

**Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 31 December 2016
for
Swanage Railway Company Limited**

Swanage Railway Company Limited

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Swanage Railway Company Limited

**Company Information
for the Year Ended 31 December 2016**

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

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

Swanage Railway Company Limited

**Strategic Report
for the Year Ended 31 December 2016**

The directors present their strategic report for the year ended 31 December 2016.

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 2016 the Swanage Railway maintained its services and visitor numbers were commensurate with the previous year. Turnover for the year amounted to £2.8m, the gross margin being £1.8m generating an operating profit of £0.1m. These results were in line with expectations and similar to 2015. Highlights of the year included two Steam Gala's, a Diesel Gala and a Santa Special season which included the increasingly popular Christmas Belle utilising the Pullman Observation Car.

During 2016 the Company has continued to invest in its infrastructure. In particular efforts have been directed towards the completion of the refurbishment of the northern extension of the branch up to our boundary with Network Rail and during the year this was passed as fit for 25mph train speeds. The works to construct a new road rail interchange and Norden were completed and the Norden Gates crossing has been fully commissioned. Nearly all of these works have been funded by the Coastal Communities Grant and also the grant from Dorset County Council/Perenco (BP).

Shareholders reserves on the balance sheet have increased as a result of the year's activity. The Board considers the year to have been satisfactory and the Board would like to publicly acknowledge the great contribution to the success of the railway in 2016 made 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.

Swanage Railway Company Limited

**Strategic Report
for the Year Ended 31 December 2016**

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 the generation of external funding from the Swanage Railway Trust and external sources such as the Coastal Communities Fund.

In 2017 the company expects to commence the operation of passenger services to Wareham. This will result in a significant change in the complexity of the railway and will place additional pressure upon our staff. The service in 2017 will operate on sixty days and will be operated by a third party Train Operating Company. It is planned that the Swanage Railway will continue with its application to become a train operating company in its own right and that it will operate the services to Wareham using its own rolling stock in 2018.

Other information

On 31st March the railway staged a special steam gala to commemorate the 50th anniversary of the end of steam hauled trains in the UK. This proved to be a success both in terms of revenue and visitor/passenger satisfaction.

ON BEHALF OF THE BOARD:



.....
Mr A L Moore - Director

Date: 20 May 2017

Swanage Railway Company Limited

**Report of the Directors
for the Year Ended 31 December 2016**

The directors present their report with the financial statements of the company for the year ended 31 December 2016.

PRINCIPAL ACTIVITY

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

DIVIDENDS

No dividends will be distributed for the year ended 31 December 2016.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2016 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

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.

Swanage Railway Company Limited

**Report of the Directors
for the Year Ended 31 December 2016**

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: 20 May 2017

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

We have audited the financial statements of Swanage Railway Company Limited for the year ended 31 December 2016 on pages eight to twenty. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'.

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.

Respective responsibilities of directors and auditors

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. 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 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 the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Strategic Report and the Report of the Directors to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2016 and of its profit for the year 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.

Opinion on other matter prescribed by the Companies Act 2006

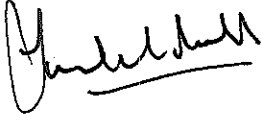
In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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.



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: 20 May 2017

Swanage Railway Company Limited

**Statement of Comprehensive Income
for the Year Ended 31 December 2016**

	Notes	2016 £	2015 £
TURNOVER		2,804,233	2,747,972
Cost of sales		974,033	1,176,203
GROSS PROFIT		<u>1,830,200</u>	<u>1,571,769</u>
Administrative expenses		1,720,755	1,517,284
OPERATING PROFIT	4	109,445	54,485
Interest receivable and similar income		15	15
		<u>109,460</u>	<u>54,500</u>
Interest payable and similar expenses	5	3,886	3,788
PROFIT BEFORE TAXATION		105,574	50,712
Tax on profit	6	-	-
PROFIT FOR THE FINANCIAL YEAR		105,574	50,712
OTHER COMPREHENSIVE INCOME		<u>-</u>	<u>-</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u><u>105,574</u></u>	<u><u>50,712</u></u>

The notes form part of these financial statements

Swanage Railway Company Limited (Registered number: 01412568)

Balance Sheet
31 December 2016

	Notes	2016		2015	
		£	£	£	£
FIXED ASSETS					
Tangible assets	7		5,201,541		5,001,501
CURRENT ASSETS					
Stocks	8	87,718		81,029	
Debtors	9	90,362		197,088	
Cash at bank and in hand		243,859		168,870	
		<u>421,939</u>		<u>446,987</u>	
CREDITORS					
Amounts falling due within one year	10	261,414		701,775	
NET CURRENT ASSETS/(LIABILITIES)			<u>160,525</u>		<u>(254,788)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			5,362,066		4,746,713
CREDITORS					
Amounts falling due after more than one year	11		3,703,512		3,193,733
NET ASSETS			<u>1,658,554</u>		<u>1,552,980</u>
CAPITAL AND RESERVES					
Called up share capital	13		486,963		486,963
Revaluation reserve	14		371,202		371,202
Retained earnings	14		800,389		694,815
SHAREHOLDERS' FUNDS			<u>1,658,554</u>		<u>1,552,980</u>

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

A L Moore

.....
Mr A L Moore - Director

T J Parsons

.....
Mr T J Parsons - Director

The notes form part of these financial statements

Swanage Railway Company Limited

**Statement of Changes in Equity
for the Year Ended 31 December 2016**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 January 2015	486,963	644,103	371,202	1,502,268
Changes in equity				
Total comprehensive income	-	50,712	-	50,712
Balance at 31 December 2015	<u>486,963</u>	<u>694,815</u>	<u>371,202</u>	<u>1,552,980</u>
Changes in equity				
Total comprehensive income	-	105,574	-	105,574
Balance at 31 December 2016	<u><u>486,963</u></u>	<u><u>800,389</u></u>	<u><u>371,202</u></u>	<u><u>1,658,554</u></u>

The notes form part of these financial statements

Swanage Railway Company Limited

**Cash Flow Statement
for the Year Ended 31 December 2016**

	Notes	2016 £	2015 £
Cash flows from operating activities			
Cash generated from operations	1	431,946	1,814,168
Interest paid		(3,548)	(3,788)
Interest element of hire purchase payments paid		(338)	-
Net cash from operating activities		428,060	1,810,380
Cash flows from investing activities			
Purchase of tangible fixed assets		(296,623)	(1,774,697)
Sale of tangible fixed assets		7,500	-
Interest received		15	15
Net cash from investing activities		(289,108)	(1,774,682)
Cash flows from financing activities			
Parent loan repayments		(63,554)	(32,929)
Capital repayments in year		(409)	-
Net cash from financing activities		(63,963)	(32,929)
Increase in cash and cash equivalents		74,989	2,769
Cash and cash equivalents at beginning of year	2	168,870	166,101
Cash and cash equivalents at end of year	2	243,859	168,870

The notes form part of these financial statements

Swanage Railway Company Limited

**Notes to the Cash Flow Statement
for the Year Ended 31 December 2016**

1. RECONCILIATION OF PROFIT BEFORE TAXATION TO CASH GENERATED FROM OPERATIONS

	2016	2015
	£	£
Profit before taxation	105,574	50,712
Depreciation charges	130,271	134,322
(Profit)/loss on disposal of fixed assets	(6,738)	41,360
Fixed assets reclassified as revenue	-	21,151
Amortisation of capital grants	(29,691)	(60,334)
Finance costs	3,886	3,788
Finance income	(15)	(15)
	203,287	190,984
(Increase)/decrease in stocks	(6,689)	11,118
Decrease/(increase) in trade and other debtors	106,726	(24,627)
Increase in trade and other creditors	128,622	1,636,693
	431,946	1,814,168

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:

Year ended 31 December 2016

	31.12.16	1.1.16
	£	£
Cash and cash equivalents	243,859	168,870
	243,859	168,870

Year ended 31 December 2015

	31.12.15	1.1.15
	£	£
Cash and cash equivalents	168,870	205,785
Bank overdrafts	-	(39,684)
	168,870	166,101

The notes form part of these financial statements

Swanage Railway Company Limited

Notes to the Financial Statements for the Year Ended 31 December 2016

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.

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 December 2016 was £5,201,541.

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.

Swanage Railway Company Limited

Notes to the Financial Statements - continued for the Year Ended 31 December 2016

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

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 year 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.

Swanage Railway Company Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

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 year 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. EMPLOYEES AND DIRECTORS

	2016	2015
	£	£
Wages and salaries	901,232	784,799
Social security costs	66,102	59,271
Other pension costs	4,818	615
	<u>972,152</u>	<u>844,685</u>

The average monthly number of employees during the year was as follows:

	2016	2015
Employees	<u>49</u>	<u>45</u>
Directors' remuneration	<u>£ -</u>	<u>£ -</u>

Swanage Railway Company Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

4. OPERATING PROFIT

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

	2016	2015
	£	£
Other operating leases	100,387	95,125
Depreciation - owned assets	130,271	134,320
(Profit)/loss on disposal of fixed assets	(6,738)	41,360
Auditors' remuneration	6,965	6,610
	<u> </u>	<u> </u>

5. INTEREST PAYABLE AND SIMILAR EXPENSES

	2016	2015
	£	£
Bank loan interest	-	8
Loan	3,548	3,780
Hire purchase	338	-
	<u> </u>	<u> </u>
	<u>3,886</u>	<u>3,788</u>

Interest of £3,548 was paid to Swanage Railway Trust Limited, the Parent Company (2015: £3,780).

6. TAXATION

Analysis of the tax charge

No liability to UK corporation tax arose for the year ended 31 December 2016 nor for the year ended 31 December 2015.

Reconciliation of total tax charge included in profit and loss

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

	2016	2015
	£	£
Profit before tax	<u>105,574</u>	<u>50,712</u>
Profit multiplied by the standard rate of corporation tax in the UK of 20% (2015 - 20%)	21,115	10,142
Effects of:		
Expenses not deductible for tax purposes	-	8,482
Income not taxable for tax purposes	(1,351)	(3)
Capital allowances in excess of depreciation	(36,195)	(79,819)
Trading losses	<u>16,431</u>	<u>61,198</u>
Total tax charge	<u> </u>	<u> </u>

Swanage Railway Company Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

7. TANGIBLE FIXED ASSETS

	Land & buildings £	Assets under construction £	Plant and machinery £
COST			
At 1 January 2016			
Additions	635,639	2,883,459	419,949
Disposals	7,099	236,183	82,269
Reclassification	-	-	(15,000)
Transfer to ownership	78,967	-	(63,879)
	119,274	(119,274)	-
At 31 December 2016	<u>840,979</u>	<u>3,000,368</u>	<u>423,339</u>
DEPRECIATION			
At 1 January 2016	159,975	-	176,489
Charge for year	43,003	-	32,596
Eliminated on disposal	-	-	(14,238)
Reclassification	-	-	(4,173)
At 31 December 2016	<u>202,978</u>	<u>-</u>	<u>190,674</u>
NET BOOK VALUE			
At 31 December 2016	<u>638,001</u>	<u>3,000,368</u>	<u>232,665</u>
At 31 December 2015	<u>475,664</u>	<u>2,883,459</u>	<u>243,460</u>

	Shop fittings & equipment £	Heritage Assets Locomotive and Rolling £	Permanent Way & other assets £	Totals £
COST				
At 1 January 2016	6,436	782,925	823,197	5,551,605
Additions	2,522	3,000	-	331,073
Disposals	-	-	-	(15,000)
Reclassification	(5,571)	1,174	(16,000)	(5,309)
At 31 December 2016	<u>3,387</u>	<u>787,099</u>	<u>807,197</u>	<u>5,862,369</u>
DEPRECIATION				
At 1 January 2016	1,394	-	212,246	550,104
Charge for year	622	-	54,050	130,271
Eliminated on disposal	-	-	-	(14,238)
Reclassification	(1,136)	-	-	(5,309)
At 31 December 2016	<u>880</u>	<u>-</u>	<u>266,296</u>	<u>660,828</u>
NET BOOK VALUE				
At 31 December 2016	<u>2,507</u>	<u>787,099</u>	<u>540,901</u>	<u>5,201,541</u>
At 31 December 2015	<u>5,042</u>	<u>782,925</u>	<u>610,951</u>	<u>5,001,501</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.

Swanage Railway Company Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

7. TANGIBLE FIXED ASSETS - continued

At the year end, the carrying amount of plant and machinery included £37,629 of assets under Hire Purchase agreements.

8. STOCKS

	2016	2015
	£	£
Shop stock for resale	22,221	19,160
Catering stock	5,605	6,390
Consumable stock	55,386	53,460
Special events stock	4,506	2,019
	<u>87,718</u>	<u>81,029</u>

9. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Trade debtors	13,783	13,598
VAT	58,585	136,395
Prepayments	17,994	47,095
	<u>90,362</u>	<u>197,088</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2016	2015
	£	£
Hire purchase contracts (see note 12)	7,964	-
Trade creditors	100,004	495,160
Amounts owed to group undertakings	-	63,554
Social security and other taxes	18,057	18,557
Other creditors	29,658	60,335
Deferred income	44,547	28,457
Accrued expenses	61,184	35,712
	<u>261,414</u>	<u>701,775</u>

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

	2016	2015
	£	£
Hire purchase contracts (see note 12)	26,077	-
Capital grants from SRT	1,141,237	1,074,765
Chalk and cheese grant	40,397	40,397
DCC cabinet grant	350,000	350,000
Big lottery fund	1,510,326	1,270,931
BP Perenco	486,162	440,000
IMERYYS	5,000	5,000
Network Rail	12,500	12,500
Other capital grants	140	140
Sleeper appeal (PW)	131,673	-
	<u>3,703,512</u>	<u>3,193,733</u>

Swanage Railway Company Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

12. LEASING AGREEMENTS

Minimum lease payments fall due as follows:

		Hire purchase contracts	
		2016	2015
		£	£
Gross obligations repayable:			
Within one year		8,954	-
Between one and five years		33,143	-
		<u>42,097</u>	<u>-</u>
Finance charges repayable:			
Within one year		990	-
Between one and five years		7,066	-
		<u>8,056</u>	<u>-</u>
Net obligations repayable:			
Within one year		7,964	-
Between one and five years		26,077	-
		<u>34,041</u>	<u>-</u>
		Non-cancellable operating leases	
		2016	2015
		£	£
Within one year		196,213	44,560
Between one and five years		337,604	327,436
In more than five years		2,880,892	4,061,698
		<u>3,414,709</u>	<u>4,433,694</u>

13. CALLED UP SHARE CAPITAL

Allotted, issued and fully paid:				2016	2015
Number:	Class:	Nominal value:		£	£
17,978	Non-voting shares	£1		17,648	17,648
468,985	Ordinary Voting shares	£1		469,315	469,315
				<u>486,963</u>	<u>486,963</u>

Swanage Railway Company Limited

**Notes to the Financial Statements - continued
for the Year Ended 31 December 2016**

14. RESERVES

	Retained earnings £	Revaluation reserve £	Totals £
At 1 January 2016	694,815	371,202	1,066,017
Profit for the year	105,574		105,574
	800,389	371,202	1,171,591
At 31 December 2016	800,389	371,202	1,171,591

15. ULTIMATE PARENT COMPANY

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

16. RELATED PARTY DISCLOSURES

Swanage Railway Company Limited is a 100% owned subsidiary of Swanage Railway Trust.

The total amount outstanding on loans made to the company by Swanage Railway Trust at 31 December 2016 was £nil (2015: £63,554.)

Interest is charged on the above loans at 1.5% above the Bank of England base rate. Interest charged in the year to 31 December 2016 was £3,548 (2015: £3,780).

In the year ended 31 December 2016 there were no available profits to gift to Swanage Railway Trust, in the year ended 31 December 2015 there were no available profits to gift.

In the year ended 31 December 2016, £230 of goods were purchased from Coastal Publishing Limited (2015: £115). These are companies in which Peter Sills, a former director of the company, has a controlling interest.

During the year, a total of key management personnel compensation of £277,018 was paid.

17. 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.

18. DEFERRED TAX

The company's tax losses carried forward at 31 December 2016 are £882,689 for which a deferred tax asset of £150,057 has been calculated.

The company's capital allowances in advance of depreciation are £788,813 at 31 December 2016 for which a deferred tax liability of £134,098 has been calculated.

The net deferred tax asset of £15,959 at 31 December 2016 (41,646 at 31 December 2015) 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.

Swanage Railway Company Limited

**Trading and Profit and Loss Account
for the Year Ended 31 December 2016**

	2016		2015	
	£	£	£	£
Turnover				
Passenger takings	2,128,356		1,979,881	
Shop income	170,324		146,528	
Catering income	272,412		278,756	
Driver experience takings	25,988		18,125	
Revenue grants	43,909		230,900	
Sundry income	163,244		93,782	
	<u>2,804,233</u>		<u>2,747,972</u>	
Cost of sales				
Locomotive running costs	262,419		239,394	
Special event costs	110,083		104,283	
Shop purchases	96,895		96,725	
Catering purchases	147,201		144,210	
Infrastructure charge	7,692		7,692	
Locomotive hire	198,774		227,375	
Locomotive, carriage and wagon repairs	95,386		112,874	
Third party ticket sales	21,742		8,830	
Project Wareham direct costs	33,841		234,820	
	<u>974,033</u>		<u>1,176,203</u>	
GROSS PROFIT		<u>1,830,200</u>		<u>1,571,769</u>
Other income				
Deposit account interest		15		15
		<u>1,830,215</u>		<u>1,571,784</u>
Expenditure				
Rent	100,387		95,125	
Business rates and domestic water	49,249		47,441	
Insurance	58,456		64,100	
Light and heat	34,867		43,425	
Repairs and maintenance	186,627		104,823	
Cleaning and laundry	45,844		41,541	
Marketing and publicity	53,466		51,654	
Wages	901,232		784,799	
Employers national insurance	66,102		59,271	
Pensions	4,818		615	
Financial services recharge to The Swanage Railway Trust	(10,800)		(10,080)	
Telephone	21,791		17,782	
Post and stationery	27,908		28,011	
Travelling	17,843		14,561	
Motor expenses	7,405		6,210	
General expenses	7,542		10,372	
Training	6,474		7,452	
Legal fees	3,050		(6,599)	
Auditors' remuneration	6,965		6,610	
Bad debts	350		500	
	<u>1,589,576</u>		<u>1,367,613</u>	
Carried forward		240,639		204,171

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Swanage Railway Company Limited

**Trading and Profit and Loss Account
for the Year Ended 31 December 2016**

	2016		2015	
	£	£	£	£
Brought forward		240,639		204,171
Finance costs				
Bank charges	7,003		7,528	
Credit card	30,334		26,795	
Bank loan interest	-		8	
Loan	3,548		3,780	
Hire purchase	338		-	
	<u> </u>	41,223	<u> </u>	38,111
		199,416		166,060
Depreciation				
Amortisation of capital grants	(29,691)		(60,334)	
Depn of railway buildings	43,003		64,313	
Plant and machinery	32,599		43,722	
Depn of shop fixtures and equipment	619		3,497	
Depn of permanent way	54,050		22,790	
	<u> </u>	100,580	<u> </u>	73,988
		98,836		92,072
Profit/(loss) on disposal of fixed assets				
Tangible fixed assets		6,738		(41,360)
		<u> </u>		<u> </u>
NET PROFIT		<u> </u> <u> </u>		<u> </u> <u> </u>

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