

Shipton

COMPANY REGISTRATION NUMBER 1412568

SWANAGE RAILWAY COMPANY LIMITED
FINANCIAL STATEMENTS
31 DECEMBER 2007

SWANAGE RAILWAY COMPANY LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

The board of directors

W.S. Trite - Chairman
A.L. Moore – Finance director
K.R. Gooding - Secretary
S.W. Doughty – Deputy Chairman
P.A. Thrower
P.N. Sills
M.A. Whitwam

Company secretary

K.R. Gooding

Registered office

The Station House
Swanage
Dorset
BH19 1HB

Auditor

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

SWANAGE RAILWAY COMPANY LIMITED

THE DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2007

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31 December 2007.

PRINCIPAL ACTIVITIES

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

DIRECTORS

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

W.S. Trite
A.L. Moore
K.R. Gooding
S.W. Doughty
P.A. Thrower
P.N. Sills
M.A. Whitwam

M.A. Whitwam was appointed as a director on 1 December 2007.

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 2007 of 467,984 voting shares and 18,979 non-voting shares.

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.

SWANAGE RAILWAY COMPANY LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2007

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

A resolution to re-appoint Shipleys LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Signed by order of the directors

A handwritten signature in black ink, appearing to be 'K.R. Gooding', is written over a horizontal line.

K.R. Gooding

Secretary

Approved by the directors on 26 April 2008

SWANAGE RAILWAY COMPANY LIMITED

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

YEAR ENDED 31 DECEMBER 2007

We have audited the financial statements of Swanage Railway Company Limited for the year ended 31 December 2007, which have been prepared in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2007) and on the basis of the accounting policies set out on page 8.

This report is made solely to the company's shareholders, 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 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 and 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.

SWANAGE RAILWAY COMPANY LIMITED

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

YEAR ENDED 31 DECEMBER 2007

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities, of the state of the company's affairs as at 31 December 2007 and of its profit for 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
& Registered Auditors

10 Orange Street
Haymarket
London
WC2H 7DQ

26 April 2008

SWANAGE RAILWAY COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2007

	Note	2007 £	2006 £
TURNOVER	2	1,859,069	1,782,040
Cost of sales		<u>(808,654)</u>	<u>(797,006)</u>
GROSS PROFIT		1,050,415	985,034
Administrative expenses		<u>(1,013,460)</u>	<u>(935,617)</u>
OPERATING PROFIT	3	36,955	49,417
Interest receivable		985	957
Interest payable and similar charges	5	<u>(18,376)</u>	<u>(14,228)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		<u>19,564</u>	<u>36,146</u>
PROFIT FOR THE FINANCIAL YEAR		<u>19,564</u>	<u>36,146</u>
Balance brought forward		<u>32,309</u>	<u>(3,837)</u>
Balance carried forward		<u><u>51,873</u></u>	<u><u>32,309</u></u>

The notes on pages 8 to 14 form part of these financial statements.

SWANAGE RAILWAY COMPANY LIMITED

BALANCE SHEET

31 DECEMBER 2007

	Note	2007		2006	
		£	£	£	£
FIXED ASSETS					
Tangible assets	6		720,153		695,873
CURRENT ASSETS					
Stocks	7	36,445		26,548	
Debtors	8	105,216		55,559	
Cash at bank		57,259		102,167	
		<u>198,920</u>		<u>184,274</u>	
CREDITORS: Amounts falling due within one year	9	<u>(194,203)</u>		<u>(154,208)</u>	
NET CURRENT ASSETS			<u>4,717</u>		<u>30,066</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>724,870</u>		<u>725,939</u>
CREDITORS: Amounts falling due after more than one year	10		<u>(186,034)</u>		<u>(206,667)</u>
			<u>538,836</u>		<u>519,272</u>
CAPITAL AND RESERVES					
Called-up share capital	13		486,963		486,963
Profit and loss account			51,873		32,309
SHAREHOLDERS' FUNDS	14		<u>538,836</u>		<u>519,272</u>

The financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and the Financial Reporting Standards for Smaller Entities (effective January 2007).

These financial statements were approved by the directors and authorised for issue on 26 April 2008 and are signed on their behalf by:

A.L. Moore

A.L. MOORE

K.R. Gooding

K.R. GOODING

Directors

The notes on pages 8 to 14 form part of these financial statements.

SWANAGE RAILWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

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 January 2007).

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.

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 2007

2. TURNOVER

The turnover and profit before tax are attributable to the one principal activity of the company.

An analysis of turnover is given below:

	2007 £	2006 £
United Kingdom	<u>1,859,069</u>	<u>1,782,040</u>

3. OPERATING PROFIT

Operating profit is stated after charging:

	2007 £	2006 £
Directors' emoluments	—	—
Depreciation of owned fixed assets	102,069	82,165
Operating lease rentals:		
- Locomotive hire	127,625	158,700
- Land & buildings	21,625	21,625
- Contribution for use of Herston Works	26,479	24,374
Infrastructure charge	17,865	23,471
Auditor's remuneration	<u>4,650</u>	<u>4,500</u>

The infrastructure charge is levied by the Swanage Railway Trust to the Swanage Railway Company Limited for the use of rolling stock, buildings and equipment. This charge is equivalent to the annual depreciation charge on the assets concerned in the Trust accounts.

SWANAGE RAILWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

4. PARTICULARS OF EMPLOYEES

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

	2007	2006
	No	No
Number of full and part time staff	<u>40</u>	<u>41</u>

The aggregate payroll costs of the above were:

	2007	2006
	£	£
Wages and salaries	503,051	488,888
Social security costs	39,699	36,884
Recharges to The Swanage Railway Trust	(3,192)	(3,192)
	<u>539,558</u>	<u>522,580</u>

The directors did not receive any remuneration for their services during the year

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

5. INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Interest payable on bank borrowing	22	4,031
Interest on the Loan from The Swanage Railway Trust	<u>18,354</u>	<u>10,197</u>
	<u>18,376</u>	<u>14,228</u>

SWANAGE RAILWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

6. TANGIBLE FIXED ASSETS

	Land & Buildings £	Plant, Machinery & Equipment £	Locomotives & Rolling Stock £	Shop Fittings & Equipment £	Motor Vehicles £	Permanent Way £	Total £
COST							
At 1 Jan 2007	30,011	184,884	313,973	17,305	9,000	367,533	922,706
Additions	-	43,122	73,587	-	-	9,640	126,349
Transfers	-	-	-	-	-	-	-
At 31 Dec 2007	<u>30,011</u>	<u>228,006</u>	<u>387,560</u>	<u>17,305</u>	<u>9,000</u>	<u>377,173</u>	<u>1,049,055</u>
DEPRECIATION							
At 1 Jan 2007	4,201	142,706	45,288	12,716	5,159	16,763	226,833
Charge for the year	3,001	19,592	54,258	995	719	23,504	102,069
At 31 Dec 2007	<u>7,202</u>	<u>162,299</u>	<u>99,546</u>	<u>13,711</u>	<u>5,878</u>	<u>40,267</u>	<u>328,902</u>
NET BOOK VALUE							
At 31 Dec 2007	<u>22,809</u>	<u>65,707</u>	<u>288,014</u>	<u>3,594</u>	<u>3,122</u>	<u>336,906</u>	<u>720,153</u>
At 31 Dec 2006	<u>25,810</u>	<u>42,178</u>	<u>268,685</u>	<u>4,589</u>	<u>3,841</u>	<u>350,770</u>	<u>695,873</u>

7. STOCKS

	2007 £	2006 £
Shop stocks for resale	15,963	16,358
Catering stock	6,443	2,920
Consumable stocks	8,942	3,811
Special events stock	3,507	3,459
Driver Experience stock	1,590	-
	<u>36,445</u>	<u>26,548</u>

8. DEBTORS

	2007 £	2006 £
Trade debtors	35,926	23,093
Other debtors	43,109	26,577
Prepayments and accrued income	26,181	5,889
	<u>105,216</u>	<u>55,559</u>

SWANAGE RAILWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

9. CREDITORS: Amounts falling due within one year

	2007	2006
	£	£
Trade creditors	109,960	101,388
Loan from The Swanage Railway Trust	20,833	19,515
Accruals and deferred income	63,410	33,305
	<u>194,203</u>	<u>154,208</u>

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

	2007	2006
	£	£
Loan from the Swanage Railway Trust	<u>186,034</u>	<u>206,667</u>

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 £18,354 (2006 - £10,197).

The total amount outstanding on the loan at 31st December, 2007 was £206,867 and of this amount £87,459 is repayable in more than 5 years. The loan will be fully repaid in 2016.

11. COMMITMENTS UNDER OPERATING LEASES

At 31 December 2007 the company had aggregate annual commitments under non-cancellable operating leases as set out below.

	2007	2006
	£	£
	Land and Buildings	Land and Buildings
Operating leases which expire: After more than 5 years	<u>21,625</u>	<u>21,625</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. As detailed in note 12 a number of the directors are also directors and/or shareholders in Southern Locomotives Limited, the holding company of Southern Locomotives Engineering Limited.

The amount invoiced by Southern Locomotives Engineering Limited for the supply of motive power and engineering support in respect of the year was £88,969 (2006: £69,510).

SWANAGE RAILWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

Locomotive Hire Agreements - Continued

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 £9,750 (2006: Nil).

12. RELATED PARTY TRANSACTIONS

A number of directors are shareholders in Southern Locomotives Limited which as detailed in note 11 entered into an arrangement with Swanage Railway Company Limited for the provision of motive power and engineering support.

The directors' interests in Southern Locomotives Limited as at 31st December, 2007 were as follows:-

	Number of Ordinary shares £250 held
S.W. Doughty	3
A.L. Moore (Director)	61
W.S. Trite	37

As at 31st December 2007, Southern Locomotives Limited had 6,885 ordinary £250 shares in issue.

A number of directors are shareholders 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.

The directors' interests in Drummond Locomotives Limited as at 31st December, 2007 were as follows:-

	Number of Ordinary shares £100 held
W.S. Trite	1
A.L. Moore	1
P.A. Thrower (Director)	2

As at 31st December 2007, Drummond Locomotives Limited had 1,214 ordinary £100 shares in issue.

SWANAGE RAILWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

13. SHARE CAPITAL

Authorised share capital:

	2007	2006
	£	£
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:

	2007		2006	
	No	£	No	£
Non-voting shares of £1 each	18,979	18,979	18,979	18,979
Ordinary Voting shares of £1 each	467,984	467,984	467,984	467,984
	<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.

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2007	2006
	£	£
Profit for the financial year	19,564	36,146
New ordinary share capital subscribed	-	357,613
Net addition to shareholders' funds/(deficit)	19,564	393,759
Opening shareholders' funds	519,272	125,513
Closing shareholders' funds	<u>538,836</u>	<u>519,272</u>

15. CONTROLLING INTEREST

Swanage Railway Company Limited was controlled by The Swanage Railway Trust, a company registered in England and Wales, throughout the year.

16. CAPITAL COMMITMENTS

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

SWANAGE RAILWAY COMPANY LIMITED

MANAGEMENT INFORMATION

YEAR ENDED 31 DECEMBER 2007

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 2007

	2007		2006	
	£	£	£	£
TURNOVER				
Passenger takings		1,219,388		1,185,643
Shop income		199,663		214,630
Catering income		268,339		246,349
Norden Park and Ride		87,071		55,327
Driver experience takings		27,974		42,076
Sundry income		56,634		38,015
		<u>1,859,069</u>		<u>1,782,040</u>
COST OF SALES				
Locomotive running costs	132,216		104,757	
Special event costs	152,114		116,224	
Shop purchases	119,792		132,691	
Catering purchases	125,498		105,193	
Infrastructure charge	17,865		23,471	
Locomotive hire	127,625		158,700	
Locomotive, carriage and wagon repairs	101,274		113,975	
Norden Park & Ride	32,270		41,995	
		<u>808,654</u>		<u>797,006</u>
GROSS PROFIT		<u>1,050,415</u>		<u>985,034</u>
OVERHEADS				
Administrative expenses		<u>1,013,460</u>		<u>935,617</u>
OPERATING PROFIT		<u>36,955</u>		<u>49,417</u>
Bank deposit interest		<u>985</u>		<u>957</u>
		<u>37,940</u>		<u>50,374</u>
Interest payable		<u>(18,376)</u>		<u>(14,228)</u>
PROFIT ON ORDINARY ACTIVITIES		<u>19,564</u>		<u>36,146</u>

SWANAGE RAILWAY COMPANY LIMITED

NOTES TO THE DETAILED PROFIT AND LOSS ACCOUNT

YEAR ENDED 31 DECEMBER 2007

	2007		2006	
	£	£	£	£
ADMINISTRATIVE EXPENSES				
Personnel costs				
Wages	503,051		488,888	
Less: wages recharged to The Swanage Railway Trust	(3,192)		(3,192)	
National insurance	39,699		36,884	
		539,558		522,580
Establishment expenses				
Rent	21,625		21,625	
Contribution for use of Herston Works	26,479		24,374	
Rates	17,617		12,402	
Heat, light and water	21,336		15,382	
Insurance	38,717		41,756	
Cleaning and laundry	19,624		21,634	
Repairs and maintenance	99,255		65,131	
Marketing and publicity	43,249		52,762	
		287,902		255,066
General expenses				
Motor and travelling expenses	7,752		5,467	
Telephone	12,122		13,134	
Printing, stationery and postage	25,630		20,216	
General expenses	14,182		13,874	
Legal and professional fees	4,614		3,675	
Auditors remuneration	4,650		4,500	
Depreciation	102,069		82,165	
		171,019		143,031
Financial costs				
Bad debt write off	236		277	
Bank charges	6,750		7,044	
Credit card charges	7,995		7,619	
		14,981		14,940
		1,013,460		935,617
INTEREST RECEIVABLE				
Bank deposit interest		985		957
INTEREST PAYABLE				
Bank interest		22		3,123
Loan interest		18,354		11,105
		18,376		14,228