

Registered number
01117090

Mid-Hants Railway Limited

Report and Accounts

31 March 2023

Mid-Hants Railway Limited
Report and accounts
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Mid-Hants Railway Limited

Company Information

Directors

A J Houghton (resigned 14 August 2023)

S N Evans (resigned 7 April 2022)

M R Rossiter (resigned 3 November 2022)

R H Lacey (resigned 7 April 2022)

J F G Russell

J M Dunwoody

R A Hawkins (resigned 9 January 2023)

D Jones (resigned 9 January 2023)

P Smith (resigned 9 January 2023)

A J Squires (appointed 17 August 2022, resigned 28 March 2023)

G Watson (appointed 14 September 2023)

Secretary

P Smith

Auditors

Cochrane & Co Accountants Ltd

38 Kings Road

Lee-on-the-Solent

Hampshire

PO13 9NU

Registered office

Alresford Station

Alresford

Hampshire

SO24 9JG

Registered number

01117090

Mid-Hants Railway Limited

Registered number: 01117090

Directors' Report

The directors present their report and accounts for the year ended 31 March 2023.

Principal activities

The company's principal activity during the period continued to be the operation of a steam railway.

Directors

The following persons served as directors during the year:

A J Houghton (resigned 14 August 2023)
S N Evans (resigned 7 April 2022)
M R Rossiter (resigned 3 November 2022)
R H Lacey (resigned 7 April 2022)
J F G Russell
J M Dunwoody
R A Hawkins (resigned 9 January 2023)
D Jones (resigned 9 January 2023)
P Smith (resigned 9 January 2023)
A J Squires (appointed 17 August 2022, resigned 28 March 2023)
G Watson (appointed 14 September 2023)

Disclosure of information to auditors

Each person who was a director at the time this report was approved confirms that:

- so far as he is aware, there is no relevant audit information of which the company's auditor is unaware; and
- he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Small company provisions

This report has been prepared in accordance with the provisions in Part 15 of the Companies Act 2006 applicable to companies subject to the small companies regime.

This report was approved by the board on 21 December 2023 and signed by its order.

G Watson
Director

Mid-Hants Railway Limited

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare accounts for each financial year. Under that law the directors have elected to prepare the accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the accounts unless they are satisfied that they 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 accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 2006. 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.

Mid-Hants Railway Limited

Independent auditor's report

to the members of Mid-Hants Railway Limited

Qualified Opinion

We have audited the accounts of Mid-Hants Railway Limited for the year ended 31 March 2023 which comprise the Profit and Loss Account, the Balance Sheet and notes to the accounts, 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 FRS 102 'The Financial Reporting Standard applicable in the UK and the Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in 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 company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion, except for the possible effects of the matters described in the basis for qualified opinion section of our report, the accounts:

- give a true and fair view of the state of the company's affairs as at 31 March 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

We are unable to conclude if the income reflected in the accounts is correct. Significant problems arose in the year from the new online booking system and it appears that it is possible some income is double counted. The net amount due to the group at the year end has been written off as it cannot be tied up to after date receipts. An amount is in creditors which may represent the double counted income, it is unknown at this point if this is the correct figure, our report is, therefore, qualified in relation to the income, debtor and creditor balances as all are material. A specialist has been employed to resolve this issue in the current year. We have also been unable to agree the valuation method for stock and so our report is qualified in relation to the stock balance. A provision has been made against this balance by the group and the issues will be addressed in the current year.

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 accounts section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the accounts 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.

In accordance with the exemption provided by FRC's Ethical standard-Provisions Available for Audits of smaller entities, we have prepared and submitted the company's return to the tax authority and assisted with the preparation of the accounts.

Material uncertainty relating to going concern

We draw your attention to note 1 in the financial statements, which sets out the directors' assessment of going concern.

The matters outlined in note 1, indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. Our opinion is not modified in this respect.

Other information

The other information comprises the information included in the report and accounts, other than the accounts and

our auditor's report thereon. The directors are responsible for the other information. Our opinion on the accounts 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 accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the accounts 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 accounts 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 directors' report for the financial year for which the accounts are prepared is consistent with the accounts; and
- the directors' report has 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 qualified basis for opinion section of our report, in the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

Arising solely from the limitation of scope of our work referred to above;

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

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:

- the accounts 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 the accounts in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

In preparing the accounts, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the accounts

Our objectives are to obtain reasonable assurance about whether the accounts 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 accounts.

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:

In order to address the risk of fraud through management bias and lack of segregation of duties, we perform

analytical procedures to identify unusual or unexpected variances, review the nominal ledger transactions for usual entries and investigate the rationale behind significant transactions. In order to respond to the risk of non compliance with laws and regulations, we have designed procedures which include, but are not limited to; enquiring into potential/actual litigation and claims and reviewing all internal minutes.

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. As we are able to review the entire nominal ledger and all transactions in the year, it is felt our chance of detection is increased.

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

Joanne Cochrane BSc FCA

(Senior Statutory Auditor)

for and on behalf of

Cochrane & Co Accountants Ltd

Accountants and Statutory Auditors

Dated: 22 December 2023

38 Kings Road

Lee-on-the-Solent

Hampshire

PO13 9NU

Mid-Hants Railway Limited
Profit and Loss Account
for the year ended 31 March 2023

	2023	2022
	£	£
Turnover	2,404,461	2,327,695
Cost of sales	(1,491,075)	(1,666,897)
Gross profit	<u>913,386</u>	<u>660,798</u>
Administrative expenses	(2,678,474)	(2,113,155)
Other operating income	1,139,711	1,628,256
Operating (loss)/profit	<u>(625,377)</u>	<u>175,899</u>
Interest receivable	218	103
Interest payable	(45,618)	(30,509)
(Loss)/profit before taxation	<u>(670,777)</u>	<u>145,493</u>
Tax on (loss)/profit	(15,919)	(34,328)
(Loss)/profit for the financial year	<u>(686,696)</u>	<u>111,165</u>

Mid-Hants Railway Limited
Registered number: 01117090
Balance Sheet
as at 31 March 2023

	Notes	2023 £	2022 £
Fixed assets			
Tangible assets	4	5,535,729	6,120,828
Current assets			
Stocks		277,179	270,233
Debtors	5	153,953	242,684
Cash at bank and in hand		209,845	482,023
		<u>640,977</u>	<u>994,940</u>
Creditors: amounts falling due within one year	6	(1,052,288)	(945,761)
Net current (liabilities)/assets		<u>(411,311)</u>	<u>49,179</u>
Total assets less current liabilities		<u>5,124,418</u>	<u>6,170,007</u>
Creditors: amounts falling due after more than one year	7	(564,061)	(938,873)
Provisions for liabilities	10	(316,602)	(300,683)
Net assets		<u>4,243,755</u>	<u>4,930,451</u>
Capital and reserves			
Called up share capital		787,266	787,266
Revaluation reserve	9	514,765	514,765
Profit and loss account		2,941,724	3,628,420
Shareholders' funds		<u>4,243,755</u>	<u>4,930,451</u>

The accounts have been prepared and delivered in accordance with the special provisions applicable to companies subject to the small companies regime.

G Watson

Director

Approved by the board on 21 December 2023

Mid-Hants Railway Limited
Notes to the Accounts
for the year ended 31 March 2023

1 Accounting policies

Basis of preparation

The accounts have been prepared under the historical cost convention and in accordance with FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (as applied to small entities by section 1A of the standard).

Turnover and other income

Turnover represents sales, excluding value added tax, in respect of tickets for steam train experiences and rides, retail and catering goods supplied during the year and external engineering work undertaken. Payments received in advance are not included in turnover until the service is rendered or obligation fulfilled. Other Operating income includes management and administration charges received, grants received, miscellaneous land sales and sundry donations received. Income received relating to future costs, has been deferred until the expenditure is incurred.

Tangible fixed assets

Tangible fixed assets are measured at cost less accumulative depreciation and any accumulative impairment losses. Depreciation is provided on all tangible fixed assets, other than freehold land, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Freehold land and property	Nil-2%
Plant and machinery	Nil-25%
Assets under construction	Nil

Locomotives are depreciated over the length of their boiler certificate (usually 10 years) down to their residual value. Where a locomotive, owned by 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, which are depreciated at 2% per annum, freehold land and buildings, track and certain coaches are not depreciated below their residual values. 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 economic lives and high residual values. Therefore any depreciation charge would be immaterial. The directors are of the opinion that no circumstances causing an impairment have occurred. The company has taken advantage of the transitional provisions to retain revalued assets at book values, no revaluation was carried out at transition.

Plant and equipment includes locomotives, rolling stock and track

Assets under construction are not depreciated until they are brought into use. The company capitalises direct wages and employers national insurance in respect of internal capital projects.

Coaches are deemed to have a residual value of £5,000 and once items reach that value no

further depreciation is charged. Coaches that had a lower book value than this at the start of the year were continued to be held at that value.

Impairment reviews are carried out annually with adjustments recorded via the profit and loss account.

Stocks

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. The carrying amount of stock sold is recognised as an expense in the period in which the related revenue is recognised.

Debtors

Short term debtors are measured at transaction price (which is usually the invoice price), less any impairment losses for bad and doubtful debts.

Creditors

Short term creditors are measured at transaction price (which is usually the invoice price). Loans and other financial liabilities are initially recognised at transaction price net of any transaction costs and subsequently measured at amortised cost determined using the effective interest method.

Taxation

A current tax liability is recognised for the tax payable on the taxable profit of the current and past periods. A current tax asset is recognised in respect of a tax loss that can be carried back to recover tax paid in a previous period. 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.

Leased assets

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases are classified as operating leases. The rights of use and obligations under finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the leased assets or, if lower, the present value of the minimum lease payments. Minimum lease payments are apportioned between the finance charge and the reduction in the outstanding liability using the effective interest rate method. The finance charge is allocated to each period during the lease so as to produce a constant periodic rate of interest on the remaining balance of the liability. Leased assets are depreciated in accordance with the company's policy for tangible fixed assets. If there is no reasonable certainty that ownership will be obtained at the end of the lease term, the asset is depreciated over the lower of the lease term and its useful life. Operating lease payments are recognised as an expense on a straight line basis over the lease term.

Pensions

Contributions to defined contribution plans are expensed in the period to which they relate.

Going concern

The Directors report a loss of £686,696 in the year ended 31 March 2023.

MHR derives revenue for the Watercress Line from:

- Travel on and around heritage assets and events
- Trading activities to support visitors and events.
- Rents and revenue from the railway estate and infrastructure.
- Earned income from specialist engineering activities.

The Watercress Line has not experienced considered trading conditions since Covid-19. Visitor numbers have not increased back to pre-Covid levels and almost all cost areas have increased either because of inflation or specific supply issues such as coal. The Directors recognise that there is much uncertainty and the economic climate is very challenging. Constant work is ongoing to seek new operating income opportunities and other funding options, but these take time and are often by their nature reactive. The Directors continually review the strategies necessary to achieve its objectives and meets regularly with the Trustees of Watercress Line Heritage Railway Trust to consider strategic priorities. MHR plans to deliver its objectives through a Strategic Next Steps Plan which aspires for the Watercress Line to be:

- Situated: recognised and valued as a backdrop to Hampshire and the South Downs
- Salient: clear about its identity, purpose and relevance.
- Excellent: known for excellence.
- Accessible: easy for everyone to use.

The Directors recognise that significant uncertainty exists in respect of the anticipated funding sources and the timing of these. Present forecasts for the year to 31 March 2024 give very reasonable expectations that any resulting cash shortfall will be manageable, although more work is required to secure the position.

At the time of approving the financial statements, based on cashflows and best estimates of future income and expenditure, the Directors have a reasonable expectation that the company has adequate resources to continue in operational existence for 12 months from authorising these financial statements , and the Directors continue to adopt the going concern basis of accounting in preparing the financial statements.

2 Audit information

The audit report is qualified.

Senior statutory auditor: Joanne Cochrane BSc FCA
 Firm: Cochrane & Co Accountants Ltd
 Date of audit report: 22/12/2023

3 Employees

	2023	2022
	Number	Number
Average number of persons employed by the company	45	45

4 Tangible fixed assets

Land and buildings	Plant and machinery etc	Assets under construction	Total
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	£	£	£	£
Cost				
At 1 April 2022	2,826,367	5,383,560	344,014	8,553,941
Additions	17,672	92,980	243,961	354,613
Transfers	-	(837,476)	525,146	(312,330)
Disposals	-	(502,363)	(302,918)	(805,281)
At 31 March 2023	<u>2,844,039</u>	<u>4,136,701</u>	<u>810,203</u>	<u>7,790,943</u>

Depreciation				
At 1 April 2022	368,148	2,064,965	-	2,433,113
Charge for the year	52,972	410,837	-	463,809
Transfers AUC	-	(312,331)	-	(312,331)
On disposals	-	(329,377)	-	(329,377)
At 31 March 2023	<u>421,120</u>	<u>1,834,094</u>	<u>-</u>	<u>2,255,214</u>

Net book value				
At 31 March 2023	<u>2,422,919</u>	<u>2,302,607</u>	<u>810,203</u>	<u>5,535,729</u>
At 31 March 2022	<u>2,458,219</u>	<u>3,318,595</u>	<u>344,014</u>	<u>6,120,828</u>

Freehold land and buildings:	2023	2022
	£	£
Historical cost	2,329,274	2,311,602
Cumulative depreciation based on historical cost	<u>421,120</u>	<u>368,148</u>
	1,908,154	1,943,454

5 Debtors	2023	2022
	£	£
Trade debtors	3,645	7,194
Amounts owed by group undertakings and undertakings in which the company has a participating interest	119,253	209,410
Other debtors	<u>31,055</u>	<u>26,080</u>
	<u>153,953</u>	<u>242,684</u>

6 Creditors: amounts falling due within one year	2023	2022
	£	£
Bank loans and overdrafts	266,500	234,526
Trade creditors	233,634	244,239
Payments received on account	-	61,204
Taxation and social security costs	89,194	40,627
Other creditors	<u>462,960</u>	<u>365,165</u>
	<u>1,052,288</u>	<u>945,761</u>

7 Creditors: amounts falling due after one year	2023	2022
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	£	£
Bank loans	564,061	838,873
Trade creditors	-	100,000
	<u>564,061</u>	<u>938,873</u>

8 Loans (analysis of note 7)	2023	2022
	£	£

Creditors include:

Instalments falling due for payment after more than five years	-	201,850
	<u>-</u>	<u>201,850</u>

Secured bank loans	281,603	311,940
	<u>281,603</u>	<u>311,940</u>

The bank loans are secured by a fixed and floating charge over the freehold railway property and other assets.

9 Revaluation reserve	2023	2022
	£	£

At 1 April 2022	514,765	514,765
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At 31 March 2023	<u>514,765</u>	<u>514,765</u>
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10 Provision for liabilities	2023	2022
	£	£

Deferred taxation	300,683	300,683
	<u>300,683</u>	<u>300,683</u>

11 Other financial commitments	2023	2022
	£	£

Total future minimum payments under non-cancellable operating leases	309,443	435,043
	<u>309,443</u>	<u>435,043</u>

12 Controlling party

The ultimate parent company is Watercress Line Heritage Railway Trust Limited, a registered charity and company registered in England and Wales, which holds 100% of the equity dividend shares and 53.75% of the non-equity shares. The charity is controlled by its Board of Trustees. Copies of the consolidated financial statements can be obtained from the registered office: Alresford Station, Alresford, Hampshire, SO24 9JG.

13 Other information

Mid-Hants Railway Limited is a private company limited by shares and incorporated in England.

Its registered office is:

Alresford Station

Alresford

Hampshire

SO24 9JG

This document was delivered using electronic communications and authenticated in accordance with the registrar's rules relating to electronic form, authentication and manner of delivery under section 1072 of the Companies Act 2006.