

REGISTERED NUMBER: 01412568 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements
for the Period
1 January 2017 to 31 January 2018
for
Swanage Railway Company Limited**

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for the Period 1 January 2017 to 31 January 2018**

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Swanage Railway Company Limited
Company Information
for the Period 1 January 2017 to 31 January 2018

DIRECTORS: Mr G C Johns
Mr A L Moore
Mr K M Potts
Mrs E M Sellen
Mr M R Woolley
Mr T J Parsons
Mr M J Green
Mr K R Usher

SECRETARY: Mr P J Milford

REGISTERED OFFICE: The Station House
Swanage
Dorset
BH19 1HB

REGISTERED NUMBER: 01412568 (England and Wales)

SENIOR STATUTORY AUDITOR: Ian M Rodd

AUDITORS: Ward Goodman
Registered Auditor
4 Cedar Park
Cobham Road
Ferndown Industrial Estate
Wimborne
Dorset
BH21 7SF

**Strategic Report
for the Period 1 January 2017 to 31 January 2018**

The directors present their strategic report for the period 1 January 2017 to 31 January 2018. This is a thirteen month period arising as a consequence of the Directors, in consultation with the Trustees have decided to alter the financial year to end on 31st January each year. Subsequent years revert to a twelve month period.

The principal activity of the Company is the operation of the Swanage Railway, historical locomotives, rolling stock and items of railway interest.

REVIEW OF BUSINESS

In 2017/2018 the Swanage Railway maintained its services and visitor numbers were commensurate with the previous year. Turnover for the year amounted to £2.9m, the gross margin being £1.7m generating a loss of £134k. There were a number of highlights during the year including a successful Steam Gala which brought together the greatest number of Bulleid Pacific's in traffic since the end of steam operations on the national network, an ever popular Diesel Gala and a successful Santa Special season both financially and in terms of customer satisfaction. June 2017 saw the re-instatement, after 45 years, of a regular diesel hauled service between Swanage and Wareham.

In July 2017 a shunting accident, which did not affect the public, occurred which forced the withdrawal of operational steam locomotives for a period. This resulted in the use of diesel traction on heritage trains and consequently there was a loss of revenue. Fortunately, we recovered from this financially although there were probably reputational consequences.

During 2017 the Company has continued to invest in its infrastructure where possible. The availability of cash has been a continual challenge and has inhibited our ability to develop as we might have wished and furthermore this has compromised our ability to complete elements of backlog maintenance. Safety related works have continued.

It has been a consequence of an extended financial year that the Company has returned a loss of £134,055 for the period under review. This has been exacerbated as financially, as a result of using a third party Train Operating Company, West Coast Railways, working to Wareham, although this was operationally successful but financially resulted in a loss. The Directors were aware in advance that this was likely to be the case but, nevertheless recognised the importance of re-introducing the service to Wareham.

The Board considers the year has been a challenging one for the Company. It would like to acknowledge the great contribution made to the running of the railway in 2017 by all paid employees, volunteer staff and other members of the Swanage Railway Trust.

PRINCIPAL RISKS AND UNCERTAINTIES

As a business in the heritage and tourism sector the principal risk facing the company when preparing its annual budget is the uncertainty of forecast visitor numbers and the resulting revenue from passenger fares and secondary expenditure. This is affected by a number of issues beyond the control of the company, including the weather, the overall state of the economy, the level of disposable income and regional demographic trends.

A certain amount of the company's overhead cost is fixed and is not dependent upon passenger numbers. These costs have to be met from business operations.

There are further risks from the various legislative required associated with the operation of a heritage railway, but the Board believes that the systems in place are adequate to manage these risks which remain under constant review. A detailed risk register is maintained which is regularly reviewed and updated as necessary.

Strategic Report
for the Period 1 January 2017 to 31 January 2018

DEVELOPMENT AND PERFORMANCE


The operational performance of the services offered by the Swanage Railway, in terms of reliability, punctuality, cleanliness and the provision of information to passengers is monitored by the General Manager and the Board with the objective of maintaining high standards of service.

The Board also monitors key performance indicators such as passenger numbers, ticket sales revenue, retail and catering income on a regular basis. The Board keeps under review the company's cash flows, and working capital requirements, with regular comparison between actual results and budgets. Financial management is exercised principally from this review of the adequacy of cash flow. It is necessary to seek a short term loan of funds during the winter when income is at its lowest. The level of capital expenditure is largely dependent upon funding being available.

Due to further delays with the overhaul of the Class 117 and 121 Diesel Multiple Units and other regulatory issues the company does not expect to operate regular services to Wareham in the Summer of 2018 although it may be possible to do so later in the year. It is hoped to operate a full service in 2019 with the Swanage Railway becoming a train operating company in its own right. The service in 2019 is planned to operate on at least ninety days.

It is anticipated that 2018 will be a year of consolidation as we prepare to face the challenges which we face in the future.

ON BEHALF OF THE BOARD:


.....
Mr A L Moore - Director

Date: 28 April 2018

**Report of the Directors
for the Period 1 January 2017 to 31 January 2018**

The directors present their report with the financial statements of the company for the period 1 January 2017 to 31 January 2018.

PRINCIPAL ACTIVITY

The principal activity of the company in the period under review was that of passenger land transport.

DIVIDENDS

No dividends will be distributed for the period ended 31 January 2018.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2017 to the date of this report.

Mr G C Johns
Mr A L Moore
Mr K M Potts
Mrs E M Sellen
Mr M R Woolley
Mr T J Parsons

Other changes in directors holding office are as follows:

Mr M J Green - appointed 29 April 2017
Mr K R Usher - appointed 25 March 2017

GOING CONCERN

The company made a loss for the period of £134k and the balance sheet is showing net current liabilities of £284k at 31 January 2018. The reason for the loss is mainly due to the reduction in revenue grant income from external sources of £43k and a loss made on the first Wareham services of £68k.

Steps are currently being put in place to both increase income and decrease expenditure. As such, the directors are satisfied that the Company will continue as a going concern and that the adoption of the going concern basis for preparation of these accounts is appropriate.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Strategic Report, the Report of the Directors 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). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the 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 judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping 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 financial statements 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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**Report of the Directors
for the Period 1 January 2017 to 31 January 2018**

AUDITORS

The auditors, Ward Goodman, have shown their willingness to be put forward for re-appointment at the forthcoming Annual General Meeting.

ON BEHALF OF THE BOARD:

AL Moore

.....
Mr A L Moore - Director

Date: *28 April 2018*

**Report of the Independent Auditors to the Members of
Swanage Railway Company Limited**

Opinion

We have audited the financial statements of Swanage Railway Company Limited (the 'company') for the period ended 31 January 2018 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and Notes to the Cash Flow Statement, Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2018 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

**Report of the Independent Auditors to the Members of
Swanage Railway Company Limited**

Responsibilities of directors

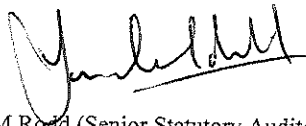
As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Our responsibilities for the audit of the financial statements

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

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



Ian M Rodd (Senior Statutory Auditor)
for and on behalf of Ward Goodman
Registered Auditor
4 Cedar Park
Cobham Road
Ferndown Industrial Estate
Wimborne
Dorset
BH21 7SF

Date: 25 April 2018

Swanage Railway Company Limited (Registered number: 01412568)

Statement of Comprehensive Income
for the Period 1 January 2017 to 31 January 2018

	Notes	Period 1.1.17 to 31.1.18		Year Ended 31.12.16	
		£	£	£	£
TURNOVER	3		2,903,858		2,804,233
Cost of sales			1,249,244		974,033
GROSS PROFIT			1,654,614		1,830,200
Distribution costs		34,397		-	
Administrative expenses		1,891,375		1,720,755	
			1,925,772		1,720,755
			(271,158)		109,445
Other operating income			144,764		-
OPERATING (LOSS)/PROFIT	5		(126,394)		109,445
Interest receivable and similar income			16		15
			(126,378)		109,460
Interest payable and similar expenses	6		7,677		3,886
(LOSS)/PROFIT BEFORE TAXATION			(134,055)		105,574
Tax on (loss)/profit	7		-		-
(LOSS)/PROFIT FOR THE FINANCIAL PERIOD			(134,055)		105,574
OTHER COMPREHENSIVE INCOME			-		-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD			(134,055)		105,574


The notes form part of these financial statements

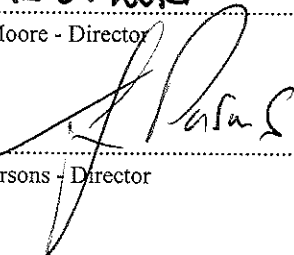
Swanage Railway Company Limited (Registered number: 01412568)

Balance Sheet
31 January 2018

	Notes	2018		2016	
		£	£	£	£
FIXED ASSETS					
Tangible assets	8		5,482,181		5,201,541
CURRENT ASSETS					
Stocks	9	98,593		87,718	
Debtors	10	172,810		90,362	
Cash at bank and in hand		5,797		243,859	
		<u>277,200</u>		<u>421,939</u>	
CREDITORS					
Amounts falling due within one year	11	561,104		261,414	
NET CURRENT (LIABILITIES)/ASSETS			<u>(283,904)</u>		<u>160,525</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>5,198,277</u>		<u>5,362,066</u>
CREDITORS					
Amounts falling due after more than one year	12		3,673,778		3,703,512
NET ASSETS			<u><u>1,524,499</u></u>		<u><u>1,658,554</u></u>
CAPITAL AND RESERVES					
Called up share capital	14		486,963		486,963
Revaluation reserve	15		371,202		371,202
Retained earnings	15		666,334		800,389
SHAREHOLDERS' FUNDS			<u><u>1,524,499</u></u>		<u><u>1,658,554</u></u>

The financial statements were approved by the Board of Directors on 28 April 2018 and were signed on its behalf by:


.....
Mr A L Moore - Director


.....
Mr T J Parsons - Director

Statement of Changes in Equity
for the Period 1 January 2017 to 31 January 2018

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 January 2016	486,963	694,815	371,202	1,552,980
Changes in equity				
Total comprehensive income	-	105,574	-	105,574
Balance at 31 December 2016	<u>486,963</u>	<u>800,389</u>	<u>371,202</u>	<u>1,658,554</u>
Changes in equity				
Total comprehensive income	-	(134,055)	-	(134,055)
Balance at 31 January 2018	<u><u>486,963</u></u>	<u><u>666,334</u></u>	<u><u>371,202</u></u>	<u><u>1,524,499</u></u>

Cash Flow Statement
for the Period 1 January 2017 to 31 January 2018

	Notes	Period 1.1.17 to 31.1.18 £	Year Ended 31.12.16 £
Cash flows from operating activities			
Cash generated from operations	1	20,061	431,945
Interest paid		(1,545)	(3,548)
Interest element of hire purchase payments paid		(6,132)	(338)
Net cash from operating activities		<u>12,384</u>	<u>428,059</u>
Cash flows from investing activities			
Purchase of tangible fixed assets		(467,176)	(296,623)
Sale of tangible fixed assets		1,796	7,500
Interest received		16	15
Net cash from investing activities		<u>(465,364)</u>	<u>(289,108)</u>
Cash flows from financing activities			
New loans in year		200,000	-
Parent loan repayments		-	(63,554)
New HP contracts in year		25,865	-
Capital repayments in year		(10,947)	(408)
Net cash from financing activities		<u>214,918</u>	<u>(63,962)</u>
(Decrease)/increase in cash and cash equivalents		<u>(238,062)</u>	<u>74,989</u>
Cash and cash equivalents at beginning of period	2	243,859	168,870
Cash and cash equivalents at end of period	2	<u>5,797</u>	<u>243,859</u>

Notes to the Cash Flow Statement
for the Period 1 January 2017 to 31 January 2018

1. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	Period 1.1.17 to 31.1.18 £	Year Ended 31.12.16 £
(Loss)/profit before taxation	(134,055)	105,574
Depreciation charges	178,417	130,271
Loss/(profit) on disposal of fixed assets	6,329	(6,738)
Amortisation of capital grants	(98,815)	(29,691)
Finance costs	7,677	3,886
Finance income	(16)	(15)
	<u>(40,463)</u>	<u>203,287</u>
Increase in stocks	(10,875)	(6,689)
(Increase)/decrease in trade and other debtors	(82,448)	106,726
Increase in trade and other creditors	153,847	128,621
	<u>20,061</u>	<u>431,945</u>
Cash generated from operations	<u>20,061</u>	<u>431,945</u>

2. CASH AND CASH EQUIVALENTS

The amounts disclosed on the Cash Flow Statement in respect of cash and cash equivalents are in respect of these Balance Sheet amounts:

Period ended 31 January 2018

	31.1.18 £	1.1.17 £
Cash and cash equivalents	<u>5,797</u>	<u>243,859</u>

Year ended 31 December 2016

	31.12.16 £	1.1.16 £
Cash and cash equivalents	<u>243,859</u>	<u>168,870</u>

Notes to the Financial Statements
for the Period 1 January 2017 to 31 January 2018

1. STATUTORY INFORMATION

Swanage Railway Company Limited is a private company, limited by shares, registered in England and Wales. The company's registered number and registered office address can be found on the Company Information page.

2. ACCOUNTING POLICIES

Basis of preparing the financial statements

These financial statements have been prepared in accordance with Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the Companies Act 2006. The financial statements have been prepared under the historical cost convention.

During the period the directors made the decision to extend the financial reporting date to 31 January 2018. As a result, the current period covers 13 months and is therefore the comparatives are not entirely comparable.

The company made a loss for the period of £134k and the balance sheet is showing net current liabilities of £284k at 31 January 2018. The reason for the loss is mainly due to the reduction in revenue grant income from external sources of £43k and a loss made on the first Wareham services of £68k.

Steps are currently being put in place to both increase income and decrease expenditure. As such, the directors are satisfied that the Company will continue as a going concern and that the adoption of the going concern basis for preparation of these accounts is appropriate.

Significant judgements and estimates

In the application of the company's accounting policies, which are described above, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources.

These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following paragraph describes the critical judgements, apart from those involving estimates (dealt with separately below), that the directors have made in the process of applying the company's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

There are no areas of significant judgement.

The following are areas that are considered to be key sources of estimation uncertainty.

Useful life and residual values of tangible fixed assets;

The economic useful life of tangible fixed assets and the expected residual value on future disposal is estimated by the Directors based on their knowledge and experience. The total carrying value of fixed assets at 31 January 2018 was £5,482,181.

Turnover

Turnover is measured at the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

Turnover represents the amount derived from the operation of the Swanage Railway and related activities, net of discounts and excluding value added tax.

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 31 January 2018

2. ACCOUNTING POLICIES - continued

Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life;

Plant and machinery;
Fixtures and fittings, plant and equipment - 20% RB
Computer equipment - 25% SL
Motor vehicles - 10% SL
Rolling stock - 10% SL
Furniture - 20% SL

Shop fittings and equipment;
Fixtures and catering equipment - 20% SL

Permanent way - 2% SL
Buildings and railway structures - 4% SL

Heritage assets are held at valuation and were last revalued on transition to FRS 102. Heritage assets are not depreciated as residual values are considered to be at least equal to the current valuation. As the heritage assets are not usually traded on an open market, values are hard to determine. Therefore the directors choose to value the assets at cost plus costs to the company to overhaul or restore.

Stocks

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

Cost is calculated using the first-in, first-out method and includes all purchase, transport, and handling costs in bringing stocks to their present location and condition.

Financial instruments

Basic financial liabilities;

Basic financial liabilities, including trade and other payables, bank loans, and loans from group companies are initially recognised at transaction price. Financial liabilities due in more than one year are initially measured at transaction price and subsequently measured at amortised cost using the effective interest method.

Financial liabilities constituting financing transactions are initially measured at the present value of the future payments discounted at a market rate of interest.

Derecognition of financial assets and liabilities;

Financial assets and liabilities are derecognised when the company's contractual rights or obligations expire or are discharged, transferred or cancelled.

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

Basic financial assets;

Basic financial assets, which include trade and other receivables and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of future receipts discounted at a market rate of interest.

Taxation

Taxation for the period comprises current and deferred tax. Tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

Current or deferred taxation assets and liabilities are not discounted.

Current tax is recognised at the amount of tax payable using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 31 January 2018

2. ACCOUNTING POLICIES - continued

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements. Deferred tax is measured using tax rates and laws that have been enacted or substantively enacted by the period end and that are expected to apply to the reversal of the timing difference.

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.

Hire purchase

Hire purchase creditors are measured at the present value of future lease payments and interest is accrued using the sum of digits method.

Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to profit or loss in the period to which they relate.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Capital Grants

Capital grants received by the company are shown on the balance sheet by including the grant in creditors as deferred income. The grant is released to the Profit and Loss Account in accordance with the depreciation policy of the asset to which the grant relates.

Revenue Grants

Revenue grants are recognised as income over the period necessary to match them with the related costs which they are intended to compensate, on a systematic basis.

3. TURNOVER

The turnover and loss (2016 - profit) before taxation are attributable to the one principal activity of the company.

An analysis of turnover by class of business is given below:

	Period 1.1.17 to 31.1.18	Year Ended 31.12.16
	£	£
Rail operations	2,329,977	2,154,344
Sale of goods	573,256	605,980
Revenue grants	625	43,909
	<u>2,903,858</u>	<u>2,804,233</u>

4. EMPLOYEES AND DIRECTORS

	Period 1.1.17 to 31.1.18	Year Ended 31.12.16
	£	£
Wages and salaries	1,077,242	901,232
Social security costs	81,479	66,102
Other pension costs	5,872	4,818
	<u>1,164,593</u>	<u>972,152</u>

Swanage Railway Company Limited (Registered number: 01412568)

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 31 January 2018

4. **EMPLOYEES AND DIRECTORS - continued**

The average number of employees during the period was as follows:

	Period 1.1.17 to 31.1.18	Year Ended 31.12.16
Employees (full time equivalent)	39	49

	Period 1.1.17 to 31.1.18 £	Year Ended 31.12.16 £
Directors' remuneration	34,397	-

5. **OPERATING (LOSS)/PROFIT**

The operating loss (2016 - operating profit) is stated after charging/(crediting):

	Period 1.1.17 to 31.1.18 £	Year Ended 31.12.16 £
Other operating leases	126,520	100,387
Depreciation - owned assets	178,411	130,271
Loss/(profit) on disposal of fixed assets	6,329	(6,738)
Auditors' remuneration	7,035	6,965

6. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	Period 1.1.17 to 31.1.18 £	Year Ended 31.12.16 £
Loan	1,545	3,548
Hire purchase	6,132	338
	<u>7,677</u>	<u>3,886</u>

Interest of £1,545 was paid to Swanage Railway Trust Limited, the Parent Company (2016: £3,548).

7. **TAXATION**

Analysis of the tax charge

No liability to UK corporation tax arose for the period ended 31 January 2018 nor for the year ended 31 December 2016.

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 31 January 2018

7. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

The tax assessed for the period is higher than the standard rate of corporation tax in the UK. The difference is explained below:

	Period 1.1.17 to 31.1.18 £	Year Ended 31.12.16 £
(Loss)/profit before tax	(134,055)	105,574
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19.250% (2016 - 20%)	(25,806)	21,115
Effects of:		
Expenses not deductible for tax purposes	6,329	-
Income not taxable for tax purposes	-	(1,351)
Capital allowances in excess of depreciation	(47,067)	(36,195)
Trading losses	66,544	16,431
Total tax charge	-	-

8. TANGIBLE FIXED ASSETS

	Land & buildings £	Assets under construction £	Plant and machinery £
COST			
At 1 January 2017	840,979	3,000,368	423,339
Additions	4,277	394,548	60,851
Disposals	-	-	(35,618)
Transfer to ownership	-	(1,638,028)	558,484
At 31 January 2018	845,256	1,756,888	1,007,056
DEPRECIATION			
At 1 January 2017	202,978	-	190,674
Charge for period	36,337	-	114,705
Eliminated on disposal	-	-	(27,493)
At 31 January 2018	239,315	-	277,886
NET BOOK VALUE			
At 31 January 2018	605,941	1,756,888	729,170
At 31 December 2016	638,001	3,000,368	232,665

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 31 January 2018

8. TANGIBLE FIXED ASSETS - continued

	Shop fittings & equipment £	Heritage assets locomotive and rolling £	Permanent way & other assets £	Totals £
COST				
At 1 January 2017	3,387	787,099	807,197	5,862,369
Additions	-	7,500	-	467,176
Disposals	-	-	-	(35,618)
Transfer to ownership	-	123,011	956,533	-
At 31 January 2018	<u>3,387</u>	<u>917,610</u>	<u>1,763,730</u>	<u>6,293,927</u>
DEPRECIATION				
At 1 January 2017	880	-	266,296	660,828
Charge for period	902	-	26,467	178,411
Eliminated on disposal	-	-	-	(27,493)
At 31 January 2018	<u>1,782</u>	<u>-</u>	<u>292,763</u>	<u>811,746</u>
NET BOOK VALUE				
At 31 January 2018	<u>1,605</u>	<u>917,610</u>	<u>1,470,967</u>	<u>5,482,181</u>
At 31 December 2016	<u>2,507</u>	<u>787,099</u>	<u>540,901</u>	<u>5,201,541</u>

The directors' consider that the value of Heritage Assets, which includes locomotives and rolling stock, would be £2,717,000. However, due to the lack of an open market, the value of the Heritage Assets will not be updated and the assets will continue to be held at cost.

At the year end, the carrying amount of plant and machinery included £62,597 (2016; £37,629) of assets under Hire Purchase agreements.

9. STOCKS

	2018 £	2016 £
Shop stock for resale	27,224	22,221
Catering stock	4,797	5,605
Consumable stock	62,885	55,386
Special events stock	3,315	4,506
Driver experience stock	372	-
	<u>98,593</u>	<u>87,718</u>

10. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018 £	2016 £
Trade debtors	6,092	13,783
VAT	57,201	58,585
Accrued income	94,720	-
Prepayments	14,797	17,994
	<u>172,810</u>	<u>90,362</u>

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 31 January 2018

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2018	2016
	£	£
Hire purchase contracts (see note 13)	23,613	7,965
Trade creditors	121,936	100,003
Amounts owed to group undertakings	200,000	-
Social security and other taxes	21,676	18,057
Capital grants <1 year	112,915	29,658
Deferred income	67,644	44,547
Accrued expenses	13,320	61,184
	<u>561,104</u>	<u>261,414</u>

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2018	2016
	£	£
Hire purchase contracts (see note 13)	25,347	26,077
Purbeck community rail partnership	18,410	-
Capital grants from SRT	1,153,454	1,141,237
Chalk and cheese grant	40,397	40,397
DCC cabinet grant	350,000	350,000
Big lottery fund	1,396,970	1,510,326
BP perenco	447,620	486,162
Department of transport	70,441	-
Other capital grants	17,890	17,640
Project Wareham	153,249	131,673
	<u>3,673,778</u>	<u>3,703,512</u>

Amounts above are related to capital grants and will be reduced by amortisation. No payments are due on these amounts.

13. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2018	2016
	£	£
Net obligations repayable:		
Within one year	23,613	7,965
Between one and five years	25,347	26,077
	<u>48,960</u>	<u>34,042</u>
	Non-cancellable operating leases	
	2018	2016
	£	£
Within one year	303,561	196,213
Between one and five years	1,207,604	337,604
In more than five years	6,728,092	2,880,892
	<u>8,239,257</u>	<u>3,414,709</u>

Swanage Railway Company Limited (Registered number: 01412568)

Notes to the Financial Statements - continued
for the Period 1 January 2017 to 31 January 2018

14. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:			2018	2016
Number:	Class:	Nominal value:	£	£
17,978	Non-voting shares	£1	16,378	17,648
468,985	Ordinary Voting shares	£1	470,585	469,315
			<u>486,963</u>	<u>486,963</u>

15. RESERVES

	Retained earnings £	Revaluation reserve £	Totals £
At 1 January 2017	800,389	371,202	1,171,591
Deficit for the period	(134,055)		(134,055)
At 31 January 2018	<u>666,334</u>	<u>371,202</u>	<u>1,037,536</u>

16. ULTIMATE PARENT COMPANY

Swanage Railway Trust Limited is regarded by the directors as being the company's ultimate parent company.

17. RELATED PARTY DISCLOSURES

Swanage Railway Company Limited is a 96% owned subsidiary of Swanage Railway Trust.

The total amount outstanding on loans made to the company by Swanage Railway Trust at 31 January 2018 was £200,000 (31 December 2016: £nil.)

Interest is charged on the above loans at 1.5% above the Bank of England base rate. Interest charged in the year to 31 January 2018 was £1,545 (31 December 2016: £3,548).

In the year ended 31 January 2018 there were no available profits to gift to Swanage Railway Trust, in the year ended 31 December 2016 there were no available profits to gift.

In the year ended 31 January 2018, £nil of goods were purchased from Coastal Publishing Limited (2016: £230). These are companies in which Peter Sills, a former director of the company, has a controlling interest.

During the period, a total of key management personnel compensation of £314,952 (2016 - £277,018) was paid.

18. ULTIMATE CONTROLLING PARTY

The company is controlled by Swanage Railway Trust by virtue of its 96% shareholding. The remaining 4% of issued share capital is non-voting.

19. DEFERRED TAX

The company's tax losses carried forward at 31 January 2018 are £1,256,794 for which a deferred tax asset of £238,790 has been calculated.

The company's capital allowances in advance of depreciation are £1,018,276 at 31 January 2018 for which a deferred tax liability of £193,472 has been calculated.

The net deferred tax asset of £45,318 at 31 January 2018 (£15,959 at 31 December 2016) has not been recognised. It is considered that if the company continues to make profits and the current level, there would not be tax payable for a number of years and therefore the deferred tax asset is unlikely to be realised.