

**COMPANY REGISTRATION NUMBER 1412568**

**SWANAGE RAILWAY COMPANY LIMITED**  
**FINANCIAL STATEMENTS**  
**31 DECEMBER 2010**

# SWANAGE RAILWAY COMPANY LIMITED

## FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

<b>CONTENTS</b>	<b>PAGE</b>
Officers and professional advisers	1
The directors' report	2
Independent auditor's report to the shareholders	4
Profit and loss account	6
Balance sheet	7
Notes to the financial statements	8

# SWANAGE RAILWAY COMPANY LIMITED

## OFFICERS AND PROFESSIONAL ADVISERS

**The board of directors**

A.L. Moore  
P.A. Thrower  
P.N. Sills  
M.A. Whitwam  
G.W. Carter  
E.M. Sellen  
S.W. Doughty

**Company secretary**

K.R. Gooding

**Registered office**

The Station House  
Swanage  
Dorset  
BH19 1HB

**Auditor**

Shipleys LLP  
Chartered Accountants  
& Statutory Auditor  
10 Orange Street  
Haymarket  
London  
WC2H 7DQ

# SWANAGE RAILWAY COMPANY LIMITED

## THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2010

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2010.

### PRINCIPAL ACTIVITIES

The principal activity of the company during the year was that of operating the Swanage Railway, and associated trading activities.

### DIRECTORS

The directors who served the company during the year were as follows:

A.L. Moore  
P.A. Thrower  
P.N. Sills  
M.A. Whitwam  
G.W. Carter  
E.M. Sellen  
S.W. Doughty

### SHARE CAPITAL - SUBSTANTIAL SHAREHOLDINGS

Throughout the year the Swanage Railway Trust held all the voting shares out of a total issued share capital at 31 December 2010 of 468,565 voting shares and 18,398 non-voting shares.

### DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Directors' 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). 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 those 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 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.

# SWANAGE RAILWAY COMPANY LIMITED

## THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2010

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.

### AUDITOR

Shipleys LLP are deemed to be re-appointed under section 487(2) of the Companies Act 2006.

### SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006.

Signed by order of the directors



K.R. GOODING  
Company Secretary

Approved by the directors on 28 May 2011.

# **SWANAGE RAILWAY COMPANY LIMITED**

## **INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SWANAGE RAILWAY COMPANY LIMITED**

**YEAR ENDED 31 DECEMBER 2010**

We have audited the financial statements of Swanage Railway Company Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the Financial Reporting Standard for Smaller Entities (effective April 2008) (United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities).

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR**

As explained more fully in the Directors' Responsibilities Statement set out on pages 2 to 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### **SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by directors; and the overall presentation of the financial statements.

### **OPINION ON FINANCIAL STATEMENTS**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

# SWANAGE RAILWAY COMPANY LIMITED

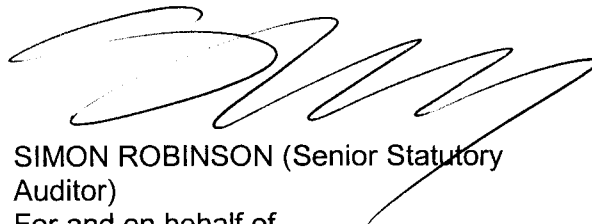
## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SWANAGE RAILWAY COMPANY LIMITED *(continued)*

YEAR ENDED 31 DECEMBER 2010

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in preparing the directors' report.



SIMON ROBINSON (Senior Statutory Auditor)

For and on behalf of  
SHIPLEYS LLP  
Chartered Accountants  
& Statutory Auditor

10 Orange Street  
Haymarket  
London  
WC2H 7DQ

28 May 2011

# SWANAGE RAILWAY COMPANY LIMITED

## PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

	Note	2010 £	2009 £
<b>TURNOVER</b>		2,246,283	2,314,593
Cost of sales		(913,324)	(944,758)
<b>GROSS PROFIT</b>		1,332,959	1,369,835
Administrative expenses		(1,171,168)	(1,094,456)
<b>OPERATING PROFIT</b>	2	161,791	275,379
Interest receivable		43	61
Interest payable and similar charges		(3,535)	(4,828)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		158,299	270,612
Tax on profit on ordinary activities	4	—	—
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>158,299</u>	<u>270,612</u>

The notes on pages 8 to 13 form part of these financial statements.



# SWANAGE RAILWAY COMPANY LIMITED


## BALANCE SHEET

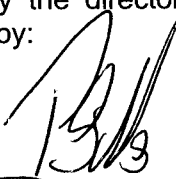
31 DECEMBER 2010

	Note	2010		2009	
		£	£	£	£
<b>FIXED ASSETS</b>					
Tangible assets	6		1,264,924		871,325
<b>CURRENT ASSETS</b>					
Stocks	7	61,961		41,045	
Debtors	8	89,923		66,513	
Cash at bank		73,431		344,137	
			<u>225,315</u>		<u>451,695</u>
<b>CREDITORS: Amounts falling due within one year</b>	9	(190,216)		(290,329)	
<b>NET CURRENT ASSETS</b>			<u>35,099</u>		<u>161,366</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>1,300,023</u>		<u>1,032,691</u>
<b>CREDITORS: Amounts falling due after more than one year</b>	10		(399,052)		(290,019)
			<u>900,971</u>		<u>742,672</u>
<b>CAPITAL AND RESERVES</b>					
Called-up share capital	13		486,963		486,963
Profit and loss account	14		414,008		255,709
<b>SHAREHOLDERS' FUNDS</b>			<u>900,971</u>		<u>742,672</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2008).

These financial statements were approved by the directors and authorised for issue on 28 May 2011, and are signed on their behalf by:

  
 .....  
 A.L. MOORE

  
 .....  
 P.N. SILLS

Company Registration Number: 1412568

The notes on pages 8 to 13 form part of these financial statements.

# SWANAGE RAILWAY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 1. ACCOUNTING POLICIES

#### Basis of accounting

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective April 2008).

#### Turnover

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

#### Fixed assets

All fixed assets are initially recorded at cost.

#### Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Locomotives	- 10% on straight line basis
Plant, machinery & equipment	- 20% on reducing balance method
Shop fittings & equipment	- 20% on reducing balance method
Motor Vehicles	- 20% on reducing balance method
Land & buildings	- 10% straight line basis
Track & construction	- 4% on straight line basis

#### Stocks

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

#### Work in progress

Work in progress is valued on the basis of direct costs plus attributable overheads based on normal level of activity. Provision is made for any foreseeable losses where appropriate. No element of profit is included in the valuation of work in progress.

#### 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.

#### 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 of its liabilities.

# SWANAGE RAILWAY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 1. ACCOUNTING POLICIES *(continued)*

#### 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.

### 2. OPERATING PROFIT

Operating profit is stated after charging/(crediting):

	2010	2009
	£	£
Directors' remuneration	—	—
Depreciation of owned fixed assets	113,241	90,575
Profit on disposal of fixed assets	(23,154)	(23,348)
Auditor's fees	5,000	4,900
	<u>          </u>	<u>          </u>

### 3. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2010	2009
	No	No
Number of full and part time staff	48	42
	<u>          </u>	<u>          </u>

The aggregate payroll costs of the above were:

	2010	2009
	£	£
Wages and salaries	610,058	543,754
Social security costs	46,589	42,945
	<u>656,647</u>	<u>586,699</u>

The directors did not receive any remuneration for their services.

The company is heavily reliant on volunteer staff in all areas of its activities.

# SWANAGE RAILWAY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 4. TAXATION ON ORDINARY ACTIVITIES

No corporation tax arises on the profit for the year due to the availability of tax losses brought forward and capital allowances for the year.

### 5. GIFT AID PAYMENT TO THE SWANAGE RAILWAY TRUST

The Gift Aid payment in 2009 of £91,345 was paid to The Swanage Railway Trust as follows:-

- £5,000 was paid in December 2009
- £86,345 was included in creditors in Note 9 and was paid in February 2010

No Gift Aid payment will be made in respect of the year to 31 December 2010.

### 6. TANGIBLE FIXED ASSETS

	Land & Buildings £	Plant, Machinery & Equipment £	Locomotives & Rolling Stock £	Shop Fittings & Equipment £	Permanent Way & Other Assets £	Total £
<b>COST</b>						
At 1 Jan 2010	30,011	338,150	529,689	19,185	459,396	1,376,431
Additions	233,543	79,859	47,731	24,226	122,791	508,150
Disposals	—	—	—	(13,965)	(40,000)	(53,965)
<b>At 31 Dec 2010</b>	<u>263,554</u>	<u>418,009</u>	<u>577,420</u>	<u>29,446</u>	<u>542,187</u>	<u>1,830,616</u>
<b>DEPRECIATION</b>						
At 1 Jan 2010	13,205	196,865	191,639	15,298	88,099	505,106
Charge for the year	8,040	20,737	57,915	3,292	23,257	113,241
On disposals	—	—	—	(12,655)	(40,000)	(52,655)
<b>At 31 Dec 2010</b>	<u>21,245</u>	<u>217,602</u>	<u>249,554</u>	<u>5,935</u>	<u>71,356</u>	<u>565,692</u>
<b>NET BOOK VALUE</b>						
<b>At 31 Dec 2010</b>	<u>242,309</u>	<u>200,407</u>	<u>327,866</u>	<u>23,511</u>	<u>470,831</u>	<u>1,264,924</u>
At 31 Dec 2009	<u>16,806</u>	<u>141,285</u>	<u>338,050</u>	<u>3,887</u>	<u>371,297</u>	<u>871,325</u>

### 7. STOCKS

	2010 £	2009 £
Shop stock for resale	43,774	20,838
Catering stock	5,052	4,543
Consumable stock	7,873	9,572
Special events stock	5,172	5,442
Driver experience stock	90	650
	<u>61,961</u>	<u>41,045</u>

# SWANAGE RAILWAY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 8. DEBTORS

	2010	2009
	£	£
Trade debtors	18,922	19,221
Other debtors	57,457	30,630
Prepayments and accrued income	13,544	16,662
	<u>89,923</u>	<u>66,513</u>

### 9. CREDITORS: Amounts falling due within one year

	2010	2009
	£	£
Trade creditors	80,686	110,019
Loan from The Swanage Railway Trust	27,672	27,672
Capital grants received	47,262	33,828
Other creditors	15,324	13,365
Gift Aid Payment due to The Swanage Railway Trust	-	86,345
Accruals and deferred income	19,272	19,100
	<u>190,216</u>	<u>290,329</u>

### 10. CREDITORS: Amounts falling due after more than one year

	2010	2009
	£	£
Loan from the Swanage Railway Trust	109,257	133,949
Capital grants received	289,795	156,070
	<u>399,052</u>	<u>290,019</u>

#### Loan from the Swanage Railway Trust

The loan from The Swanage Railway Trust 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 £3,535 (2009: £4,828).

The total amount outstanding on the loan at 31st December 2010 was £136,929 (2009: £161,621) and of this amount £13,469 is repayable in more than 5 years. The loan will be fully repaid in 2016.

#### Capital grants received

The capital grants received from The Swanage Railway Trust are shown in the Balance Sheet and credited to the Profit and Loss Account to match the depreciation of the Tangible Fixed Assets.

The total of the grants shown in the Balance Sheet at 31 December 2010 was £337,0577 (2009: £189,898) and of this amount £100,745 (2009: £41,289) will be credited to the Profit & Loss Account in more than 5 years.

# SWANAGE RAILWAY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 11. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2010 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2010 £	2009 £
Operating leases which expire:		
Within 2 to 5 years	29,250	29,250
After more than 5 years	122,375	151,625
	<u>151,625</u>	<u>180,875</u>

The company also has an informal arrangement with The Swanage Railway Trust under which it pays a variable amount in respect of its occupation of Herston Works.

#### Locomotive Hire Agreements

a) The company 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.

The amount invoiced by Southern Locomotives Engineering Limited for the supply of motive power and engineering support in respect of the year was £129,996 (2009: £152,442).

b) The company utilises the motive power provided by Drummond Locomotives Limited. As detailed in note 12, one of the directors is also a director of Drummond Locomotives Limited.

The amount invoiced by Drummond Locomotives Limited for the supply of motive power in respect of the year was £35,000 (2009: £34,236).

### 12. RELATED PARTY TRANSACTIONS

The company undertakes transactions with its holding company, The Swanage Railway Trust, as follows:-

- As described in Note 10, capital grants and a loan have been received.
- Rent payable re Herston Works £27,281 (2009: £27,498).
- Interest paid on loan £3,535 (2009: £4,828).
- Infrastructure charge payable £9,546 (2009 £15,900).
- Wages recharged to the Trust £9,000 (2009: £4,800).

P.A. Thrower is a director in Drummond Locomotives Limited which, as detailed in note 11, entered into an arrangement with Swanage Railway Company Limited for the provision of motive power.

At 31st December 2010 P.A. Thrower held 4 ordinary £100 shares in Drummond Locomotives Limited. At this time the company had 1,223 ordinary £100 shares in issue.

# SWANAGE RAILWAY COMPANY LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2010

### 13. SHARE CAPITAL

#### Authorised share capital:

	2010 £	2009 £
75,000 Non-voting shares of £1 each	75,000	75,000
925,000 Ordinary Voting shares of £1 each	925,000	925,000
	<u>1,000,000</u>	<u>1,000,000</u>

#### Allotted, called up and fully paid:

	2010		2009	
	No	£	No	£
18,398 Non-voting shares (2009 - 18,619) of £1 each	18,398	18,398	18,619	18,619
468,565 Ordinary Voting shares (2009 - 468,344) of £1 each	468,565	468,565	468,344	468,344
	<u>486,963</u>	<u>486,963</u>	<u>486,963</u>	<u>486,963</u>

The ordinary £1 voting shares are all held by The Swanage Railway Trust, a registered charity, which is the only body that may hold voting rights.

The Swanage Railway Trust also has a non-beneficial holding of 30 non-voting ordinary shares in the company.

### 14. PROFIT AND LOSS ACCOUNT

	2010 £	2009 £
Balance brought forward	255,709	76,442
Profit for the financial year	158,299	270,612
Gift aid payment to The Swanage Railway Trust	-	(91,345)
Balance carried forward	<u>414,008</u>	<u>255,709</u>

### 15. ULTIMATE PARENT COMPANY

As detailed in the Directors' Report, Swanage Railway Company Limited was controlled by the Swanage Railway Trust (a charity registered in the UK) throughout the year.

**SWANAGE RAILWAY COMPANY LIMITED**

**MANAGEMENT INFORMATION**

**YEAR ENDED 31 DECEMBER 2010**

**The following pages do not form part of the statutory financial statements which are the subject of the independent auditor's report on pages 4 and 5.**



# SWANAGE RAILWAY COMPANY LIMITED

## DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

	2010		2009	
	£	£	£	£
<b>TURNOVER</b>				
Passenger takings		1,667,609		1,620,820
Shop income		166,102		175,427
Catering income		272,898		289,131
Norden Park and Ride		74,791		111,963
Driver experience takings		18,906		12,317
Revenue grants from the Swanage Railway Trust		985		69,793
Sundry income		44,992		35,142
		<u>2,246,283</u>		<u>2,314,593</u>
<b>COST OF SALES</b>				
Locomotive running costs	(262,409)		(245,058)	
Special event costs	(97,891)		(96,189)	
Shop purchases	(130,252)		(116,354)	
Catering purchases	(106,260)		(122,287)	
Infrastructure charge	(9,546)		(15,900)	
Locomotive hire	(186,832)		(183,075)	
Locomotive, carriage and wagon repairs	(72,866)		(120,238)	
Norden Park & Ride	(47,268)		(45,657)	
		<u>(913,324)</u>		<u>(944,758)</u>
<b>GROSS PROFIT</b>		1,332,959		1,369,835
<b>OVERHEADS</b>				
Administrative expenses		(1,171,168)		(1,094,456)
<b>OPERATING PROFIT</b>		161,791		275,379
Bank deposit interest		43		61
		<u>161,834</u>		<u>275,440</u>
Loan interest		(3,535)		(4,828)
<b>PROFIT ON ORDINARY ACTIVITIES</b>		<u>158,299</u>		<u>270,612</u>

# SWANAGE RAILWAY COMPANY LIMITED

## NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2010

	2010		2009	
	£	£	£	£
<b>ADMINISTRATIVE EXPENSES</b>				
<b>Personnel costs</b>				
Wages	619,058		548,554	
Less: wages recharged to The Swanage Railway Trust	(9,000)		(4,800)	
National insurance	46,589		42,945	
		656,647		586,699
<b>Establishment expenses</b>				
Rent	22,921		22,921	
Contribution for use of Herston Works	27,281		27,498	
Rates	25,998		23,532	
Heat, light and water	26,629		23,021	
Insurance	27,397		40,228	
Cleaning and laundry	8,330		7,518	
Repairs and maintenance	138,518		147,656	
Marketing and publicity	45,973		47,609	
		323,047		339,983
<b>General expenses</b>				
Motor and travelling expenses	23,341		11,210	
Telephone	11,890		10,470	
Printing, stationery and postage	21,207		24,813	
General expenses	17,561		14,214	
Legal and professional fees	6,054		7,900	
Auditors remuneration	5,000		4,900	
Depreciation	113,241		90,575	
Amortisation of grant	(26,153)		(22,970)	
Loss/(Profit) on disposal of fixed assets	2,999		(378)	
		175,140		140,734
<b>Financial costs</b>				
Bad debt write off	101		7,600	
Bank charges	8,072		11,254	
Credit card charges	8,161		8,186	
		16,334		27,040
		1,171,168		1,094,456
<b>INTEREST RECEIVABLE</b>				
Bank deposit interest		43		61