

S: 7/2007

COMPANY NUMBER : 4115126

THE SWANAGE RAILWAY TRUST
(A Company Limited By Guarantee)
CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31ST DECEMBER, 2007

THE SWANAGE RAILWAY TRUST
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FOR THE YEAR ENDED 31ST DECEMBER, 2007

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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
P. Pickering (resigned 13 October, 2007)
P.W. Renaut
Mrs. E.M. Sellen
P. Sills
M.A. Stollery
A. Vincent
R. White
M. Whitwam
N.A Lloyd (appointed 13 October, 2007)

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.

Nationwide 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, 2007

The directors are pleased to present their report together with the financial statements of the charity for the year ended 31st December, 2007.

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 are asked to confirm receipt of these in writing and that they understand the information contained therein.

Directors meetings

The Council of Management 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, 2007

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
Southern Locomotives Engineering Limited
Drummond Locomotives Limited
The Southern Steam Trust

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.

Amounts of £3,008 (2006 - £3,730) were receivable from the Southern Steam Trust in respect of donations and subscriptions received.

ACHIEVEMENTS AND PERFORMANCE

2007 was another successful year for the Swanage Railway Trust and its trading subsidiary, the Swanage Railway Company Limited. Incoming resources for the year passed the £2m level for the first time, although as expenditure overall was up by a greater amount, the net surplus was not as good as it was in 2006. The reasons for this are essentially two-fold; the profit contribution from the Swanage Railway Company Ltd while positive was down significantly on last year, reflecting continued growth in operating costs, while the Trust's income from donations also dipped. While neither are a cause for alarm, they are nevertheless a reminder of the harsh economic realities of the world in which we exist. For the operating company, we must continue to keep all aspects of what we do under review to ensure that we are providing the services that our customers wish to buy at a price that makes economic sense. The economic outlook for 2008 is very uncertain and as such we must continue to monitor our income and expenditure very closely indeed. For the Trust, the focus needs to be on raising funds in large quantities quickly, if our prized heritage assets are not to rot away beyond the point of no return – a point that is not far away.

I am particularly grateful to all our volunteers, without whom there would be no Swanage Railway, and to our paid staff for their continuing often heroic efforts and commitment for modest financial reward. Time often precludes this being expressed as often as it is deserved, but it is recognised, nonetheless.

2007 saw some notable events take place which have been made possible as a result of the connection with Network Rail, but arguably the most important of these was the delivery of 900 tons of ballast by train. While the connection is also useful for bringing in locomotives for galas, it is its use to support the upgrade of our permanent way that is the real prize given that we cannot hope to upgrade the line without such bulk deliveries and, hopefully, modern maintenance equipment.

THE SWANAGE RAILWAY TRUST
DIRECTORS' REPORT - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER, 2007

ACHIEVEMENTS AND PERFORMANCE - Continued

It is a 'home truth' that operating a heritage railway in anything more than a basic fashion is only very marginally economic and as such requires the constant support of the Trust's membership, both financially and physically. This is especially true our dreams of operating to Wareham and new facilities at Furzebrook are to be realised, for the railway remains woefully ill-equipped financially to undertake such major capital expenditure. To the extent that the opportunity may arise for both projects to be moved forward, the capital structure of the railway must be addressed as a matter of urgency.

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 £1,130,641 (2006 - £1,014,046) and consist of general and designated funds of £1,063,912 (2006 - £947,317) as detailed in Note 20 and the revaluation reserve of £66,729 (2006 - £66,729) as detailed in note 19. Restricted funds amount to £156,254 (2006 - £136,551) as shown by note 21 and this gives total reserves of £1,286,895 (2006 - £1,150,597). 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 19, the Trust's rolling stock was revalued in 2006 which giving rise to a total revaluation surplus to date of £66,729. The directors do not consider that any adjustment is necessary to the revaluations at 31 December 2007.

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

THE SWANAGE RAILWAY TRUST
DIRECTORS' REPORT - CONTINUED
FOR THE YEAR ENDED 31ST DECEMBER, 2007

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

A resolution to reappoint Shipleys LLP will be proposed at the Annual General Meeting in accordance with section 385 of the Companies Act 1985.

By Order of the Directors



M.R. Wooley
Secretary

26 April 2008

**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, 2007, 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 affairs of the Group and of the charitable company as at 31 December 2007 and of the 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**

26 April 2008

THE SWANAGE RAILWAY TRUST
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31ST DECEMBER, 2007

	Notes	Unrestricted Funds 2007 £	Restricted Funds 2007 £	Total 2007 £	Total 2006 £
Incoming Resources					
Incoming resources from generated Funds					
Activities for generating funds:					
<i>Voluntary income:</i>					
Appeals, donations and covenants	2	83,651	32,240	115,891	137,735
<i>Activities for generating funds:</i>					
Membership subscriptions	2	49,325	-	49,325	45,813
Fund raising and other income	2	22,020	-	22,020	28,172
Trading income	3	1,847,018	-	1,847,018	1,766,205
Interest receivable	2	3,860	995	4,855	2,544
Total incoming resources		<u>2,005,874</u>	<u>33,235</u>	<u>2,039,109</u>	<u>1,980,469</u>
Resources expended					
Costs of generating funds					
Trading expenses	3	1,768,933	-	1,768,933	1,689,697
Fund-raising costs	4	12,953	-	12,953	7,681
		1,781,886	-	1,781,886	1,697,378
Charitable activities	5	73,726	13,532	87,258	100,138
Governance costs	6	14,103	-	14,103	16,724
Total resources expended		<u>1,869,715</u>	<u>13,532</u>	<u>1,883,247</u>	<u>1,814,240</u>
Net incoming resources		<u>£136,159</u>	<u>£19,703</u>	<u>£155,862</u>	<u>£166,229</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, 2007

		Unrestricted Funds 2007 £	Restricted Funds 2007 £	Total 2007 £	Total 2006 £
	Notes				
Net incoming resources		136,159	19,703	155,862	166,229
Gain on revaluation of tangible fixed assets		-	-	-	7,235
Net movement in funds	20 & 21	<u>136,159</u>	<u>19,703</u>	<u>155,862</u>	<u>173,464</u>

All incoming resources and resources expended derive from continuing activities.

	2007	2006
Total recognised gains as defined by the Companies Act 1985	<u>£155,862</u>	<u>£166,229</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, 2007

	Notes	Trust and Subsidiary 2007 £	2006 £	Trust 2007 £	2006 £
Fixed Assets					
Tangible fixed assets					
Freehold Property	8	30,000	30,000	30,000	30,000
Infrastructure, plant and equipment	10	130,633	145,708	130,633	145,708
Assets held by trading subsidiary	11	707,316	683,037		-
Heritage assets	9	174,092	94,871	174,092	94,871
Investments in:-					
Swanage Railway Company Limited	12	-	-	467,954	467,954
Locomotive and carriage groups	13	<u>67,450</u>	<u>67,450</u>	<u>67,450</u>	<u>67,450</u>
		<u>1,109,491</u>	<u>1,021,066</u>	<u>870,129</u>	<u>805,983</u>
Current Assets					
Stocks	14	36,445	26,548	-	-
Debtors and prepayments	15	108,542	56,562	210,193	227,185
Cash at bank and in hand		<u>348,679</u>	<u>352,256</u>	<u>291,420</u>	<u>250,088</u>
		<u>493,666</u>	<u>435,366</u>	<u>501,613</u>	<u>477,273</u>
Creditors : Amounts falling due within one year					
Members' loans	16	21,950	26,950	21,950	26,950
Creditors and accruals	17	<u>151,468</u>	<u>146,148</u>	<u>17,846</u>	<u>11,454</u>
		<u>173,418</u>	<u>173,098</u>	<u>39,796</u>	<u>38,404</u>
Net current assets		<u>320,248</u>	<u>262,268</u>	<u>461,817</u>	<u>438,869</u>
Total assets less current liabilities		1,429,739	1,283,334	1,331,946	1,244,852
Creditors : Amounts falling due after more than one year					
Life membership equalisation account	18	<u>(71,962)</u>	<u>(81,419)</u>	<u>(71,962)</u>	<u>(81,419)</u>
Net Assets		<u>£1,357,777</u>	<u>£1,201,915</u>	<u>£1,259,984</u>	<u>£1,163,433</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, 2007

	Notes	Trust and Subsidiary 2007 £	2006 £	Trust 2007 £	2006 £
Unrestricted funds:					
General funds	20	1,063,912	947,317	1,082,370	1,005,522
Revaluation funds	19	<u>66,729</u>	<u>66,729</u>	<u>21,360</u>	<u>21,360</u>
		1,130,641	1,014,046	1,103,730	1,026,882
Restricted funds	21	156,254	136,551	156,254	136,551
Swanage Railway Company Limited:					
Profit and loss account surplus		51,873	32,309	-	-
Minority shareholdings		<u>19,009</u>	<u>19,009</u>	<u>-</u>	<u>-</u>
		<u>£1,357,777</u>	<u>£1,201,915</u>	<u>£1,259,984</u>	<u>£1,163,433</u>

Approved by the Board on 26 April 2008

A.L. Moore

A.L. Moore
Director

M.R. Wooley

M.R. Wooley
Director

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

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS

31ST DECEMBER, 2007

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, 2007

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:-

Infrastructure and 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.

1.12 Financial Instruments.

Financial instruments are classified and accounted for, according to the substance of the contractual arrangement, as either financial assets, financial liabilities or equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all its liabilities.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED
31ST DECEMBER, 2007

2. ACTIVITIES FOR GENERATING FUNDS

	Unrestricted Funds 2007 £	Restricted Funds 2007 £	Total 2007 £	Total 2006 £
Appeals, donations and covenants				
Donations	74,982	32,240	107,222	126,563
Tax repayments on covenant and gift aid income	<u>8,669</u>	<u>-</u>	<u>8,669</u>	<u>11,172</u>
	<u>£83,651</u>	<u>£32,240</u>	<u>£115,891</u>	<u>£137,735</u>
Membership subscriptions				
Premier life membership	28,880	-	28,880	25,780
Subscriptions	<u>20,445</u>	<u>-</u>	<u>20,445</u>	<u>20,033</u>
	<u>£49,325</u>	<u>£-</u>	<u>£49,325</u>	<u>£45,813</u>
Fund raising and other income				
Fund raising income	19,218	-	19,218	23,767
Advertising income	10	-	10	1,427
Sundry income	<u>2,792</u>	<u>-</u>	<u>2,792</u>	<u>2,978</u>
	<u>£22,020</u>	<u>£-</u>	<u>£22,020</u>	<u>£28,172</u>
Interest receivable	<u>£3,860</u>	<u>£995</u>	<u>£4,855</u>	<u>£2,544</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, 2007

3. NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARY - continued

Profit and Loss Account	2007	2006
	£	£
Turnover	1,847,018	1,766,205
Direct costs	<u>(790,789)</u>	<u>(773,535)</u>
Gross profit	1,056,229	992,670
Administrative expenses	(990,173)	(914,435)
Other operating income	985	957
Interest payable	<u>(22)</u>	<u>(4,031)</u>
Net income per consolidated accounts	<u>67,019</u>	<u>75,161</u>
Reconciliation to statutory accounts		
Net income per consolidated accounts	67,019	75,161
Transactions with The Swanage Railway Trust:		
Revenue grants received	12,051	15,835
Infrastructure charge	(17,865)	(23,471)
Wages recharge	3,192	3,192
Rent re Herston Works	(26,479)	(24,374)
Interest payable	<u>(18,354)</u>	<u>(10,197)</u>
Profit per Swanage Railway Company Limited statutory accounts	<u>£19,564</u>	<u>£36,146</u>

4. ANALYSIS OF FUND RAISING COSTS

	Unrestricted Funds 2007	Restricted Funds 2007	Total 2007	Total 2006
Marketing and publicity	£12,953	-	£12,953	7,681
	<u>=====</u>	<u>=====</u>	<u>=====</u>	<u>=====</u>

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED
31ST DECEMBER, 2007

5. CHARITABLE ACTIVITIES

	Unrestricted Funds 2007 £	Restricted Funds 2007 £	Total 2007 £	Total 2006 £
Support costs				
Magazines and stationery costs	20,803	-	20,803	24,401
	<u>20,803</u>	<u>-</u>	<u>20,803</u>	<u>24,401</u>
Running and maintenance costs				
Repairs, restoration and maintenance costs	3,617	13,532	17,149	22,082
Herston Works establishment costs:-				
Rent and service charges	24,648	-	24,648	21,936
Rates	1,831	-	1,831	1,650
Insurance	4,750	-	4,750	4,750
Finance charges:				
Bank charges	12	-	12	643
Bad debts written off	200	-	200	85
Depreciation				
Depreciation of infrastructure, plant & equipment	17,865	-	17,865	24,277
Impairment of fixed assets	-	-	-	314
	<u>£52,923</u>	<u>£13,532</u>	<u>£66,455</u>	<u>£75,737</u>
Total charitable activities	<u>£73,726</u>	<u>£13,532</u>	<u>£87,258</u>	<u>£100,138</u>

6. GOVERNANCE COSTS

Administration and establishment costs	9,866	-	9,866	12,592
Telephone	120	-	120	110
Auditors' remuneration	2,800	-	2,800	2,700
General expenditure	1,237	-	1,237	1,322
	<u>£14,103</u>	<u>£-</u>	<u>£14,103</u>	<u>£16,724</u>

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED
31ST DECEMBER, 2007

7. DIRECTORS AND EMPLOYEES	Trust and Subsidiary		Trust	
	2007	2006	2007	2006
	£	£	£	£
Staff costs including directors' Emoluments				
Wages and salaries	499,859	485,696	2,932	2,932
Social security costs	<u>39,699</u>	<u>36,624</u>	<u>260</u>	<u>260</u>
	<u>£539,558</u>	<u>£522,320</u>	<u>£3,192</u>	<u>£3,192</u>

The Swanage Railway Company Limited had 40 (2006 – 41) 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

	2007
Cost:	
At 1st January, 2007 and at 31st December, 2007	<u>£30,000</u>

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED
31ST DECEMBER, 2007

9. HERITAGE ASSETS :LOCOMOTIVES AND ROLLING STOCK

Description	Cost/Valuation As at 1st January, 2007 £	Additions £	Cost/Valuation As at 31st December, 2007 £
Locomotive:			
Dismantled Peckett 0-4-0 Saddle Tank	700		700
48DL Rushton Hornby Diesel	6,000	1,046	7,046
Vans and Wagons:			
PMV, S1638S	600		600
PMV, S2212S	1,000		1,000
Scenery Van, S4594	2,000		2,000
Marlin Bogie Flat Wagon, 083656	405		405
Match Wagon, ADB 502826	426		426
Crane, DS 2008	428		428
Coaches:			
Pullman Observation Car 14 S2464S	10,779	66,581	77,360
Mk1 SK, S25424	-	11,593	11,593
Ironclad TK, S728S	2,187		2,187
Bulleid RTO, S1457S	2,430		2,430
Bulleid BTO, S4365S	3,150		3,150
Bulleid BTO, S4366S	55,266		55,266
Share in Maunsell BCK, S6699S	3,500		3,500
Maunsell 6697	1,000		1,000
Maunsell 1323	2,500		2,500
	2,500		2,500
Total	<u>£94,871</u>	<u>£79,220</u>	<u>£174,092</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 19, 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 £105,898.

The directors do not consider that a revaluation of these assets is necessary as at 31 December 2007.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2007

10. FIXED ASSET SCHEDULE : INFRASTRUCTURE, PLANT AND EQUIPMENT

	Plant and Equipment £	Railway Buildings £	Signal Equipment £	Office Equipment £	Total £
Cost or valuation:					
At 1st January, 2007	12,596	189,518	10,482	2,194	214,790
Additions	-	2,788	-	-	2,788
Disposals	-	-	-	-	-
	<u>12,596</u>	<u>192,306</u>	<u>10,482</u>	<u>2,194</u>	<u>217,578</u>
At 31st December, 2007	<u>12,596</u>	<u>192,306</u>	<u>10,482</u>	<u>2,194</u>	<u>217,578</u>
Depreciation					
At 1st January, 2007	11,759	46,859	9,239	1,225	69,082
Charge for the year	464	15,827	1,111	461	17,863
Eliminated on disposal	-	-	-	-	-
	<u>12,223</u>	<u>62,686</u>	<u>10,350</u>	<u>1,686</u>	<u>86,945</u>
At 31st December, 2007	<u>12,223</u>	<u>62,686</u>	<u>10,350</u>	<u>1,686</u>	<u>86,945</u>
Net Book Value					
At 31st December, 2007	<u>£373</u>	<u>£129,620</u>	<u>£132</u>	<u>£508</u>	<u>£130,633</u>
At 31st December, 2006	<u>£837</u>	<u>£142,659</u>	<u>£1,243</u>	<u>£969</u>	<u>£145,708</u>

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED
31ST DECEMBER, 2007

11. TANGIBLE FIXED ASSETS : HELD BY TRADING SUBSIDIARY

Cost	Land & Buildings £	Locomotives & Rolling Stock £	Plant, Machinery & Equipment £	Shop Fittings & Equipment £	Permanent Way £	Motor Vehicles £	Total £
At 1st January, 2007	30,011	301,137	184,884	17,305	367,533	9,000	909,870
Additions	-	73,587	43,122	-	9,640	-	126,349
At 31st December, 2007	<u>30,011</u>	<u>374,724</u>	<u>228,006</u>	<u>17,305</u>	<u>377,173</u>	<u>9,000</u>	<u>1,036,219</u>
Depreciation							
At 1st January, 2007	4,201	45,288	142,706	12,716	16,763	5,159	226,833
Charge for the year	3,001	54,259	19,592	995	23,504	719	102,070
At 31st December, 2007	<u>7,202</u>	<u>99,547</u>	<u>162,298</u>	<u>13,711</u>	<u>40,267</u>	<u>5,878</u>	<u>328,903</u>
Net Book Value							
At 31st December, 2007	<u>£22,809</u>	<u>£275,177</u>	<u>£65,708</u>	<u>£3,594</u>	<u>£336,906</u>	<u>£3,122</u>	<u>£707,316</u>
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>

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.

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2007

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	6,885	52,500
Drummond Locomotives Limited	52	1,214	5,200
Project 62	4	218	1,000
Swanage Railway Carriage Group	35	419	5,000
6695 Locomotive Group	15	278	<u>3,750</u>
			<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 24 to the accounts.

14. STOCKS

	Trust and Subsidiary		Trust	
	2007 £	2006 £	2007 £	2006 £
Shop stocks for resale	15,963	16,358	-	-
Catering stock	8,942	2,920	-	-
Consumable stocks	6,443	3,811	-	-
Special events stock	<u>5,097</u>	<u>3,459</u>	<u>-</u>	<u>-</u>
	<u>£36,445</u>	<u>£26,548</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, 2007

15. DEBTORS AND PREPAYMENTS	Trust and Subsidiary		Trust	
	2007	2006	2007	2006
	£	£	£	£
Trade debtors	36,652	23,539	726	446
Loan to the Swanage Railway Company Limited	-	-	206,867	226,182
Other debtors	45,709	27,134	2,600	557
Prepayments	<u>26,181</u>	<u>5,889</u>	-	-
	<u>£108,542</u>	<u>£56,562</u>	<u>£210,193</u>	<u>£227,185</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 £18,354.

The amount of the loan at 31st December, 2007 that was repayable in more than a year was £186,034. The loan will be fully repaid in 2016.

16. MEMBERS' LOANS

	2007	2006
Members' loans	<u>£21,950</u>	<u>£26,950</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	
	2007	2006	2007	2006
	£	£	£	£
Trade creditors	122,213	109,842	12,253	8,454
Other creditors and accruals	<u>29,255</u>	<u>36,306</u>	<u>5,593</u>	<u>3,000</u>
	<u>£151,468</u>	<u>£146,148</u>	<u>£17,846</u>	<u>£11,454</u>

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2007

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:-

	2007	2006
	£	£
Balance at start of year	107,134	117,214
Membership sold in year	16,400	15,700
Transferred to income and expenditure account :		
Premier life memberships	(21,454)	(21,960)
Life member subscriptions	<u>(3,397)</u>	<u>(3,820)</u>
	98,683	107,134
Less : PLM subscriptions outstanding	<u>(26,721)</u>	<u>(25,715)</u>
Balance at close of year	<u>£71,962</u>	<u>£81,419</u>
	<u>=====</u>	<u>=====</u>
19. REVALUATION RESERVE	£	
At 1st January, 2007	66,729	
Revaluation surplus in year	<u>-</u>	
At 31st December, 2007	<u>£66,729</u>	
	<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 SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2007

20. UNRESTRICTED FUNDS

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

	General Reserves 2007 £	Designated Funds 2007 £	Total 2007 £
Opening balance	879,625	67,692	947,317
Surplus for the year	127,355	8,804	136,159
Swanage Railway Company Limited - profit for the year	(19,564)	-	(19,564)
Revaluation reserve movement	-	-	-
	<hr/>	<hr/>	<hr/>
Balance per consolidated balance sheet	£987,416	£76,496	£1,063,912
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Designated funds comprise of the following:-

	Balance At 1st January, 2007 £	Movement in Funds Incoming Resources £	Resources Expended £	Balance At 31st December, 2007 £
Heritage Coaches	-	10,989	(6,552)	4,437
Devon Belle	5,195	61,386	(66,581)	-
Winston Churchill funeral van	4,872	6,721	(11,593)	-
Carriage shed & other special projects	57,625	18,866	(4,432)	72,059
	<hr/>	<hr/>	<hr/>	<hr/>
	£67,692	£97,962	£(89,158)	£76,496
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2007

21. 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, 2007 £	Movement in Funds Incoming Resources £	Resources Expended £	Balance At 31st December, 2007 £
Harmans Cross Project Appeal	6,659	12,196	(2,782)	16,073
The 200 Club	58,507	14,110	(7,559)	65,058
The Southern Carriage Account	22,554	-	-	22,554
Mercury Group	299	407	(630)	76
Carriage Shed Fund	2,530	190	-	2,720
New Company Appeal	3,706	2,040	-	5,746
Mining Museum Group Donations	10,576	4,232	(2,560)	12,248
257 Squadron Appeal	31,048	49	-	31,097
Corfe Signal Box Appeal	672	10	-	682
	<u>£136,551</u>	<u>£33,234</u>	<u>£(13,531)</u>	<u>£156,254</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	37,253	27,805	65,058
The Southern Carriage Account	22,554	-	22,554
New Company Appeal	1,358	4,388	5,746
257 Squadron Appeal	30,750	347	31,097
Mining museum Group Donations	7,046	5,202	12,248

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, 2007

22. 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.

23. FINANCIAL COMMITMENTS

Financial commitments under non-cancellable operating leases will result the following payments falling due in the year to 31st December, 2007 :-

	Trust & Subsidiary Land & Buildings		Trust Land & Buildings	
	2007	2006	2007	2006
Leases expiring after 1 year but within 5 years	£24,648	£21,936	£24,648	£21,936
	=====	=====	=====	=====
Leases expiring after 5 years	£21,625	£21,625	£ -	£ -
	=====	=====	=====	=====

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

Locomotive hire agreements

a) 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 24, 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 trading subsidiary by Southern Locomotives Engineering Limited was £69,510.

b) The Swanage Railway Trust's trading subsidiary, Swanage Railway Company Limited, utilises the motive power provided by Drummond Locomotives Limited. As detailed in note 24, a number of the directors of The Swanage Railway Trust and the directors of the trading subsidiary are also directors/or shareholders in Drummond Locomotives Limited.

The amount invoiced by Drummond Locomotives Limited to the trading subsidiary for the supply of motive power in respect of the year was £9,750 (2006: Nil).

THE SWANAGE RAILWAY TRUST

NOTES TO THE CONSOLIDATED ACCOUNTS - CONTINUED

31ST DECEMBER, 2007

24. DIRECTORS' INTERESTS (see note 13 and note 23)

A number of the directors of The Swanage Railway Trust and its subsidiary the Swanage Railway Company Limited are shareholders in Southern Locomotives Limited and Drummond Locomotives Limited which as detailed in note 23 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, 2007 are as follows:

	Southern Locomotives Ltd No of Ordinary £250 Shares Held	Drummond Locomotives Ltd No of Ordinary £100 Shares Held
Trust:		
D.A. Budd	-	10
D.M. Chick	1	-
S.W. Doughty	3	-
A.L. Moore	61- Director	1
P.W. Renaut	12	-
Mrs. E.M. Sellen	2	-
M.A. Stollery	14	12
W.S. Trite	37	2
M.R. Woolley	2	-
R. White	-	1
Subsidiary:		
S.W. Doughty	3	-
A.L. Moore	61	1
W.S. Trite	37	2
P.A. Thrower	-	2 - Director

The total issued share capital of Southern Locomotives Limited at 31st December, 2007 was 6,885 ordinary £250 shares and that of Drummond Locomotives Limited 1,214 ordinary £100 shares.

25. CAPITAL COMMITMENTS

The Swanage Railway Company Ltd had capital commitments at 31 December 2007 of £90,000 for projects that had been authorised and contracted. Grants of £46,000 will be paid by the Swanage Railway Trust to assist in the funding of these projects.