	£	£	£
Fixed assets	2,852,702	386,150	3,238,852
Current assets	886,392	-	886,392
Current liabilities	(39,448)	-	(39,448)
Long term liabilities	(50,000)	-	(50,000)
	<u> </u>	<u> </u>	<u> </u>
Total Net Assets	3,649,646	386,150	4,035,796
	<u> </u>	<u> </u>	<u> </u>

21 Auditors' remuneration

The auditors' remuneration in respect of non-audit fees, rendered to the group, is £8,734 (2020: £8,480).

Notes to the consolidated financial statements
For the year ended 31 January 2021 (Continued)

22 Capital and financial commitments

Total future minimum lease payments under non-cancellable operating leases:

	2021		2020	
	Land and Buildings	Other	Land and Buildings	Other
Falling due:	£	£	£	£
Within 1 year	-	39,452	-	43,925
Within 2 to 5 years	-	-	-	-
After more than 5 years	319,000	94,000	331,000	112,800
	<u>319,000</u>	<u>133,452</u>	<u>331,000</u>	<u>156,725</u>

As at 31 January 2021, the Group had capital commitments totalling £Nil (2020: £Nil).

23 Constitution

The Company has no share capital and is limited by guarantee. In the event of a winding up, each member of the Company is liable to contribute an amount not exceeding £1.

As permitted by section 408 of the Companies Act 2006, the holding Company's income and expenditure account has not been separately included in these financial statements. The holding Company's surplus for the financial year was £174,483 (2020: deficit £6,544).

24 Related party transactions

The Company has transactions with its subsidiaries, Mid-Hants Railway Limited and Wadebridge (34007) Locomotive Limited. These transactions are detailed in Note 9.

As at 31 January 2021, the following individual held shares in Mid-Hants Railway Limited: R Latham 900 shares and R Lacey 400 shares.

25 Control

The Company is under the control of the Board of Trustees.

Company statement of financial activities
(including Income and Expenditure account)
For the year ended 31 January 2021

	Unrestricted Funds £	Restricted Funds £	Total Funds 2021 £	2020 £
Income				
Donations and legacies	316,645	37,838	354,483	360,986
Income from charitable activities	41,575	5,384	46,959	68,791
Investment income	460	-	460	1,043
Total income	358,680	43,222	401,902	430,820
Expenditure				
Costs of raising funds	28,997	-	28,997	24,018
Expenditure on charitable activities	186,844	12,504	199,348	419,324
Total resources expended	215,841	12,504	228,345	443,342
Interest paid	625	-	625	-
Unrealised gain/(loss) on investments	1,551	-	1,551	5,978
Net (deficit)/income	143,765	30,718	174,483	(6,544)
Transfers between funds	-	-	-	-
Net movement in Funds	143,765	30,718	174,483	(6,544)
Reconciliation of Funds:				
Total funds brought forward	3,505,881	355,432	3,861,313	3,867,857
Total funds carried forward	3,649,646	386,150	4,035,796	3,861,313

This statement does not form part of the audited accounts.