

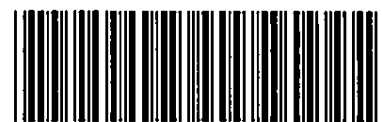
Company Registration Number 1010188

**WEST SOMERSET RAILWAY PUBLIC
LIMITED COMPANY**

Report and Financial Statements

31 December 2007

THURSDAY



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COMPANIES HOUSE

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

REPORT AND FINANCIAL STATEMENTS 2007

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WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

C A Austin OBE MA FCILT (Chairman) 3
R B Auger B Sc CEng MICE MStructE 4
B J Crudge (WSRA Nominee) 1, 4
H R Davies IEng MIBF 1, 2
C W J Dowrick ACIB 1, 4
G W Evens (Secretary)
D Holmes B Sc(Hons)MechE CEng FIMechE MAPM (WSRA Nominee) 1, 2
M A Johns CEng FIMechE 4
R L Lizars ACIB 1, 2
N I Lowther FCA 1, 2, 3
D T Morgan MBE TD MCIT (Deputy Chairman) 1, 2, 4
R S Savill FCA (Finance Director)
M L Smith MIRO (Vice Chairman) 1, 2
R M White B Sc ARCS MCIT LLB (WSRA Nominee) 1

- 1 Non-Executive Director
- 2 Member of Audit Committee
- 3 Member of Remuneration Committee
- 4 Member of Safety Audit Committee

GENERAL MANAGER

P W Conibeare

REGISTERED OFFICE

The Railway Station
Minehead
Somerset
TA24 5BG

AUDITORS

Deloitte & Touche LLP
Bristol

BANKERS

Lloyds TSB Bank plc
19 The Parade
Minehead
Somerset
TA24 5LU

SOLICITORS

David T Morgan
5 College Street
Westminster
London
SW1P 3SJ

RadcliffesLeBrasseur
5 College Street
Westminster
London
SW1P 3SJ

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTICE OF MEETING

NOTICE IS HEREBY GIVEN of the thirty-sixth Annual General Meeting of the company which will be held at The Regal Theatre, Minehead on Saturday 28 June 2008 at 2 30 pm to transact the following business

- 1 To consider the Chairman's Report for 2007
- 2 To consider the Company's Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2007
- 3 To elect Directors (see Directors' Report)
- 4 Ordinary Resolution
 - i) That the Directors be and are hereby generally and unconditionally authorised for the purpose of Section 80 of the Companies Act 1985 ("the Act") during the period of five years from the date of this resolution ("the Period of the Authority") to exercise all powers of the company to allot relevant securities (as defined in Section 80(2) of the Act) up to the amount of the authorised but unissued share capital of the Company at the date of this resolution save that the company may before the expiry date of the Period of Authority make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and that all previous authorities granted to the Directors pursuant to Section 80 of the Act are hereby revoked
 - ii) That in accordance with Section 95 of the Act the Directors be and are hereby given power during the Period of Authority to allot equity securities (as defined in Section 94 (2) of the Act) pursuant to the authority conferred by paragraph (i) of this resolution as if Section 89 (1) of the Act did not apply to such allotment
- 5 To reappoint Deloitte & Touche LLP as Auditors to the Company and to authorise the Directors to agree their remuneration
- 6 To transact any other business which may be properly transacted at an Annual General Meeting
- 7 To confirm date and venue of 2009 Annual General Meeting

By order of the Board

G W Evens
Secretary
29 March 2008



The Railway Station
Minehead
Somerset
TA24 5BG

NOTE: Any member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, vote on his behalf. A proxy need not be a member of the Company.

NOTE: Access to the Regal Theatre is via a staircase. Members requiring assistance should note this on their Attendance Cards.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

CHAIRMAN'S REPORT 2007

The Company has again traded successfully this year, with a profit on ordinary activities after taxation of £83,000, significant investment in the fabric of the railway and an increase in passenger numbers to 213,000, an all-time record for the WSR

The railway offered a public service for 243 days during the year, and on other days, it was frequently the case that Steam Engineman courses were being operated, ballast trains run or the High Output Ballast Cleaner operated to Allerford Junction, and there were very few days on which no train ran on the WSR

Heavy rain in June and again in November caused some flooding, but, thankfully, no permanent damage to the line. However, the devastation caused on the Severn Valley Railway in June did cause us to review the risks to the West Somerset and plan some actions to minimise or mitigate future risks

New techniques, including the use of Network Rail's rail flaw detection train, were used to improve our knowledge of the infrastructure and to develop a robust asset management plan to ensure its safety and effectiveness. This approach revealed a number of latent defects which have been remedied. Other work, including rail changing resulted in some flange wear and has been addressed through rail grinding, again with help from Network Rail as part of an agreement to train additional operators for them

Work continues on installing our own signalling and telecommunications cable throughout the line, but the entire line is now operated more safely and flexibly with single line control by Electric Key Token, completed last year

Work continued on the long term restoration of *Odney Manor* during the year, and on 9351's tender. Rebuilding of a DMU power car was completed along with the overhauling of a second power car and the repainting of the complete four car set, while two additional Mark I coaches have been purchased and wonders have been achieved in refurbishing or rebuilding the corroded bodywork of some of our older coaches. Coupled with deep cleaning and a change of carriage servicing contractor, the presentation of the fleet improved significantly during the year

An agreement was signed with Somerset County Council on the development of the site next to the station at Minehead, including the installation of the turntable and associated siding alterations, as well as provision of a canopy and kiosk as part of a larger development of the site which attracted funding from the European Union. The turntable was sent away for refurbishment and extension in October, and work on site at Minehead started in November. The turntable was craned into position on February 11th 2008 in front of a large crowd including elected members and officers from SCC and the whole project is due for completion by July 4th

The small commercial team at Minehead increased their effort in marketing the line during the year, helped by many willing volunteers who support the railway in distributing leaflets, giving talks or promoting the railway at local exhibitions. Increasingly, the WSR is representing the wider West Somerset community at trade exhibitions throughout the southern half of Britain, and in 2007 we went to the Bath & West show for the first time, tracking interest through a simple voucher scheme, many of which have already been redeemed. Tickets for the railway are now on sale at many Tourist Information Centres in Somerset, and we have permanent window displays at TICs at Clark's Village and Glastonbury. During the year we also took the first steps in selling tickets on line

Jointly with Virgin Trains, the railway was able to offer a shuttle service between Taunton and Bishops Lydeard on the weekends of the Spring and Autumn Steam Galas. 20 charter trains between the main line network and the WSR were run, the highest number ever. For seven weeks in the summer, we were also able to provide a through service between Minehead and Bristol and return four days a week, marketed as the *Butlin's Express*. This was a joint venture between the WSR, Victa Westlink Rail as the train operator, and Mainline, a subsidiary of ECT who provided the rolling stock. Whilst the venture was not profitable, it demonstrated the capability of the railway and the staff who ran the train day by day, and taught us a lot about the problems and opportunities of running a through service from the main line. The service was highly rated by passengers and earned us a number of accolades. Sadly, the demise of Victa Westlink has meant that we have not been able to offer a similar service this year

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

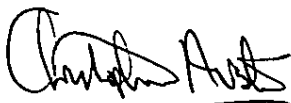
CHAIRMAN'S REPORT 2007 (Continued)

Retailing and catering appear to have been affected by limitations on disposable income, and new ideas were developed during the year to help to overcome this. New lines have been introduced in the shop, and a modest start has been made on internet retailing at Minehead, while the range of regular and special event on train catering has been increased. The first station catering outlet at Minehead was established in a Mark III buffet car, offering table service of light meals and a take away service as well. The complications of the electrical supply systems on rail vehicles limited the menu that could be provided, but the quality of the offer was high and good results were being achieved by the end of the season. The Brunel Buffet has now been moved to the seafront location, where its high visibility and higher footfall mean that we expect a successful trading season for this year.

Fundraising has been particularly successful in 2007, with around £195,000 raised as a result of the turntable appeal and a small number of generous legacies which will contribute to associated works such as the water tower and yard lighting for the turntable and the restoration of Odney Manor. As a result of these contributions, the Board decided to work with the Association and the Steam Trust in the development of a legacy strategy to help those who wish to leave money to invest in the railway or in individual projects.

Staff numbers increased with the growth in activity on the railway, and whilst the average number of people employed was 48, the payroll rose above 50 for the first time last summer. The railway is now a significant local employer and provides an important skill base for West Somerset and also forms a key part of the local economy. But the railway depends for its operation very largely on the volunteer workforce who not only fulfil key safety critical roles such as driver or signaller, but also take the money as booking clerks, provide information and interpretation for passengers, carry out routine maintenance and improvement or undertake the huge range of tasks required to run passenger trains.

The success of the railway is due entirely to the skill and dedication of its staff whether paid or volunteers (and some are both!). I am grateful to all those who put in so much hard work in 2007 to make the railway the finest and friendliest heritage railway in Britain.



Chris Austin, OBE, MA, FCILT,
Chairman,
1 April, 2008

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

DIRECTORS' REPORT

The directors present their annual report and audited financial statements for the year ended 31 December 2007

PRINCIPAL ACTIVITY

The principal activity of the company is to operate the West Somerset Railway between Minehead and Bishops Lydeard in the County of Somerset

RESULTS AND DIVIDENDS

The profit for the year is as stated in the profit and loss account

In accordance with Clause 4 (44) of the Memorandum of Association the Members of the Company are not entitled to a dividend

ISSUES OF SHARES

The company issued a further 1,069,350 (2006 345,872) 10p ordinary shares at par for cash consideration in order to provide additional capital

REVIEW OF DEVELOPMENT AND FUTURE PROSPECTS

A review of activities for the year and likely future developments is included in the Chairman's report on page 3 which is deemed to form part of this report

DIRECTORS AND THEIR INTERESTS

The directors and their interests in the share capital of the company on 1 January 2007 and 31 December 2007 were as follows

| | Ordinary shares of 10p each | |
|-------------------------------|------------------------------------|------------------|
| | 31 December | 1 January |
| | 2007 | 2007 |
| C A Austin | 25,000 | 20,000 |
| R B Auger | 3,000 | 3,000 |
| B J Crudge | 550 | 550 |
| H R Davies | 5,100 | 5,100 |
| C W J Dowrick | 20,000 | 20,000 |
| G W Evens | 3,000 | 1,000 |
| D Holmes | 1,000 | 1,000 |
| M A Johns | 4,500 | 3,500 |
| R L Lizars | 22,000 | 22,000 |
| N I Lowther | 2,000 | 1,400 |
| D T Morgan | 4,050 | 4,050 |
| R S Savill | 20,000 | 18,000 |
| M L Smith | 20,000 | 21,000 |
| D H Taylor (Retired 31 03 07) | 9,450 | 9,450 |

In accordance with the Articles of Association Messrs B J Crudge, H R Davies, G W Evens, M A Johns and D T Morgan retire from office Messrs B J Crudge, H R Davies, G W Evens, M A Johns and D T Morgan being eligible, offer themselves for re-election A resolution will be proposed at the Annual General Meeting to confirm the appointment of Mr R M White who has been appointed since the last meeting

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

DIRECTORS' REPORT (continued)

CORPORATE GOVERNANCE

The July 2003 Combined Code Committee's report on the financial aspects of corporate governance contained a Code of Best Practice. Whilst there is no requirement on the company to do so, the directors have reviewed the company's practices in respect of those recommendations contained in the Code which they believe to be most relevant to the company. The following information is presented as voluntary disclosures for the benefit of the shareholders. The company has not complied with, and has not attempted to comply with, the full requirements of the Code.

BOARD OF DIRECTORS

The company has a Board of Directors of five executive and nine non-executive directors which the Board believes is appropriate for the company at the current time. The Board meets formally on a regular basis, normally each month. Written procedures have been approved by the Board covering matters which require specific Board approval. Similarly, there are written procedures enabling Board members to seek independent professional advice in furtherance of their duties.

REMUNERATION COMMITTEE

The Remuneration Committee consists of one non-executive director and one executive director. None of the directors are employed by the company.

AUDIT COMMITTEE

The Audit Committee consists of six non-executive directors and the company secretary who is also secretary of the Audit Committee. Other Board members also have the right to attend. However, at least once each year, the Committee meets with the external auditors without executive Board members being present, except by invitation.

SAFETY AUDIT COMMITTEE

It is the Board's policy that safety is the first priority for the Board and all working on the railway. A committee of three non-executive directors, two executive directors and the general manager ensure that proper procedures are in place for risk assessment and safety management, and that procedures are subject to periodic audit and review. The company is one of the few heritage railways to hold a full "Safety Case" approved by the Health and Safety Executive, facilitating the handling of through trains from Network Rail.

PAYMENT POLICY

It is company policy to comply with the terms of payment agreed with a supplier. Where terms are not negotiated the company endeavours to adhere to the supplier's standard terms. The company's year end trade creditors correspond to 24 days (2006: 24 days) of credit purchases.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

DIRECTORS' REPORT (continued)

AUDITORS

Each of the persons who is a director at the date of approval of this report confirms that

- (1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- (2) the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s234ZA of the Companies Act 1985

Deloitte & Touche LLP have expressed a willingness to remain in office as the company's auditor. A resolution to re-appoint Deloitte & Touche LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting

Approved by the Board of Directors
and signed on behalf of the Board

G W Evens
Secretary



29 March 2008

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- 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 company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY**

We have audited the financial statements of West Somerset Railway Public Limited Company for the year ended 31 December 2007 which comprise the profit and loss account, the balance sheet, the cash flow statement and the related notes 1 to 22. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, in accordance with the relevant financial reporting framework, and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and the other information contained in the annual report for the above year as described in the contents section and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

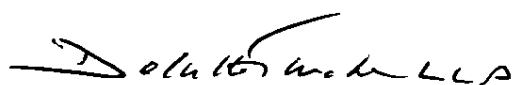
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.



DELOITTE AND TOUCHE LLP
Chartered Accountants and Registered Auditors
Bristol, United Kingdom
3 April 2008

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

PROFIT AND LOSS ACCOUNT
Year ended 31 December 2007

| | Notes | 2007 £'000 | 2006 £'000 |
|--|-------|---------------|---------------|
| TURNOVER | 1 | 2,279 | 2,103 |
| Other operating income | 2 | 88 | 235 |
| | | <u>2,367</u> | <u>2,338</u> |
| Staff costs | 3 | (638) | (584) |
| Depreciation | | (109) | (89) |
| Other operating charges | | (1,555) | (1,409) |
| OPERATING PROFIT | | <u>65</u> | <u>256</u> |
| Interest receivable | | 32 | 16 |
| PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION | 4 | 97 | 272 |
| Tax charge on profit on ordinary activities | 5 | (14) | (17) |
| PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION | 15 | <u>83</u> | <u>255</u> |

All activities derived from continuing operations

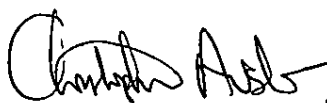
There are no recognised gains and losses for the current and preceding financial year other than as stated in the profit and loss account. Accordingly, no separate statement of total recognised gains and losses has been prepared.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

BALANCE SHEET At 31 December 2007

| | Notes | 2007 £'000 | 2006 £'000 |
|---|-------|---------------|---------------|
| FIXED ASSETS | | | |
| Tangible assets | 6 | 1,627 | 1,187 |
| CURRENT ASSETS | | | |
| Stocks | 8 | 91 | 97 |
| Debtors | 9 | 122 | 73 |
| Investments - treasury deposit | 20 | 450 | 400 |
| Cash at bank and in hand | 20 | 290 | 324 |
| | | 953 | 894 |
| CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 10 | (183) | (190) |
| NET CURRENT ASSETS | | 770 | 704 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 2,397 | 1,891 |
| CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR | | | |
| Loan | 11 | (110) | (48) |
| PROVISIONS FOR LIABILITIES | 12 | (142) | (94) |
| DEFERRED INCOME | 13 | (243) | (37) |
| NET ASSETS | | 1,902 | 1,712 |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 14 | 1,387 | 1,280 |
| Profit and loss account | 15 | 515 | 432 |
| SHAREHOLDERS' FUNDS | 15 | 1,902 | 1,712 |

These financial statements were approved by the Board of Directors on 29 March 2008
Signed on behalf of the Board of Directors



C A Austin 29 March 2008-Director
Director
28 March



R S Savill 29 March 2008-Director
Director
28 March 2008

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

CASH FLOW STATEMENT
Year ended 31 December 2007

| | Notes | 2007 £'000 | 2006 £'000 |
|--|-------|---------------|---------------|
| Net cash inflow from operating activities | 18 | 348 | 294 |
| Returns on investments and servicing of finance | | | |
| Interest received | | 32 | 16 |
| Capital expenditure | | | |
| Purchase of tangible fixed assets | 6 | (550) | (188) |
| Proceeds from disposal of tangible fixed assets | | 1 | 2 |
| Net cash outflow from capital expenditure | | (549) | (186) |
| Cash (outflow)/inflow before financing | | (169) | 124 |
| Financing | | | |
| Issue of ordinary share capital | | 107 | 34 |
| Loan Somerset County Council | | 78 | - |
| Increase in cash in the year | 20 | 16 | 158 |

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is charged on a straight-line basis over the estimated useful economic life of each asset, or the estimated useful economic life of individual major components.

Useful economic life is principally as follows:

| | |
|--|----------------|
| Freehold and Long Leasehold land, buildings and improvements | 25 to 50 years |
| Rolling stock | 5 to 25 years |
| Tracks, plant, vehicles and equipment | 2 to 10 years |

Until restoration has been completed no depreciation is being charged on Locomotive 7828 which was purchased in May 2004 or on the Minehead Turntable Restoration in progress in 2007.

Taxation

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

In accordance with FRS 19, deferred taxation is provided in full on timing differences which represent an asset or liability at the balance sheet date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Stocks

Stocks are valued at the lower of cost and net realisable value.

Government grants

Government grants made as a contribution towards expenditure on fixed assets are recognised in the balance sheet as deferred income and amortised to the profit and loss account in equal annual instalments over the estimated lives of the assets to which they relate.

Investments and investment gains and losses

Unquoted investments are held and are included in the balance sheet at cost. Unquoted investments received as donations or gifts are carried at nil cost.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

1. ACCOUNTING POLICIES (continued)

Pension costs

Pension costs relating to the company's defined contribution pension scheme are charged against profits as they become payable

Leases

Rental costs under operating leases are charged to the profit and loss account in equal annual amounts over the period of the lease

Turnover

Turnover represents amounts receivable for goods and services provided in the United Kingdom net of trade discount, VAT and other related taxes. Turnover is recognised on performance of services

Other operating income

Donations received towards both revenue and capital costs are recognised in the period in which they are received and disclosed as 'Other Operating Income'

Segmental reporting

The results for the current and prior year are derived from one class of business in the United Kingdom

| 2. OTHER OPERATING INCOME | 2007 £'000 | 2006 £'000 |
|---------------------------|---------------|---------------|
| Donations revenue | 13 | 43 |
| Donations capital | 28 | 18 |
| Legacy capital | 47 | 174 |
| | <hr/> | <hr/> |
| | 88 | 235 |

The sums received in respect of capital donations have been allocated to the costs of the projects specified by the donors

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

3 INFORMATION REGARDING DIRECTORS AND EMPLOYEES

| | 2007 £'000 | 2006 £'000 |
|--|---------------|---------------|
| Directors' emoluments (as employees) | | |
| Remuneration (including benefits in kind) | - | 8 |
| Contributions to defined contribution pension scheme | - | 1 |
| | <u>-</u> | <u>9</u> |
| Employee costs during the year (including directors) | £'000 | £'000 |
| Wages and salaries | 583 | 516 |
| Social security costs | 44 | 40 |
| Pension costs | 27 | 28 |
| | <u>654</u> | <u>584</u> |

Included within the above is £16,000 (2006 nil) which has been capitalised as part of the turntable restoration project and is therefore not reflected in the profit and loss charge for the year

| | No. | No. |
|------------------------------------|-----------|-----------|
| Average number of persons employed | | |
| Railway | 44 | 39 |
| Shop | 4 | 4 |
| Total | <u>48</u> | <u>43</u> |

The average number of persons employed includes all full-time and part-time employees

4. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| Profit on ordinary activities before taxation is after charging/(crediting) | | |
| Hire for rolling stock | 279 | 228 |
| Depreciation - owned assets | 109 | 89 |
| Auditors' remuneration - audit fee | 10 | 9 |
| Rentals under operating leases - plant and machinery | 6 | 3 |
| Amortisation of government grant | (2) | (2) |

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

5. TAX CHARGE ON PROFIT ON ORDINARY ACTIVITIES

| | 2007 | 2006 |
|--|--------------|--------------|
| | £'000 | £'000 |
| Analysis of charge in year | | |
| United Kingdom corporation tax at 20% (2006 19%) | - | - |
| Total current tax | - | - |
| Deferred taxation | 14 | 17 |
| Tax charge on profit on ordinary activities | 14 | 17 |

Factors affecting tax charge in year

The standard rate of tax for the year, based on the UK standard rate of corporation tax is 20% (2006 19%)
The actual tax for the current and previous year differs from the standard rate for the reasons set out in the following reconciliation

| | £'000 | £'000 |
|--|--------------|--------------|
| Profit on ordinary activities before tax | 97 | 272 |
| | £'000 | £'000 |
| Tax on profit on ordinary activities at standard rate | 20 | 52 |
| Legacy not subject to Corporation Tax | (9) | (33) |
| Qualifying capital allowances in excess of depreciation | (14) | (17) |
| Increase in rate of Corporation Tax on provision brought forward | 3 | (2) |
| Current tax charge for the year | - | - |

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

6. TANGIBLE FIXED ASSETS

| | Long leasehold land and buildings and leasehold improvements £'000 | Rolling stock £'000 | Plant vehicles and equipment £'000 | Track and signalling £'000 | Total £'000 |
|---------------------------------|---|---------------------------|---|----------------------------------|----------------|
| Cost | | | | | |
| At 1 January 2007 | 652 | 836 | 264 | 297 | 2,049 |
| Additions | 23 | 124 | 89 | 314 | 550 |
| Disposals | - | (2) | (5) | - | (7) |
| At 31 December 2007 | 675 | 958 | 348 | 611 | 2,592 |
| Accumulated depreciation | | | | | |
| At 1 January 2007 | 258 | 182 | 211 | 211 | 862 |
| Charge for the year | 24 | 43 | 32 | 10 | 109 |
| Disposals | - | (1) | (5) | - | (6) |
| At 31 December 2007 | 282 | 224 | 238 | 221 | 965 |
| Net book value | | | | | |
| At 31 December 2007 | 393 | 734 | 110 | 390 | 1,627 |
| At 31 December 2006 | 394 | 654 | 53 | 86 | 1,187 |

7. INVESTMENTS

The company holds the following shares One of £500 in 5542 Limited, 418 of £10 in Dinmore Manor Locomotive Ltd, 120 of £1 in Severn Valley Railway (Holdings) plc, 940 of 25p in Grand Central Railway plc, and 126 of £1 in North Norfolk Railway plc All shares were given to the company and therefore have a nil cost

8. STOCKS

| | 2007 £'000 | 2006 £'000 |
|-------------------------------|---------------|---------------|
| Raw materials and consumables | 26 | 18 |
| Goods for resale | 65 | 79 |
| | 91 | 97 |

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

| | | |
|---|--------------|--------------|
| 9. DEBTORS | 2007 | 2006 |
| | £'000 | £'000 |
| Trade debtors | 45 | 7 |
| Valued added tax | 10 | 10 |
| Other debtors | 3 | 1 |
| Prepayments | 64 | 55 |
| | <u>122</u> | <u>73</u> |
| 10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR | 2007 | 2006 |
| | £'000 | £'000 |
| Loan | 16 | 16 |
| Trade creditors | 94 | 107 |
| Tax and social security costs | 13 | 12 |
| Other creditors | 29 | 29 |
| Accruals | 31 | 26 |
| | <u>183</u> | <u>190</u> |
| 11. CREDITORS: AMOUNTS FALLING DUE IN MORE THAN ONE YEAR | 2007 | 2006 |
| | £'000 | £'000 |
| Loans | <u>110</u> | <u>48</u> |

During the year ending 31 December 2006, the Company received an interest free loan of £80,000 from the Somerset County Council towards the Minehead station canopy restoration. The unsecured loan is repayable in 5 equal annual instalments from May 2007. All amounts due in more than one year will be repayable between two and five years.

During the year ending 31 December 2007, the Company received a further interest free loan of £77,850 from the Somerset County Council towards the Minehead Turntable Restoration repayable in March 2009.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

12. PROVISION FOR LIABILITIES

| | Balance at 1 January 2007 £'000 | Profit and loss account £'000 | Balance at 31 December 2007 £'000 |
|-----------------------------|--|-------------------------------------|--|
| Locomotive repair provision | 39 | 34 | 73 |
| Deferred taxation | 55 | 14 | 69 |
| | <u>94</u> | <u>48</u> | <u>142</u> |

The locomotive repair provision relates to Locomotive 53808, for which a long term contract is in place requiring the company to carry out all repairs and overhauls during the duration of the contract. The provision is in accordance with the company and its suppliers' best estimates of the costs involved and based on the locomotive usage to date.

Deferred taxation

| | 2007 £'000 | 2006 £'000 |
|---|---------------|---------------|
| The amounts of deferred taxation provided in the accounts is as follows | | |
| Excess capital allowances over depreciation | <u>69</u> | <u>55</u> |

There were no unprovided amounts

| | £'000 | £'000 |
|-----------------------------------|-----------|-----------|
| Opening balance | 55 | 38 |
| Charge to profit and loss account | <u>14</u> | <u>17</u> |
| Closing balance | <u>69</u> | <u>55</u> |

13. DEFERRED INCOME

| | 2007 £'000 | 2006 £'000 |
|-----------------------------------|---------------|---------------|
| Deferred Income Government grants | <u>243</u> | <u>37</u> |

The movements in the year in respect of the government grant are as follows

| | £'000 | £'000 |
|--|------------|------------|
| Balance at beginning of year | 37 | 39 |
| Grants received during year on account of the Minehead Turntable Restoration | 208 | - |
| Amortised to profit and loss account | <u>(2)</u> | <u>(2)</u> |
| Balance at end of year | <u>243</u> | <u>37</u> |

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

| | | |
|---|--------------|--------------|
| 14. CALLED UP SHARE CAPITAL | 2007 | 2006 |
| | £'000 | £'000 |
| Authorised | | |
| 25,000,000 Ordinary shares of 10p each | 2,500 | 2,500 |
| | £'000 | £'000 |
| Allotted and fully paid | | |
| 13,870,445 Ordinary shares of 10p each (2006 12,801,095 shares) | 1,387 | 1,280 |

During the year 1,069,350 Ordinary Shares were issued at par for a total value of £106,935 In 2006 345,872 Ordinary Shares were issued at par for a total value of £34,587

The members of the company shall not be invited to participate in the income or profit of the company by way of dividends (other than by the issue of free or complimentary rail travel) and no action shall be taken by the company or its members which would have the effect directly or indirectly of participation by the members in the income or profits of the company or any successor to the company by way of dividends Shareholders with less than 500 shares will not qualify for free or complimentary rail travel warrants

If upon the winding up of the company there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same may not be paid or distributed amongst its members Such proceeds, land premises or assets shall be given or transferred to some other institution or institutions having objectives similar to West Somerset Railway plc and which shall also prohibit the distribution of its income, profit or assets amongst its members to an extent at least as great as imposed on this company by virtue of this clause

15. COMBINED RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS AND MOVEMENTS IN RESERVES

| | Called up share capital £'000 | Profit and loss account £'000 | 2007 Total £'000 | 2006 Total £'000 |
|------------------------------------|--|--|---------------------------------|---------------------------------|
| Balance at 1 January 2007 | 1,280 | 432 | 1,712 | 1,423 |
| Shares issued in year | 107 | - | 107 | 34 |
| Profit for the financial year | - | 83 | 83 | 255 |
| Balance at 31 December 2007 | 1,387 | 515 | 1,902 | 1,712 |

16. OPERATING LEASES COMMITMENTS

At 31 December 2007 the company was committed to payments of £8,529 (2006 £401) under land and property leases The date of the next lease review will be March 2012

17. PENSION SCHEMES

The company operates a defined contribution pension scheme The assets of the scheme are held separately from those of the company in independently administered funds The pensions cost charge represents contributions payable by the company to the fund Nothing was owed to the pension scheme at 31 December 2007 (2006 £nil)

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2007

18. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

| | 2007 £'000 | 2006 £'000 |
|--|-----------------------|-----------------------|
| Operating profit | 65 | 256 |
| Depreciation less amortisation of grant | 107 | 87 |
| Movement in working capital (note 19) | 176 | (49) |
| Net cash inflow from operating activities | 348 | 294 |

19. MOVEMENT IN WORKING CAPITAL

| | 2007 £'000 | 2006 £'000 |
|---|-----------------------|-----------------------|
| Decrease/(increase) in stocks | 6 | (18) |
| (Increase)/decrease in debtors | (49) | 20 |
| Decrease in creditors | (7) | (62) |
| Increase in loans, provisions and deferred income | 226 | 11 |
| Net cash inflow/(outflow) from working capital | 176 | (49) |

20. ANALYSIS OF CHANGES IN NET FUNDS

| | At 1 January 2007 £'000 | Cash flows £'000 | At 31 December 2007 £'000 |
|--|--|-----------------------------|--|
| Cash at bank and in hand | 324 | (34) | 290 |
| Short term investments - treasury deposits | 400 | 50 | 450 |
| Total cash and short term investments | 724 | 16 | 740 |
| Loan | (64) | (62) | (126) |
| Net funds at end of year | 660 | (46) | 614 |

21. TRANSACTIONS WITH DIRECTORS

The director, Mr H R Davies is also a director of Cerdic Foundries Limited from whom supplies were obtained of £8,975 in the year (2006 £5,277) Messrs M L Smith and D T Morgan are also directors of the Heritage Railway Association from whom supplies were obtained of £388 in the year (2006 £373) No amounts were outstanding to either at the year end

22. CAPITAL COMMITMENTS

At 31 December 2007 £46,500 (2006 £7,050) had been contracted but not provided

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

ADDITIONAL INFORMATION

The additional information on page 23 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the independent auditors' report thereon.

WEST SOMERSET RAILWAY PUBLIC LIMITED COMPANY

DETAILED PROFIT AND LOSS ACCOUNT

Year ended 31 December 2007

| | 2007 | 2006 |
|--|---------------|----------------|
| | £ | £ |
| REVENUE | | |
| Fares from service trains (including wine and dine haulage) | 1,667,039 | 1,537,753 |
| Steam experience courses | 72,003 | 66,743 |
| Rent and wayleaves | 10,368 | 13,708 |
| Shop and buffet (including specials/catering) | 497,328 | 455,055 |
| Ticket printing sales | 6,671 | 6,161 |
| Work done | 8,978 | 4,649 |
| Other trading income | 17,047 | 19,252 |
| Profit on disposal of tangible fixed assets | - | 85 |
| | <hr/> | <hr/> |
| | 2,279,434 | 2,103,406 |
| LESS COST OF SALES: Shop and buffet supplies | (295,760) | (275,353) |
| | <hr/> | <hr/> |
| | 1,983,674 | 1,828,053 |
| EXPENDITURE | | |
| Salaries and related costs | 638,150 | 584,059 |
| Operating | | |
| - fuel | 219,776 | 207,613 |
| - water and sewerage | 27,916 | 26,379 |
| - stock hire | 279,006 | 227,520 |
| - stock maintenance | 200,878 | 185,583 |
| - track maintenance | 135,361 | 96,030 |
| - bridge, road building maintenance | 32,142 | 32,365 |
| - signal and telegraph | 24,932 | 22,713 |
| - other operating costs | 63,077 | 62,231 |
| Establishment | | |
| - rent rates and insurance | 59,405 | 65,984 |
| - light and heat | 24,429 | 23,536 |
| - depreciation less amortisation of grant | 106,422 | 87,041 |
| - Administration | | |
| - post and telephone | 30,179 | 26,890 |
| - annual general meetings and audit | 15,544 | 15,990 |
| - legal and professional services | 7,928 | 4,458 |
| - other administration | 48,434 | 51,160 |
| - publicity | 92,034 | 86,725 |
| | <hr/> | <hr/> |
| | (2,005,613) | (1,806,277) |
| Interest receivable | 31,648 | 16,406 |
| | <hr/> | <hr/> |
| PROFIT BEFORE OTHER OPERATING INCOME AND TAXATION | 9,709 | 38,182 |
| OTHER OPERATING INCOME | | |
| Donations Revenue | 13,258 | 43,154 |
| Donations Capital | 27,532 | 17,912 |
| Legacy Capital | 47,100 | 174,000 |
| Taxation charge for the year | (13,926) | (17,698) |
| | <hr/> | <hr/> |
| PROFIT AFTER TAXATION | 83,673 | 255,550 |