

Shirley
COMPANY NUMBER : 4115126

Swanage Railway Trust

THE SWANAGE RAILWAY TRUST
(A Company Limited By Guarantee)
CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER, 2006

THE SWANAGE RAILWAY TRUST
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FOR THE YEAR ENDED 31ST DECEMBER, 2006

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THE SWANAGE RAILWAY TRUST
ADMINISTRATION AND MANAGEMENT

Directors

The directors of the charitable company (“the charity”) are its Trustees for the purpose of charity law and throughout this report are collectively referred to as the directors.

Directors - (Collectively known as the Council of Management)

W.S. Trite (Chairman)
A.L. Moore (Treasurer)
M.R. Woolley (Secretary)
D.A. Budd
D.M. Chick
G. Cope
S.W. Doughty
C. Morris
M. Munro (resigned September, 2006)
P. Pickering
P.W. Renaut
Mrs. E.M. Sellen
P. Sills
M.A. Stollery
A. Vincent
S. Ward (resigned February, 2006)
R. White
M. Whitwam

Company Secretary

M.R. Woolley

Registered Office

Station House,
Swanage,
Dorset BH19 1HB.

Bankers

Barclays Bank Plc,
Barclays House,
Wimborne Road,
Poole,
Dorset BH15 2BB.

Portman Building Society,
29 Station Road,
Swanage,
Dorset BH19 1AD.

Auditors

Shipleys LLP,
Chartered Accountants,
10 Orange Street,
Haymarket,
London WC2H 7DQ.

THE SWANAGE RAILWAY TRUST
DIRECTORS' REPORT
FOR THE YEAR ENDED 31ST DECEMBER, 2006

The directors are pleased to present their report together with the financial statements of the charity for the year ended 31st December, 2006.

STRUCTURE, GOVERNANCE & MANAGEMENT

Constitution

The Swanage Railway Trust is a company limited by guarantee and a registered charity governed by its Memorandum and Articles of Association. Its Charity number is 1087318 and its Company number is 4115126.

The legal and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association, and the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP 2005)

Objectives and activities

The objects of The Swanage Railway Trust are to preserve and restore for the public benefit items of historical, architectural, engineering or scientific value in connection with railways and to advance the education of the public in the history and development of railway transportation.

Appointment of the Directors

The Swanage Railway Trust has a single management body, the Board of Directors (also known as the Council of Management), elected by the members. Fifty percent of the directors are required to retire by rotation each year at the Trust's Annual General Meeting.

Director induction and training

The Directors of the Trust are elected by the membership of the Trust or, in the case of the Secretary and Treasurer, appointed ex-officio in order to ensure that the Board has suitably experienced persons in these positions. All Directors of the Trust are members of the Trust and as such are familiar with the overall goals of the Trust. A formal review of Trust policies is held annually at the meeting following elections to ensure that these remain appropriate and that new Directors are familiar with them.

The Swanage Railway Trust provides a briefing pack to members considering standing for election to the Council of Management. This pack includes, inter-alia, a copy of the Trust's Articles of Association, a copy of the Trust's formal policies and a copy of CC3 – The Charity Commission's guide for new Trust Directors. Successful candidates will, from 2007, be asked to confirm receipt of these in writing and that they understand the information contained therein.

Directors meetings

The Board of directors meets on a monthly basis. The Southern Steam Trust is remaining in existence for a limited period in order that any payments that may be made to it in the foreseeable future under existing arrangements can be transferred to The Swanage Railway Trust.

THE SWANAGE RAILWAY TRUST
DIRECTORS' REPORT - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER, 2006

Risk Management

The directors have considered the major risks that The Swanage Railway Trust and its trading subsidiary face when developing strategies and strategic plans for the future. Where appropriate the directors obtain the assistance of experts in the various areas that are a risk to the Trust or its trading subsidiary.

Related Parties

The charity acknowledges a relationship with:-
The Swanage Railway Company Limited
Southern Locomotives Limited

The Swanage Railway Trust holds a controlling interest in the Swanage Railway Company Limited, which assists the Trust in meeting its objective by operating the Swanage Railway and undertaking the associated trading activities. Whilst the company has a paid staff it is still heavily dependent on the supply of volunteers by the Trust for the operation of its train services and the maintenance and development of the railway.

A number of the directors of The Swanage Railway Trust are also directors of the Swanage Railway Company Limited.

ACHIEVEMENTS AND PERFORMANCE

2006 was a good year both for the Trust and its trading subsidiary, the Swanage Railway Company Ltd. The net income of the Trust rose significantly, due both to greater success with fundraising activities and to improved profitability of the trading subsidiary. This result has not been achieved by accident, but is the first fruit of the Trust Council's greater focus on fundraising as a core activity and the Company Board's on profitability. These objectives are managed such that they are wholly consistent, complimentary and as they should be in the eyes of the Charity Commission. Their demand – which is the law - is that the subsidiary must support the charity through the delivery of profit, while the Trust's demand is that the Board operate the railway in a manner that is consistent with the Trust's stated objectives and policies. Thus we have in effect a self-regulating balance between profitability and preservation – profits enable us to preserve, a well-preserved Swanage Railway helps us to make profits.

2006 also saw the transfer of certain assets between the Trust and the Company. While at the consolidated level the transfer had a nil effect, the sale of assets used by the Company in its daily business has resulted in greater clarity as to where financial responsibility for the maintenance and replacement of these lies and further enabled the Trust to focus on its charitable objectives.

Despite the greater emphasis on fundraising, the Trust still has a long way to go to raise enough money to restore, display and conserve all the assets it owns, let alone acquire new items. The sums to be raised are huge and as such the Trust Council recognises that it must invest more time – and money – in that process.

But 2006 was not all about money. The Swanage Railway has continued its ascent of the ranks of heritage railways such that by some measures it is now within the top 3 standard gauge lines in the UK. 2006 also saw the external restoration of our first heritage coach, Bulleid brake 4365 – a significant event if you believe as the directors do that our passengers deserve more than just BR Mark 1 coaches. We have enough such vehicles to make our railway even better than it is today if the money can be found to continue that programme. Much time and effort has also been expended on discussions with our local authority partners and community and business neighbours with a view to securing our future beyond Norden. While these dreams were not realised in 2006, the coming year holds great promise. The directors would like to thank all concerned with making the Swanage Railway the success it is today and ensuring this will continue in 2007 and beyond.

THE SWANAGE RAILWAY TRUST
DIRECTORS' REPORT - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER, 2006

VOLUNTEERS

The charity is heavily dependent on the volunteers who perform many different tasks to assist with the maintenance and operation of the railway.

FINANCIAL REVIEW

Unrestricted funds total £1,014,046 (2005 - £883,164) and consist of general and designated funds of £947,317 (2005 - £823,670) as detailed in Note 21 and the revaluation reserve of £66,729 (2005 - £59,494) as detailed in note 20. Restricted funds amount to £136,551 (2005 - £130,115) as shown by note 22 and this gives total reserves of £1,150,597 (2005 - £1,013,279). There is a requirement for a high level of reserves given the substantial investment by the Trust in fixed assets.

The Trust's policy is to continue to accumulate reserves in order to finance the Charity's declared objectives. As detailed in Note 20, the Trust's rolling stock has been revalued giving rise to a total revaluation surplus to date of £66,729.

DIRECTOR'S INTERESTS

The Trust is a company that is limited by guarantee and has no share capital. In consequence, there are no directors' interests to be reported.

FUTURE PLANS

The Trust intends to use its resources to develop its museum facilities and collections and to restore further items of equipment appropriate to its Deed for use on the Swanage Railway. The Trust's subsidiary continues to be engaged in the development of plans for the restoration of commercial services to Wareham

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the financial period and of the result for that period. The directors consider that in preparing the financial statements the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and confirm that all applicable accounting standards have been followed. The financial statements have been prepared on a going concern basis.

The directors are responsible for ensuring that the company keeps proper accounting records which disclose, with reasonable accuracy at any time, the financial position of the company and for ensuring that the financial statements comply with the Companies Act 1985. The directors also have responsibility for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE SWANAGE RAILWAY TRUST
DIRECTORS' REPORT - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER, 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES - Continued

In so far as the directors are aware:

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

AUDITORS

On 1st May, 2006 the practice of AGN Shipleys transferred its business to Shipleys LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The company's consent has been given to treating the appointment of AGN Shipleys as extending to Shipleys LLP with effect from 1st May, 2006 under the provisions of section 26(5) Companies Act 1989. A resolution to reappoint Shipleys LLP will be proposed at the Annual General Meeting.

On Behalf of the Directors



W.S. Trite
Chairman

28/4/07

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE SWANAGE RAILWAY TRUST**

We have audited the financial statements of The Swanage Railway Trust for the year ended 31st December, 2006, which comprise the consolidated statement of financial activities, consolidated and charity balance sheets and the related notes. These financial statements have been prepared under the historical cost convention (as modified by the revaluation of certain assets) and 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 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.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)..

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK & 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 judgements 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.

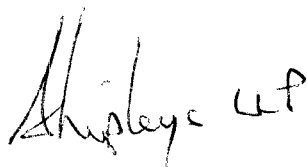
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE SWANAGE RAILWAY TRUST – CONTINUED**

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 charity's affairs as at 31 December 2006 and of its incoming resources and application of resources in 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.



**Shipleys LLP
Chartered Accountants and
Registered Auditors
10 Orange Street
Haymarket
London WC2H 7DQ**

16/5/07

THE SWANAGE RAILWAY TRUST
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Notes	Unrestricted Funds 2006 £	Restricted Funds 2006 £	Total 2006 £	Total 2005 £
Incoming Resources					
Incoming resources from generated Funds					
Activities for generating funds:					
<i>Voluntary income:</i>					
Appeals, donations and covenants	2	114,772	22,963	137,735	97,597
<i>Activities for generating funds:</i>					
Membership subscriptions	2	45,813	-	45,813	47,852
Fund raising and other income	2	28,172	-	28,172	44,546
Trading income	3	1,766,205	-	1,766,205	1,636,752
Interest receivable	2	<u>1,858</u>	<u>686</u>	<u>2,544</u>	<u>3,782</u>
Total incoming resources		<u><u>1,956,820</u></u>	<u><u>23,649</u></u>	<u><u>1,980,469</u></u>	<u><u>1,830,529</u></u>
Resources expended					
Costs of generating funds					
Trading expenses	3	1,689,697	-	1,689,697	1,550,039
Fund-raising costs	4	<u>7,681</u>	<u>-</u>	<u>7,681</u>	<u>954</u>
		1,697,378	-	1,697,378	1,550,993
Charitable activities	5	82,925	17,213	100,138	150,437
Governance costs	6	<u>16,724</u>	<u>-</u>	<u>16,724</u>	<u>20,059</u>
Total resources expended		<u><u>1,797,027</u></u>	<u><u>17,213</u></u>	<u><u>1,814,240</u></u>	<u><u>1,721,489</u></u>
Net incoming resources		<u><u>£159,793</u></u>	<u><u>£6,436</u></u>	<u><u>£166,229</u></u>	<u><u>£109,040</u></u>

The notes on pages 12 to 27 form part of these financial statements.

THE SWANAGE RAILWAY TRUST
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER, 2006

	Unrestricted	Restricted	Total	Total
	Funds	Funds	2006	2005
Notes	2006	2006	2006	2005
	£	£	£	£
Net incoming resources	159,793	6,436	166,229	109,040
Gain/deficit on revaluation of tangible fixed assets	<u>7,235</u>	<u>-</u>	<u>7,235</u>	<u>(38)</u>
Net movement in funds	21 & 22 <u>167,028</u>	<u>6,436</u>	<u>173,464</u>	<u>109,002</u>

All incoming resources and resources expended derive from continuing activities.

	2006	2005
Total recognised gains as defined by the Companies Act 1985	<u>£166,229</u>	<u>£109,040</u>

The notes on pages 12 to 27 form part of these financial statements.

THE SWANAGE RAILWAY TRUST
CONSOLIDATED AND CHARITY BALANCE SHEETS
AS AT 31ST DECEMBER, 2006

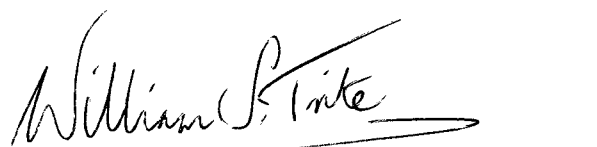
	Notes	Trust and Subsidiary		Trust	
		2006 £	2005 £	2006 £	2005 £
Fixed Assets					
Tangible fixed assets					
Freehold Property	8	30,000	30,000	30,000	30,000
Infrastructure, plant and equipment	10	145,708	523,942	145,708	523,942
Assets held by trading subsidiary	11	683,037	121,328	-	-
Heritage assets	9	94,871	271,408	94,871	271,408
Investments in:-					
Swanage Railway Company Limited	12	-	-	467,954	110,341
Locomotive and carriage groups	13	67,450	63,200	67,450	63,200
		<u>1,021,066</u>	<u>1,009,878</u>	<u>805,983</u>	<u>998,891</u>
Current Assets					
Stocks	14	26,548	22,462	-	-
Debtors and prepayments	15	56,562	76,843	227,185	14,381
Cash at bank and in hand		352,256	175,682	250,088	150,691
		<u>435,366</u>	<u>274,987</u>	<u>477,273</u>	<u>165,072</u>
Creditors : Amounts falling due within one year					
Members' loans	16	26,950	29,050	26,950	29,050
Creditors and accruals	17	146,148	120,615	11,454	27,750
		<u>173,098</u>	<u>149,665</u>	<u>38,404</u>	<u>56,800</u>
Net current assets		<u>262,268</u>	<u>125,322</u>	<u>438,869</u>	<u>108,272</u>
Total assets less current liabilities		1,283,334	1,135,200	1,244,852	1,107,163
Creditors : Amounts falling due after more than one year					
Life membership equalisation account	18	(81,419)	(93,884)	(81,419)	(93,884)
Bank loan	19	-	(12,865)	-	-
Net Assets		<u>£1,201,915</u>	<u>£1,028,451</u>	<u>£1,163,433</u>	<u>£1,013,279</u>

The notes on pages 12 to 27 form part of these financial statements.

THE SWANAGE RAILWAY TRUST
CONSOLIDATED AND CHARITY BALANCE SHEETS
AS AT 31ST DECEMBER, 2006

	Notes	Trust and Subsidiary 2006 £	2005 £	Trust 2006 £	2005 £
Unrestricted funds:					
General funds	21	947,317	823,670	1,005,522	823,670
Revaluation funds	20	<u>66,729</u>	<u>59,494</u>	<u>21,360</u>	<u>59,494</u>
		1,014,046	883,164	1,026,882	883,164
Restricted funds	22	136,551	130,115	136,551	130,115
Swanage Railway Company Limited:					
Profit and loss account surplus/(deficit)		32,309	(3,837)	-	-
Minority shareholdings		<u>19,009</u>	<u>19,009</u>	<u>-</u>	<u>-</u>
		<u>£1,201,915</u>	<u>£1,028,451</u>	<u>£1,163,433</u>	<u>£1,013,279</u>

Approved by the Board on 28 4 2007



W.S. Trite
Chairman



A.L. Moore
Treasurer

The notes on pages 12 to 27 form part of these financial statements.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS

31ST DECEMBER, 2006

1. ACCOUNTING POLICIES

1.1 Accounting Convention

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of the locomotives and rolling stock and are in accordance with applicable Accounting Standards, and the Charities Accounting Statement of Recommended Practice (SORP 2005). There have been no changes in the accounting policies.

1.2 Basis of Consolidation

The consolidated accounts incorporate the financial statements of The Swanage Railway Trust and its subsidiary the Swanage Railway Company Limited. The results of the subsidiary are consolidated on a line by line basis. A separate Statement of Financial Activities, or income and expenditure account, for the charity itself is not presented because the charity has taken advantage of the exemptions afforded by section 230 of the Companies Act 1985 and paragraph 397 of the SORP.

1.3 Incoming Resources

Membership income:

Annual subscriptions from members are included in full in the year they are received. Life membership subscriptions are credited to the life membership equalisation account and from there to income in equal annual instalments over ten years.

Voluntary income and donations:

All voluntary income and donations are accounted for gross when received. Due to the nature of donations and fund raising income the directors have no control over this until received and entered into the records.

Trading income:

Income from the subsidiary trading company is included in the period in which it is generated.

1.4 Expenditure

All expenditure is included in the Statement of Financial Activities on an accruals basis net of recoverable VAT.

Certain expenditure is directly attributable to specific activities and has been included in those cost categories. Certain other costs, which are attributable to more than one activity, are apportioned across cost categories on the basis of an estimate of the proportion of time spent by staff on those activities.

Direct charitable expenditure includes the direct costs of the activities and depreciation on related assets.

1.5 Operating leases

Rentals payable under operating leases are charged to the Statement of Financial Activities as incurred over the term of the lease.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED
31ST DECEMBER, 2006

1. ACCOUNTING POLICIES - continued

1.6 Tangible fixed assets

Fixed assets are included at cost or valuation. There are no uncapitalised fixed assets. Expenditure on repairs and renewals and minor items of equipment is written off in the year in which it is incurred.

Freehold land is not depreciated.

1.7 Heritage Assets

The Trust's locomotives and rolling stock are included in the accounts at valuation and are not subject to an annual depreciation charge, as in the opinion of the directors the nature of the assets concerned and the level of maintenance is such that there is no significant annual depreciation.

Any permanent diminution in the value of such assets is charged to the Consolidated Statement of Financial Activities when recognised in accordance with FRS11.

The Swanage Railway Company Limited locomotives are depreciated at 10% on a straight line basis.

1.8 Infrastructure, plant and equipment

Infrastructure, plant and equipment are stated in the balance sheet at cost less accumulated depreciation. Depreciation is calculated to write off the cost of the assets concerned on a straight line basis over their estimated useful lives at the following rates:-

Track and associated infrastructure, railway buildings	4%
Plant and equipment	15%
	==

1.9 Assets held by trading subsidiary

Tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation. Depreciation is calculated to write off the cost of tangible fixed assets on a reducing balance and straight line basis over their estimated useful lives using rates between 10% and 25%.

1.10 Stocks

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

1.11 Investments

All investments in locomotive preservation groups are stated at cost.

Investment in the Trust's subsidiary company the Swanage Railway Company Limited is stated at cost.

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

2. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted Funds 2006 £	Restricted Funds 2006 £	Total 2006 £	Total 2005 £
Appeals, donations and covenants				
Donations	103,600	22,963	126,563	86,412
Tax repayments on covenant and gift aid income	<u>11,172</u>	<u>-</u>	<u>11,172</u>	<u>11,185</u>
	<u>£114,772</u>	<u>£22,963</u>	<u>£137,735</u>	<u>£97,597</u>
Membership subscriptions				
Premier life membership	25,780	-	25,780	28,712
Subscriptions	<u>20,033</u>	<u>-</u>	<u>20,033</u>	<u>19,140</u>
	<u>£45,813</u>	<u>-</u>	<u>£45,813</u>	<u>£47,852</u>
Fund raising and other income				
Fund raising income	23,767	-	23,767	39,820
Advertising income	1,427	-	1,427	1,740
Sundry income	<u>2,978</u>	<u>-</u>	<u>2,978</u>	<u>2,986</u>
	<u>£28,172</u>	<u>-</u>	<u>£28,172</u>	<u>£44,546</u>
Interest receivable	<u>£1,858</u>	<u>£686</u>	<u>£2,544</u>	<u>£3,782</u>

3. NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARY

The Trust discharges part of its charitable objectives through its subsidiary the Swanage Railway Company Limited, a company incorporated in the UK. A summary of the trading results is set out below. Audited accounts are filed with Companies House.

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

3. NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARY - continued

Profit and Loss Account	2006	2005
	£	£
Turnover	1,766,205	1,636,752
Direct costs	<u>(773,535)</u>	<u>(739,055)</u>
Gross profit	992,670	897,697
Administrative expenses	(914,435)	(811,964)
Other operating income	957	2
Interest payable	<u>(4,031)</u>	<u>(3,870)</u>
Net income per consolidated accounts	<u>75,161</u>	<u>81,865</u>
Reconciliation to statutory accounts		
Net income per consolidated accounts	75,161	81,865
Transactions with The Swanage Railway Trust:		
Grants received	15,835	-
Infrastructure charge	(23,471)	(27,158)
Wages recharge	3,192	6,969
Rent re Herston Works	(24,374)	(25,894)
Interest payable	<u>(10,197)</u>	<u>-</u>
Profit / (Loss) per Swanage Railway Company Limited statutory accounts	<u>£36,146</u>	<u>£35,782</u>

4. ANALYSIS OF FUND RAISING COSTS

	Unrestricted	Restricted	Total	Total
	Funds	Funds	2006	2005
	2006	2006		
Marketing and publicity	<u>7,681</u>	<u>-</u>	<u>7,681</u>	<u>954</u>

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

5. CHARITABLE ACTIVITIES

	Unrestricted Funds 2006 £	Restricted Funds 2006 £	Total 2006 £	Total 2005 £
Support costs				
Magazines and stationery costs	24,401	-	24,401	23,359
	<u>24,401</u>	<u>-</u>	<u>24,401</u>	<u>23,359</u>
Running and maintenance costs				
Repairs, restoration and maintenance costs	4,869	17,213	22,082	56,127
Transport and storage costs	-	-	-	735
Herston Works establishment costs:-				
Rent and service charges	21,936	-	21,936	23,826
Rates	1,650	-	1,650	-
Insurance	4,750	-	4,750	-
Finance charges:				
Bank charges	643	-	643	2,349
Bad debts written off	85	-	85	-
Depreciation				
Depreciation of infrastructure, plant & equipment	24,277	-	24,277	34,744
Depreciation of locomotives & rolling stock	-	-	-	9,297
Impairment of fixed assets	314	-	314	-
	<u>£58,524</u>	<u>£17,213</u>	<u>£75,737</u>	<u>£127,078</u>
 Total charitable activities	 <u>£82,925</u>	 <u>£17,213</u>	 <u>£100,138</u>	 <u>£150,437</u>

6. GOVERNANCE COSTS

Administration and establishment costs	12,592	-	12,592	13,360
Telephone	110	-	110	401
Auditors' remuneration	2,700	-	2,700	2,600
General expenditure	1,322	-	1,322	3,698
	<u>£16,724</u>	<u>-</u>	<u>£16,724</u>	<u>£20,059</u>

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

7. DIRECTORS AND EMPLOYEES	Trust and Subsidiary		Trust	
	2006	2005	2006	2005
	£	£	£	£
Staff costs including directors' Emoluments				
Wages and salaries	485,696	461,012	2,932	6,402
Social security costs	<u>36,624</u>	<u>35,493</u>	<u>260</u>	<u>567</u>
	£522,320	£496,505	£3,192	£6,969
	=====	=====	=====	=====

The Swanage Railway Company Limited had 41 (2005 – 35) full and part-time employees at the year end, excluding directors. Some of the salary costs are recharged to the Swanage Railway Trust.

None of the directors of either The Swanage Railway Trust or the Swanage Railway Company Limited received any remuneration for their services.

The Swanage Railway Trust and the Swanage Railway Company Limited are both heavily reliant on volunteer staff in all areas of their activities.

There were no employees with emoluments above £60,000 in the SRC or SRT.

8. FIXED ASSET SCHEDULE : FREEHOLD PROPERTY

	2006
Cost:	
At 1st January, 2006 and at 31st December, 2006	£30,000
	=====

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED
31ST DECEMBER, 2006

9. HERITAGE ASSETS :LOCOMOTIVES AND ROLLING STOCK

Description	Cost/Valuation As at 1st January, 2006 £	Additions £	Disposals £	Revaluation Surplus/ (Deficit) £	As at 31st December, 2006 £
Locomotive:					
Dismantled Peckett 0-4-0					
Saddle Tank	800			(100)	700
48DL Rushton Hornby Diesel	-	6,000			6,000
Vans and Wagons:					
PMV, S1638S	675			(75)	600
PMV, S2212S	1,000				1,000
Scenery Van, S4594	2,000				2,000
Marlin Bogie Flat Wagon, 083656	450			(45)	405
Match Wagon, ADB 502826	473			(47)	426
Crane, DS 2008	475			(47)	428
Coaches:					
Pullman Observation Car 14	-	10,779			10,779
Mk1 SK, S25424	2,187				2,187
Ironclad TK, S728S	2,430				2,430
Bulleid RTO, S1457S	3,150				3,150
Bulleid BTSO, S4365S	26,819	26,212		2,235	55,266
Bulleid BTSO, S4366S	3,500				3,500
Share in Maunsell BCK, S6699S	1,000				1,000
Maunsell 6697				2,500	2,500
Maunsell 1,323				2,500	2,500
Other Assets	<u>226,449</u>	<u> </u>	<u>(226,449)</u>	<u> </u>	<u> </u>
Total	<u>£271,408</u>	<u>£42,991</u>	<u>£(226,449)</u>	<u>£6,921</u>	<u>£94,871</u>

The Trust's locomotives and rolling stock are included in the accounts at valuation and are not subject to an annual depreciation charge, as in the opinion of the directors the nature of the assets concerned and the level of maintenance is such that there is no significant annual depreciation.

Any permanent diminution in the value of such assets is charged to the Consolidated Statement of Financial Activities when recognised in accordance with FRS11 and deducted from unrestricted funds.

As detailed in note 20, locomotives and rolling stock were revalued in December 2006 and the directors have adopted these valuations in preparing these accounts. The valuation was undertaken by members of the Trust with expertise in this area. The historical cost of these assets is £26,678.

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

10. FIXED ASSET SCHEDULE : INFRASTRUCTURE, PLANT AND EQUIPMENT

	Track and Construction Costs £	Plant and Equipment £	Railway Buildings £	Signal Equipment £	Office Equipment £	Total £
Cost or valuation:						
At 1st January, 2006	449,440	12,596	183,036	10,482	2,194	657,748
Additions	-	-	6,482	-	-	6,482
Disposals	(449,440)	-	-	-	-	(449,440)
At 31st December, 2006	<u>-</u>	<u>12,596</u>	<u>189,518</u>	<u>10,482</u>	<u>2,194</u>	<u>214,790</u>
Depreciation						
At 1st January, 2006	82,588	11,294	31,032	8,128	764	133,806
Charge for the year	6,412	465	15,827	1,111	461	24,276
Eliminated on disposal	(89,000)	-	-	-	-	(89,000)
At 31st December, 2006	<u>-</u>	<u>11,759</u>	<u>46,859</u>	<u>9,239</u>	<u>1,225</u>	<u>69,082</u>
Net Book Value						
At 31st December, 2006	£ -	£837	£142,659	£1,243	£969	£145,708
At 31st December, 2005	£366,852	£1,302	£152,004	£2,354	£1,430	£523,942

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

11. TANGIBLE FIXED ASSETS : HELD BY TRADING SUBSIDIARY

Cost	Land & Buildings £	Locomotives & Rolling Stock £	Plant, Machinery & Equipment £	Shop Fittings & Equipment £	Track & Construction £	Motor Vehicles £	Total £
At 1st January, 2006	30,011	32,100	181,583	13,302	-	9,000	265,996
Additions	-	269,037	3,301	4,003	367,533	-	643,874
At 31st December, 2006	<u>30,011</u>	<u>301,137</u>	<u>184,884</u>	<u>17,305</u>	<u>367,533</u>	<u>9,000</u>	<u>909,870</u>
Depreciation							
At 1st January, 2006	1,200	4,543	123,087	11,578	-	4,260	144,668
Charge for the year	3,001	40,745	19,619	1,138	16,763	899	82,165
At 31st December, 2006	<u>4,201</u>	<u>45,288</u>	<u>142,706</u>	<u>12,716</u>	<u>16,763</u>	<u>5,159</u>	<u>226,833</u>
Net Book Value							
At 31st December, 2006	<u>£25,810</u>	<u>£255,849</u>	<u>£42,178</u>	<u>£4,589</u>	<u>£350,770</u>	<u>£3,841</u>	<u>£683,037</u>
At 31st December, 2005	<u>£ 28,811</u>	<u>£27,557</u>	<u>£58,496</u>	<u>£1,724</u>	<u>£-</u>	<u>£4,740</u>	<u>£121,328</u>

On 31st March, 2006 fixed assets were transferred from The Swanage Railway Trust to The Swanage Railway company. The fixed assets transferred comprise track and rolling stock which are used in the operation of the Swanage Railway. This purchase was financed by the issue of new shares and a loan from The Swanage Railway Trust.

12. INVESTMENT IN THE SWANAGE RAILWAY COMPANY LIMITED

The Trust discharges part of its charitable objectives through its subsidiary, the Swanage Railway Company Limited, which operates the Swanage Railway and undertakes the associated trading activities.

The share structure of the Swanage Railway Company Limited is such that The Swanage Railway Trust is the only shareholder who can hold voting shares in the Company. The effect of this structure is that The Swanage Railway Trust controls the Swanage Railway Company Limited.

On 31st March 2006, fixed assets were sold for £583,400 to the subsidiary organisation, The Swanage Railway Company Limited. The fixed assets sold comprise track and rolling stock which are used in the operation of the Swanage Railway. This sale has been financed by the subsidiary organisation issuing new shares to The Swanage Railway Trust and by a loan from The Swanage Railway Trust.

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

13. INVESTMENT IN LOCOMOTIVE AND CARRIAGE GROUPS

The Trust is the beneficial owner of a number of shares in the following Locomotive Preservation Groups:-

Loco and carriage group	Number of Shares Held	Total Shares Issue	Cost or Valuation £
Southern Locomotives Limited	210	6,233	52,500
Drummond Locomotives Limited	52	1,189	5,200
Project 62	4	218	1,000
Swanage Railway Carriage Group	35	419	5,000
6695 Locomotive Group	15	278	3,750
			<u>£67,450</u>

The shares held in the Swanage Railway Carriage Group are stated in the balance sheet at valuation.

The shares held in the four loco groups are stated in the balance sheet at cost. Due to the nature of the investment no provision has been included for any decrease or increase in the value of the Trust's holding.

A number of the directors of The Swanage Railway Trust and the directors of the trading subsidiary Swanage Railway Company Limited are shareholders in these and other locomotive preservation groups from whom the company hires locomotives and purchases engineering services. The directors' interests are disclosed in Note 25 to the accounts.

14. STOCKS

	Trust and Subsidiary		Trust	
	2006 £	2005 £	2006 £	2005 £
Shop stocks for resale	16,358	14,123	-	-
Catering stock	2,920	2,527	-	-
Consumable stocks	3,811	2,072	-	-
Special events stock	3,459	3,740	-	-
	<u>£26,548</u>	<u>£22,462</u>	<u>£ -</u>	<u>£ -</u>

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

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

15. DEBTORS AND PREPAYMENTS	Trust and Subsidiary		Trust	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	23,539	13,905	446	364
Loan to the Swanage Railway Company Limited	-	-	226,182	7,834
Other debtors	27,134	41,783	557	5,417
Prepayments	<u>5,889</u>	<u>21,155</u>	<u>-</u>	<u>766</u>
	<u>£56,562</u>	<u>£76,843</u>	<u>£227,185</u>	<u>£14,381</u>

The loan to The Swanage Railway Company Limited was for a period of 10 years and is repayable in equal monthly instalments. Interest is charged at 1.5% above the banks base lending rate and the amount of interest charged in the year was £10,197.

The amount of the loan at 31st December, 2006 that was repayable in more than a year was £206,667. The loan will be fully repaid in 2016.

16. MEMBERS' LOANS

	2006	2005
Members' loans	<u>£26,950</u>	<u>£29,050</u>

The Trust has received various interest free loans in respect of special projects which are unsecured and have no specified date for repayment.

17. CREDITORS AND ACCRUALS	Trust and Subsidiary		Trust	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	-	3,367	-	-
Trade creditors	109,842	95,392	8,454	24,750
Other creditors and accruals	<u>36,306</u>	<u>21,856</u>	<u>3,000</u>	<u>3,000</u>
	<u>£146,148</u>	<u>£120,615</u>	<u>£11,454</u>	<u>£27,750</u>

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

18. LIFE MEMBERSHIP EQUALISATION ACCOUNT

Life membership subscriptions are credited to an equalisation account and released over ten years. The movements during the year were:-

	2006	2005
	£	£
Balance at start of year	117,214	125,807
Membership sold in year	15,700	19,033
Transferred to income and expenditure account :		
Premier life memberships	(21,960)	(23,401)
Life member subscriptions	<u>(3,820)</u>	<u>(4,225)</u>
	107,134	117,214
Less : PLM subscriptions outstanding	<u>(25,715)</u>	<u>(23,330)</u>
Balance at close of year	<u><u>£81,419</u></u>	<u><u>£93,884</u></u>

19. BANK LOAN

	Trust and Subsidiary		Trust	
	2006	2005	2006	2005
Bank loan	£ -	£12,865	£ -	£ -
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

The bank loan was fully repaid during the year.

20. REVALUATION RESERVE

	£
At 1st January, 2006	59,494
Revaluation surplus in year	<u>5,235</u>
At 31st December, 2006	<u><u>£66,729</u></u>

The Trust's rolling stock was revalued in December 2006 and the revaluation was adopted by the directors in preparing these accounts.

The revaluation deficit during the year of £314 compared to cost has been deducted from unrestricted funds on the Statement of Financial Activities, whereas the deficit compared to previous valuations has been debited to the revaluation reserve as detailed above.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

21. UNRESTRICTED FUNDS

The balance of the unrestricted fund may be reconciled as follows:-

	General Reserves 2006 £	Designated Funds 2006 £	Total 2006 £
Opening balance	766,045	57,625	823,670
Surplus for the year	156,961	10,067	167,028
Swanage Railway Company Limited - profit for the year	(36,146)	-	(36,146)
Revaluation reserve movement	(7,235)	-	(7,235)
	<hr/>	<hr/>	<hr/>
Balance per consolidated balance sheet	<u>£879,625</u>	<u>£67,692</u>	<u>£947,317</u>

Designated funds comprise of the following:-

	Balance At 1st January, 2006 £	Movement in Funds Incoming Resources £	Resources Expended £	Balance At 31st December, 2006 £
Heritage Coaches	-	14,390	(14,390)	-
Devon Belle	-	15,974	(10,779)	5,195
Winston Churchill funeral van	-	4,872	-	4,872
Carriage shed & other special projects	57,625	-	-	57,625
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>£57,625</u>	<u>£35,236</u>	<u>£(25,169)</u>	<u>£67,692</u>

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

22. RESTRICTED FUNDS

The income funds of the charity include restricted funds in respect of unexpended balances of donations which are to be applied for the following specific purposes:-

	Balance At 1st January, 2006 £	Movement in Funds Incoming Resources £	Resources Expended £	Balance At 31st December, 2006 £
Harmans Cross Project Appeal	8,168	245	(1,754)	6,659
The 200 Club	48,497	11,989	(1,979)	58,507
The Southern Carriage Account	22,554	-	-	22,554
Mercury Group	213	86	-	299
Carriage Shed Fund	2,266	264	-	2,530
New Company Appeal	13,571	56	(9,921)	3,706
Mining Museum Group Donations	3,131	11,004	(3,559)	10,576
257 Squadron Appeal	31,048	-	-	31,048
Corfe Signal Box Appeal	667	5	-	672
	<u>£130,115</u>	<u>£23,649</u>	<u>£(17,213)</u>	<u>£136,551</u>

The balance on a restricted fund is held in a separate bank account except for the following funds which are composed:-

	Fixed assets £	Bank £	Total £
The 200 Club	35,015	23,492	58,507
The Southern Carriage Account	22,554	-	22,554
New Company Appeal	1,358	2,348	3,706
257 Squadron Appeal	30,750	298	31,048
Mining museum Group Donations	6,000	4,576	10,576

The 200 Club was established to raise funds for the ongoing enhancement of Corfe Castle Station.

The Southern Carriage Account was established to raise funds for the restoration of heritage coaches.

The Carriage Shed Fund was established to raise funds for the construction of a carriage shed.

The New Company Appeal was established to raise funds for the development of the project to operate services to Wareham.

The 257 Squadron Appeal was established to promote the overhaul of the locomotive for future use on the Swanage Railway.

The Corfe Signal Box Appeal was established to raise funds for the construction of a signal box at Corfe Castle.

The Mercury Group consists of members of the Swanage Railway Trust and its aim is to promote the Swanage Railway and assist with special projects.

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

23. CONTINGENT LIABILITIES

The directors are satisfied that all the terms and conditions associated with grants received by the former Southern Steam Trust will be fully adhered to, and in consequence, no contingent liability to repay the grants exists.

24. FINANCIAL COMMITMENTS

Financial commitments under non-cancellable operating leases will result the following payments falling due in the year to 31st December, 2006 :-

	Trust & Subsidiary		Trust	
	Land & Buildings		Land & Buildings	
	2006	2005	2006	2005
Leases expiring after 1 year but within 5 years	£21,936	£23,826	£21,936	£23,826
	=====	=====	=====	=====
Leases expiring after 5 years	£21,625	£18,000	£ -	£ -
	=====	=====	=====	=====

The directors are currently in negotiations with the landlords regarding the renewal of the lease over Herston Works.

Locomotive hire agreements

The Swanage Railway Trust's trading subsidiary, Swanage Railway Company Limited, utilises the motive power and engineering support provided by Southern Locomotives Engineering Limited for which there is an agreement under which Swanage Railway Company Limited pays a fixed amount each year. As detailed in note 13 and note 25, a number of the directors of The Swanage Railway Trust and the directors of the trading subsidiary are also directors and/or shareholders in Southern Locomotives Limited, the holding company of Southern Locomotives Engineering Limited.

The amount billed in respect of the year to the company by Southern Locomotives Engineering Limited was £69,510.

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2006

25. DIRECTORS' INTERESTS (see note 13 and note 24)

A number of the directors of The Swanage Railway Trust and its subsidiary the Swanage Railway Company Limited are shareholders in Southern Locomotives Limited which as detailed in note 24 have entered into arrangements with the Swanage Railway Company Limited for the provision of motive power and engineering support.

The directors' interests in the shares at 31 December, 2006 are as follows:

	Southern Locomotives Ltd No of Ordinary £250 Shares Held
Trust:	
D.M. Chick	1
S.W. Doughty	3
A.L. Moore	41- Director
P.W. Renaut	10
Mrs. E.M. Sellen	2
M.A. Stollery	14
W.S. Trite	37
M.R. Woolley	2
P. Pickering	2
Subsidiary:	
S.W. Doughty	3
A.L. Moore	41
W.S. Trite	37

The total issued share capital of Southern Locomotives Limited at 31st December, 2006 was 6,233 ordinary £250 shares.