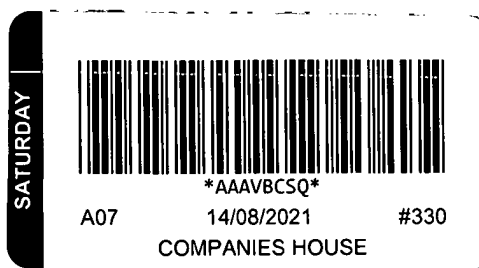


REGISTERED NUMBER: 01412568 (England and Wales)

**Strategic Report, Report of the Directors and
Financial Statements
for the Year Ended 31 January 2021
for
Swanage Railway Company Limited**



**Contents of the Financial Statements
for the Year Ended 31 January 2021**

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Swanage Railway Company Limited

**Company Information
for the Year Ended 31 January 2021**

DIRECTORS:

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

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 BSc FCA FCCA

AUDITORS:

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

Swanage Railway Company Limited (Registered number: 01412568)

**Strategic Report
for the Year Ended 31 January 2021**

The Directors present their strategic report for the period 1st February 2020 to 31st January 2021. The principal activity of the Company is the operation of the Swanage Railway, utilising historic steam locomotives, historic diesel locomotives historic rolling stock and the promotion of items of railway interest.

**Strategic Report
for the Year Ended 31 January 2021**

REVIEW OF BUSINESS

In 2020/2021 the Swanage Railway's services were significantly affected by the Coronavirus Pandemic. Services were initially suspended and commercial outlets closed in accordance with directives issued by HM Government in March 2020 from which time trading income ceased. The railway was forced to enter a period of care and maintenance and only essential members of staff, both paid and volunteer, were permitted to enter the railway site. The railway took advantage of the government backed Coronavirus Job Retention Scheme and as many staff as possible were placed "on furlough".

Strenuous efforts were made to reduce all unnecessary cost and where possible hire agreements with suppliers were suspended. However, it was not possible to secure reduction in some of our fixed costs.

Once the seriousness of the pandemic became evident the Company's parent body, the Swanage Railway Trust launched an appeal, known as the "Save our Service" appeal with the objective of raising £360,000 to support the Company at this time. Making full use of social media this proved to be an enormous success and by February 2021 the objectives had been met.

Efforts were made to secure grants but this only met with moderate success. The Company applied to our bankers, Barclays Plc, for a Coronavirus Recovery loan and £250,000 was secured. This loan is interest free for the first year and repayment does not commence until the first anniversary of the loan being drawn down.

The easing of restrictions permitted the Railway to resume limited train operations on 11th July, 2020. Social distancing regulations were such that trains were only part loaded which, in turn, reduced potential revenue. There may also have been some reticence towards train travel in the light of governmental advice. Other measures were also implemented in accordance with government advice and to ensure that the Swanage Railway was as Covid secure as possible.

Trains operated on a daily basis as planned until the end of October and by co-incidence we were largely unaffected, in terms of loss of direct daily revenue during the second national lockdown as the railway was not planning to run trains at that time.

It became evident that your normal Christmas "Santa Special" services would not be able to operate and so Directors took the decision to replace this and offer a train of "Steam and Light". Whilst the concept had been tried elsewhere, this was new to the Swanage Railway lineside and rolling stock were decorated with intense coloured lighting and the public were able to travel through the countryside listening to music which changed as the light colours changed. This proved extremely popular although not as profitable as the traditional Santa trains. The Christmas lunch trains ran almost as normal but with reduced capacity in order to maintain social distancing.

The December services ran as scheduled throughout the month but the deteriorating coronavirus situation forced the cancellation of the last two evenings of operation. Subsequent to this the Railway settled in to the pressures and tribulations of the third national lockdown and remained closed until 12th April 2021.

Unfortunately it was not possible to resume services to Wareham in 2020 and it now seems unlikely that this will happen before 2022. Our application to the Office of Road and Rail for a Passenger Licence is still being processed and the Directors remain confident that this will be granted in due course.

Financial data for the year in question bears little or no resemblance to previous years and so realistic comparisons cannot be made with one exception, that being salaries. In normal circumstances the Directors might have expected trading for the year to generate in the region of £3 million but in reality it was only a total of £1.53 million and this included revenue grants from the Swanage Railway Trust (SOS Appeal) and others sources. Costs were significantly less due to the lack of activity and the support of suppliers. Sadly the Directors felt it necessary to reduce the staff headcount and this resulted in some eight members of staff being declared redundant. This reduced the cost of salaries and wages by approximately 30%.

It has been a challenging year and at the end of the financial year the Board anticipated further significant challenges would have to be addressed in the future and it continues to prepare for as many contingencies as possible. Despite the tremendous support of our staff, volunteers, members and the local community our very survival remains on a knife edge. However, the arrival of Covid 19 added a completely different dimension to these challenges and the very survival of the railway and other similar organisations has been called in to question.

**Strategic Report
for the Year Ended 31 January 2021**

The Board would like to, as ever, acknowledge the contribution made by paid staff, volunteers and others in the operation of the Swanage Railway in 2020 and indeed throughout the recent and current crisis.

PRINCIPAL RISKS AND UNCERTAINTIES

Precipitated by the coronavirus pandemic the Swanage Railway has, so far, survived one of the greatest threats to its very existence since its formation in the 1970's. It is a credit to all concerned that it has survived and there is now growing confidence that the railway will soon be able to positively move forward again. However, no one should be under any illusion that the risk of failure remains high and much will depend upon the continued efforts across the world to bring the pandemic under control. It is quite likely that social distancing and other restriction will continue in the summer of 2021 and possibly even beyond. Other risks experienced prior to the pandemic remain and as a business in the heritage tourism sector the principal risk facing the company 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. Increasingly through the year the Directors have been reviewing fixed and other costs and some work was undertaken to ascertain the cost of operating trains. The Directors consider that the profitability of the business is important but this is over-ridden by the need to ensure a sustainable cash flow.

There are further risks arising from the various pieces of legislation 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.

DEVELOPMENT AND PERFORMANCE

Realistically, in view of the constraints arising from the pandemic the Swanage Railway saw little development during 2020 and efforts were concentrated on survival in the face of the pandemic. During the winter of 2020/2021 some remedial works were undertaken. Works were undertaken to remedy a track defect at New Barn Bridge and work has continued to maintain the infrastructure to the highest possible standard. A project was undertaken to fit the boiler originally destined for locomotive number 31874 to the U Class 31806, the boiler on the latter having come to the end of its boiler certificate. This work was undertaken by volunteers and staff of the Locomotive Carriage and Wagon Department in far from ideal conditions in the open air. Other minor maintenance works continue where possible.

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 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 the adequacy of cash flow. It is necessary to seek a short term loan of funds from the Swanage Railway Trust during the winter when income is at its lowest. The level of capital expenditure is largely dependent upon funding being available. Capital and other items of major expenditure will not be possible unless sufficient funding can be identified. This is becoming more of a challenge as time moves forward

ON BEHALF OF THE BOARD:

A L Moore

Mr A L Moore - Director

Date: 17/6/2021

**Report of the Directors
for the Year Ended 31 January 2021**

The directors present their report with the financial statements of the company for the year ended 31 January 2021.

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 January 2021.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 February 2020 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 K R Usher

Other changes in directors holding office are as follows:

Mr T J Parsons - appointed 29 November 2020
Mr G R Pitman - resigned 17 August 2020
Mr N Au - appointed 8 April 2020
Mr S J Williams - appointed 12 May 2020

Mr S J Williams ceased to be a director after 31 January 2021 but prior to the date of this report.

CHARITABLE EXPENDITURE

Total donations of £12,655 were made to the museums under control of the Trust. These are in relation to the wages of the museum staff and other utilities.

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.

**Report of the Directors
for the Year Ended 31 January 2021**

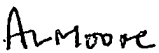
STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

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.

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:


.....
Mr A L Moore - Director

Date: 17/6/2021

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

Opinion

We have audited the financial statements of Swanage Railway Company Limited (the 'company') for the year ended 31 January 2021 which comprise the Statement of Comprehensive Income, Balance Sheet, Statement of Changes in Equity and Notes to the Financial Statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 January 2021 and of its loss 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.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Key audit matters

The company has re-opened since the year end inline with the national and local restrictions, allowing for some much needed revenues to be gained.

The impact of Covid-19 on the UK has been significant and inline with all UK businesses, the Swanage Railway Company has taken steps to address the issues arising from the Pandemic.

As the national lockdowns were imposed the Company was unable to open and was forced to cease operations under the Government guidelines. Throughout their busiest season the railway was only able to open for a short few weeks, causing serious financial implications.

As at 31 January 2021 the Company had made a loss of £498k and had net current liabilities. However financial support from the charitable parent (The Swanage Railway Trust) in the form of a loan which is not expected to be repaid until 2022 or until the company has adequate cash reserves. Thereby providing sufficient working capital for operations.

In addition to this, this company also made use of the Government backed measures. During the year the Company undertook a CIBLs loan of £150k and increased the loan to £250k since the 31 January 2021 year end. The company also used the Coronavirus job retention scheme and furloughed the majority of staff. A handful of employees remained working to keep the core functions of the company running.

There is a significant impairment to Assets Under Construction that increases the loss for the year by £969,493. The treatment is inline with the accounting policy as stated in notes 2 and 10.

We were able to complete our full audit on site with restricted measures in place, in line with government guidelines. We can conclude there are no other key matters associated with this audit.

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

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the company and the sector in which they operate. We determined that the following laws and regulations were most significant: the Companies Act 2006, the UK Corporate Governance Code, UK corporate taxation laws and UK government Covid-19 support schemes.
- We obtained an understanding of how the company are complying with those legal and regulatory frameworks by making inquiries to the management. We corroborated our enquiries through our review of board minutes.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur.

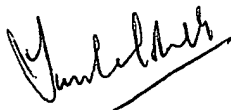
Audit procedures performed by the engagement team included:

- 1) Identifying and assessing the design effectiveness of controls management has in place to prevent and detect fraud;
- 2) Understanding how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
- 3) Challenging assumptions and judgments made by management in its significant accounting estimates;
- 4) Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations; and
- 5) Assessing the extent of compliance with the relevant law and regulations.

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

Use of our report

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.



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

Date: 9 July 2021

Statement of Comprehensive Income
for the Year Ended 31 January 2021

	Notes	2021 £	2020 £
TURNOVER	3	1,216,061	3,437,352
Cost of sales		466,657	1,253,782
GROSS PROFIT		749,404	2,183,570
Administrative expenses		1,537,457	1,966,769
		(788,053)	216,801
Other operating income	4	300,189	12,745
OPERATING (LOSS)/PROFIT	6	(487,864)	229,546
Profit/loss on sale of fixed assets	7	-	12,311
		(487,864)	241,857
Interest receivable and similar income		4	-
		(487,860)	241,857
Interest payable and similar expenses	8	9,931	1,962
(LOSS)/PROFIT BEFORE TAXATION		(497,791)	239,895
Tax on (loss)/profit	9	-	-
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(497,791)	239,895
OTHER COMPREHENSIVE INCOME		-	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		(497,791)	239,895

The notes form part of these financial statements

Balance Sheet
31 January 2021

	Notes	2021 £	2020 £
FIXED ASSETS			
Tangible assets	10	4,447,694	5,457,998
CURRENT ASSETS			
Stocks	11	91,304	84,910
Debtors	12	39,813	70,402
Cash at bank and in hand		285,668	51,524
		<u>416,785</u>	<u>206,836</u>
CREDITORS			
Amounts falling due within one year	13	<u>1,029,718</u>	<u>564,351</u>
NET CURRENT LIABILITIES		<u>(612,933)</u>	<u>(357,515)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,834,761</u>	<u>5,100,483</u>
CREDITORS			
Amounts falling due after more than one year	14	<u>2,702,435</u>	<u>3,470,366</u>
NET ASSETS		<u><u>1,132,326</u></u>	<u><u>1,630,117</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	486,963	486,963
Revaluation reserve	18	371,202	371,202
Retained earnings	18	<u>274,161</u>	<u>771,952</u>
SHAREHOLDERS' FUNDS		<u><u>1,132,326</u></u>	<u><u>1,630,117</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 17/02/2021 and were signed on its behalf by:

A L Moore
Mr A L Moore - Director

G C Johns
Mr G C Johns - Director

The notes form part of these financial statements

**Statement of Changes in Equity
for the Year Ended 31 January 2021**

	Called up share capital £	Retained earnings £	Revaluation reserve £	Total equity £
Balance at 1 February 2019	486,963	532,057	371,202	1,390,222
Changes in equity				
Total comprehensive income	-	239,895	-	239,895
Balance at 31 January 2020	<u>486,963</u>	<u>771,952</u>	<u>371,202</u>	<u>1,630,117</u>
Changes in equity				
Total comprehensive income	-	(497,791)	-	(497,791)
Balance at 31 January 2021	<u><u>486,963</u></u>	<u><u>274,161</u></u>	<u><u>371,202</u></u>	<u><u>1,132,326</u></u>

The notes form part of these financial statements

**Notes to the Financial Statements
for the Year Ended 31 January 2021**

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.

The company made a loss for the period of £498k (2020 profit of: £249k) and the balance sheet is showing net current liabilities of £613k at 31 January 2021 (2020 £358k).

The reason for the loss in the current period is entirely due to the railway only being open for a significantly reduced period of time during the year. The directors are hopeful that the restrictions being lifted throughout the UK will allow for more days of trade in the year where the company can generate consistent income. Therefore the directors are satisfied that the Company will continue as a going concern and that the adoption of the going concern basis for preparation of these accounts is appropriate.

The company has taken advantage of the following disclosure exemption in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows.

Significant judgements and estimates

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

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

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

There are no areas of significant judgement.

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

Useful life and residual values of tangible fixed assets;

The economic useful life of tangible fixed assets and the expected residual value on future disposal is estimated by the Directors based on their knowledge and experience. The total carrying value of fixed assets at 31 January 2021 was £4,447,694.

Turnover

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

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

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

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% reducing balance

Computer equipment - 25% straight line

Motor vehicles - 10% straight line

Furniture - 20% straight line

Shop fittings and equipment;

Fixtures and catering equipment - 20% straight line

Permanent way - 2% straight line

Buildings and railway structures - 4% straight line

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.

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in the Statement of financial activities as described below.

An Asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, that estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Government grants

Government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate.

Stocks

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

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

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

2. ACCOUNTING POLICIES - continued

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.

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.

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

2. ACCOUNTING POLICIES - continued

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.

During the year rent holidays were received from some of the lease holders, in the case of a lease for Locomotive hire a discounted rate has been used for when the railway can operate. As no other payments are expected by the leaseholder, the expenditure recorded in the accounts is under the reduced rate.

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. Where an impairment has taken place on assets under capital funding the offset has reduced the credit balance on the grant.

Revenue Grants

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

3. TURNOVER

The turnover and loss (2020 - profit) before taxation are attributable to the one principal activity of the company.

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

	2021	2020
	£	£
Rail operations	736,621	2,742,063
Sale of goods	197,559	625,865
Revenue grants	281,881	69,424
	<u>1,216,061</u>	<u>3,437,352</u>

4. OTHER OPERATING INCOME

	2021	2020
	£	£
Insurance receipts	4,521	12,745
Government grants	295,668	-
	<u>300,189</u>	<u>12,745</u>

5. EMPLOYEES AND DIRECTORS

	2021	2020
	£	£
Wages and salaries	901,122	1,043,328
Social security costs	68,208	80,001
Other pension costs	15,502	16,976
	<u>984,832</u>	<u>1,140,305</u>

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

5. **EMPLOYEES AND DIRECTORS - continued**

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

	2021	2020
Employees (full time equivalent)	<u>36</u>	<u>43</u>

	2021 £	2020 £
Directors' remuneration	<u>-</u>	<u>-</u>

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

The operating loss (2020 - operating profit) is stated after charging:

	2021 £	2020 £
Other operating leases	78,629	128,379
Depreciation - owned assets	178,070	203,737
Auditors' remuneration	<u>7,228</u>	<u>7,086</u>

7. **EXCEPTIONAL ITEMS**

	2021 £	2020 £
Profit/loss on sale of fixed assets	<u>-</u>	<u>12,311</u>

8. **INTEREST PAYABLE AND SIMILAR EXPENSES**

	2021 £	2020 £
Bank loan interest	1,800	-
Loan	8,068	290
Hire purchase	<u>63</u>	<u>1,672</u>
	<u>9,931</u>	<u>1,962</u>

Interest of £8,068 was paid to Swanage Railway Trust Limited, the Parent Company (2020: £290).

9. **TAXATION**

Analysis of the tax charge

No liability to UK corporation tax arose for the year ended 31 January 2021 nor for the year ended 31 January 2020.

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

9. TAXATION - continued

Reconciliation of total tax charge included in profit and loss

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

	2021 £	2020 £
(Loss)/profit before tax	(497,791)	239,895
(Loss)/profit multiplied by the standard rate of corporation tax in the UK of 19% (2020 - 19%)	(94,580)	45,580
Effects of:		
Expenses not deductible for tax purposes	167	-
Income not taxable for tax purposes	(1)	(2,338)
Capital allowances in excess of depreciation	(19,788)	(77,168)
Trading losses	114,202	33,926
Total tax charge	-	-

10. TANGIBLE FIXED ASSETS

	Land & buildings £	Assets under construction £	Plant and machinery £
COST			
At 1 February 2020	911,387	2,077,663	1,096,333
Additions	8,991	126,019	2,249
Impairments	-	(969,493)	-
Transfer to ownership	-	(314,587)	-
At 31 January 2021	920,378	919,602	1,098,582
DEPRECIATION			
At 1 February 2020	306,744	-	556,095
Charge for year	36,249	-	104,485
At 31 January 2021	342,993	-	660,580
NET BOOK VALUE			
At 31 January 2021	577,385	919,602	438,002
At 31 January 2020	604,643	2,077,663	540,238

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

10. TANGIBLE FIXED ASSETS - continued

	Shop fittings & equipment £	Heritage assets locomotive and rolling stock £	Permanent way & other assets £	Totals £
COST				
At 1 February 2020	3,387	788,135	1,809,860	6,686,765
Additions	-	-	-	137,259
Impairments	-	-	-	(969,493)
Transfer to ownership	-	245,000	69,587	-
At 31 January 2021	3,387	1,033,135	1,879,447	5,854,531
DEPRECIATION				
At 1 February 2020	3,085	-	362,843	1,228,767
Charge for year	174	-	37,162	178,070
At 31 January 2021	3,259	-	400,005	1,406,837
NET BOOK VALUE				
At 31 January 2021	128	1,033,135	1,479,442	4,447,694
At 31 January 2020	302	788,135	1,447,017	5,457,998

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.

During the year all the hire purchase agreement expired and were fully settled. During the 2020 year end the carrying amount of the plant and machinery included was £48,777.

11. STOCKS

	2021 £	2020 £
Shop stock for resale	34,423	27,916
Catering stock	3,673	7,359
Consumable stock	47,134	43,711
Special events stock	5,984	5,893
Driver experience stock	90	31
	<u>91,304</u>	<u>84,910</u>

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

12. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Trade debtors	17,867	12,413
Other debtors	3,161	1,147
VAT	14,064	36,906
Accrued income	-	925
Prepayments	4,721	19,011
	<u>39,813</u>	<u>70,402</u>

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2021	2020
	£	£
Hire purchase contracts (see note 16)	-	14,415
Trade creditors	52,202	145,889
Amounts owed to group undertakings	593,788	95,000
Social security and other taxes	16,176	21,774
Capital grants <1 year	123,921	139,833
Other creditors	40,000	40,000
Deferred income	145,458	88,425
Accrued expenses	58,173	19,015
	<u>1,029,718</u>	<u>564,351</u>

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

	2021	2020
	£	£
Bank loans (see note 15)	150,000	-
Purbeck community rail partnership	61,711	60,875
Capital grants from SRT	1,190,790	1,158,365
Chalk and cheese grant	40,397	40,397
DCC cabinet grant	120,917	197,063
Big lottery fund	474,390	1,409,348
BP perenco	355,916	376,028
Department of transport	35,658	41,434
Project Wareham	186,856	186,856
Other creditors	85,800	-
	<u>2,702,435</u>	<u>3,470,366</u>

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

15. LOANS

An analysis of the maturity of loans is given below:

	2021	2020
	£	£
Amounts falling due between two and five years:		
Bank loans - 2-5 years	<u>150,000</u>	<u>-</u>

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

15. **LOANS - continued**

Barclays plc holds fixed and floating charges over the undertaking all property and assets present and future. This includes goodwill, land, buildings, fixtures and fittings and other equipment owned by the company.

16. **LEASING AGREEMENTS**

Minimum lease payments fall due as follows:

	Hire purchase contracts	
	2021	2020
	£	£
Net obligations repayable:		
Within one year	-	14,415
	<u> </u>	<u> </u>
	Non-cancellable operating leases	
	2021	2020
	£	£
Within one year	296,501	303,561
Between one and five years	1,482,505	1,172,004
In more than five years	5,578,588	6,122,089
	<u>7,357,594</u>	<u>7,597,654</u>

17. **CALLED UP SHARE CAPITAL**

Allotted, issued and fully paid:			2021	2020
Number:	Class:	Nominal value:	£	£
16,358	Non-voting shares	£1	16,358	16,358
470,605	Ordinary Voting shares	£1	470,605	470,605
			<u>486,963</u>	<u>486,963</u>

18. **RESERVES**

	Retained earnings	Revaluation reserve	Totals
	£	£	£
At 1 February 2020	771,952	371,202	1,143,154
Deficit for the year	(497,791)		(497,791)
	<u>274,161</u>	<u>371,202</u>	<u>645,363</u>

19. **PENSION COMMITMENTS**

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. Contributions paid during the year amounted to £15,502 (2020: £16,976).

Notes to the Financial Statements - continued
for the Year Ended 31 January 2021

20. **ULTIMATE PARENT COMPANY**

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

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

21. **CONTINGENT LIABILITIES**

The company has received insurance monies in relation to the damage incurred to Skew Arch bridge and there is an intention to make the necessary repairs.

22. **RELATED PARTY DISCLOSURES**

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

The total amount outstanding on loans made to the company by Swanage Railway Trust at 31 January 2021 was £593,788 (2020: £95,000).

Interest is charged on the above loans at 1.5% above the Bank of England base rate. Interest charged in the year to 31 January 2021 was £8,068 (2020: £290).

In the year ended 31 January 2021 there were no available profits to gift to Swanage Railway Trust, in the year ended 31 January 2020 there was £240k of available profits to gift.

During the year, a total of key management personnel compensation of £258,632 (2020 - £253,806) was paid.

23. **DEFERRED TAX**

The net deferred asset of £37,167 at 31 January 2021 (net liability £51,482 at 31 January 2020) has not been recognised. It is considered that if the company continues to make profits at 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.