

Company Number 4115126
Charity Number 1087318

The Swanage Railway Trust
(A Company Limited by Guarantee)
Consolidated Accounts
For the year ended 31 December 2016

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**THE SWANAGE RAILWAY TRUST
INDEX TO CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

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**THE SWANAGE RAILWAY TRUST
COMPANY DETAILS**

COMPANY REGISTRATION NO: 4115126

CHARITY NO: 1087318

COMPANY SECRETARY: M R Woolley

REGISTERED OFFICE: Station House
Swanage
Dorset, BH19 1HB

**DIRECTORS AND TRUSTEES
(Collectively known as the
Council of Management)** G C Johns (Chairman)
E M Sellen (Deputy Chairman)
T J Parsons
M R Woolley (Secretary)
P T Clements
A L Moore (Treasurer)
D A Budd
N S C Coram
M A Gould (Resigned Sep16)
S I Magnus (Elected Jan16)
P N Sills
M A Stollery (Deceased Jan16)
W S Trite
M A Whitwam
B R Ezzard
J A Hagger
D Bennett
G W Carter (Elected Sep16)

PROFESSIONAL ADVISERS

BANKERS

Barclays Bank Plc
Barclays House
Wimborne Road
Poole
Dorset BH15 2BB

AUDITORS

Ward Goodman Limited
4 Cedar Park, Cobham Road
Ferndown Industrial Estate
Wimborne, BH21 7SF

**THE SWANAGE RAILWAY TRUST
CHAIRMAN'S STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

REVIEW OF BUSINESS

The trading period covered by this report continues to build on the foundations of previous years with sound trading activity and completion of the major infrastructure works in readiness for operating regular services to Wareham.

The Trust meets its charitable objectives in two main ways: firstly by the work undertaken by the Swanage Railway, through our subsidiary Company (the Swanage Railway Company), and secondly, by direct activity undertaken by the Trust.

Trust income was less in 2016 compared with 2015 and this was largely due to the fact that we received less from legacies in the year in comparison with 2015. Expenditure by the Trust also fell slightly in 2016. Fixed assets increased slightly and the carrying value is now in excess of £1M mark. Overall the Trust's financial position remains healthy, but these comments do expose some serious systemic issues that the Trustees need to address: fundraising should not be dependent on legacies. Grateful though we are to receive legacies, they are by their very nature unpredictable. Our fundraising to support the delivery of our strategic plan requires more certainty. This is an area we must tackle in a more thoughtful and structured way in 2017. Additionally the retention and recruitment of volunteers requires a similar approach. Failure to tackle both areas will seriously impede the Trust's development and its ability to deliver its strategic plans.

Turning to our subsidiary, the Swanage Railway Company, I am pleased to be able to report that it performed well in 2016. Despite only a small increase in turnover and a 3% downturn in passenger numbers the Company was able to post an increase in net profit of £105,574, up from £50,712 in 2015. We hope that the fall in passenger numbers seen in 2016 will be reversed in 2017 with the introduction of the trial services to Wareham.

Trading conditions remain uncertain, with much competition from other tourist attractions in the area. We need to remain flexible in our approach to trading and be responsive to changes in demand. We must maintain a rigorous approach to costs. There are potential inflationary pressures ahead which may not only drive up costs but inhibit demand as families have to curtail discretionary spend. Without the income we receive from our customers the Railway would have to look materially different: an outcome we must continue to work to avoid. Maintaining value for money combined with being a great day out will be an important task for us all.

Our professional advisors have recommended that the Company's profit should be retained by the Company thus further strengthening its Balance Sheet. To actually transfer the profit to the Trust, which is allowed for within our standing policies, would place significant pressure upon the Companies cash flow such that it would almost certainly have to borrow money in order to continue to function effectively. The Trust has accepted our advisors recommendation.

**THE SWANAGE RAILWAY TRUST
CHAIRMAN'S STRATEGIC REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

The Trustees are very grateful to Matt Green, the General Manager, and his management team, together with all the staff and volunteers, for continuing to produce an experience that our customer's value and that we, as volunteers, enjoy supporting.

2016 saw completion of the infrastructure work to integrate the Motala to Bridge 2 section of the line into the Swanage Railway and to prepare it for regular passenger services. This was an extensive project, involving many disciplines, and the Trustees are grateful for the extensive and challenging effort from all those involved, that has gone into this significant piece of work. The opening by the High Sheriff of Dorset, on the 6th October 2016, marked in an appropriate way completion of this stage in the project to run trains to Wareham again.

It is anticipated that regular services from Swanage to Wareham will recommence in June 2017 after a gap of 45 years the culmination of one of our long time objectives. This, combined with events during the year to mark the 50th anniversary of the end of Southern Steam, should ensure that this will be a memorable year for the Railway. We hope later in 2017 to complete a long lease of the former oil terminal sidings at Furzebrook. This site will ultimately provide much needed space for the Railway, and enable us to deliver our strategic plan to provide covered accommodation for our locomotives and rolling stock as well as first rate maintenance facilities. Re-ordering our facilities will also enable us to achieve the delivery of day to day railway services.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties have been described in the Directors' Report on page 6.

The Trust and Railway continue to grow and remain an exciting and rewarding place to work. I want expressly to thank, on behalf of the Trust, everyone for their own contribution to the Swanage Railway. Without all these contributions, we would not have the Railway that today we can justifiably be proud of.

Gavin Johns
Chairman SRT

**THE SWANAGE RAILWAY TRUST
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors are pleased to present their report together with the consolidated financial statements of the charity for the year ended 31 December 2016.

STRUCTURE, GOVERNANCE AND MANAGEMENT

CONSTITUTION

The Swanage Railway Trust is a company limited by guarantee and a registered charity governed by its Memorandum and Articles of Association. Its Charity Number is 1087318 and its Company Number is 4115126.

The legal and administrative information set out on page 1 forms part of this report. The financial statements comply with current statutory requirements, the Memorandum and Articles of Association, and the Statement of Recommended Practice – Accounting and Reporting by Charities (SORP FRS 102).

MANAGEMENT

The Swanage Railway Trust has a single management body, the Board of Directors (also known as the Council of Management), elected by the members for a two year period. Fifty percent of the directors are required to retire by rotation each year at the Trust's Annual General Meetings.

The Council of Management delegate day to day responsibilities of managing the Railway to The Swanage Railway Company's Senior Management Team, overseen by the Board. The Directors consider the following people to be part of Key Management.

Directors;

Trevor Parsons (Director)
Andrew Moore (Director)
Kevin Potts (Director)
Elizabeth Sellen (Director)
Mark Woolley (Director)
Gavin Johns (Director)

Senior Managers;

Matthew Green (General Manager)
David Rawsthorn (Head of Sales and Marketing)
Lorna Lock (Finance and Payroll Manager)
James Cox (Locomotive Carriage & Wagon Manager)
Nicholas Lloyd (Operations Manager)
Martin Trott (Passenger Services Manager)
Barry Light (Permanent Way Manager)
Tony North (Signal & Telegraph Manager)
Barry Osgood (Health and Safety Manager)
Graham Froud (Steam Locomotive Superintendent)

Key Management Personnel are employed by the Swanage Railway Company and are remunerated in accordance with the pay structures established by its Directors who act with the authority delegated by the Council of Management.

**THE SWANAGE RAILWAY TRUST
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

DIRECTORS MEETINGS

The Council of Management meets 11 times a year.

DIRECTOR INDUCTION AND TRAINING

The Directors of the Trust are elected by the membership of the Trust or, in the case of the Secretary and Treasurer, can be appointed ex-officio in order to ensure that the Board has suitably experienced persons in these positions. All Directors of the Trust are members of the Trust and as such are familiar with the overall goals of the Trust. A formal review of the Trust policies is held annually at the meeting following elections to ensure that these remain appropriate and that the new Directors are familiar with them.

The Swanage Railway Trust provides a briefing pack to members considering standing for election to the Council of Management. This pack includes, inter-alia, a copy of the Trust's Articles of Association, a copy of the Trust's formal policies and a copy of CC3 – The Charity Commission's guide for new Trust Directors. Successful candidates are asked to confirm receipt of these in writing and that they understand the information contained therein. Any changes to the guidance issued by the Charity Commission will be considered by the appropriate director, and where necessary, discussed at a meeting of the Council of Management.

OBJECTIVES AND ACTIVITIES

The objectives of the Swanage Railway Trust, as set down in its Memorandum of Association, is to study, compile records on and acquire, restore, preserve and maintain railway lines, locomotives, rolling stock and other items of railway interest, and to provide training and instruction in such activities and in particular but without prejudice to the generality of the foregoing those associated with the Isle of Purbeck, the former London and South Western Railway, other Railways which were in existence in Southern England during and before the year of nineteen hundred and twenty-three, the Southern Railway, and the Southern Region of British Railways, and to enter in such agreements and to take all such steps as may be necessary for these purposes, and to organise, sponsor and support displays and such other shows and events for the provision and stimulation of information, education and interest in such vehicles and other items of railway interest.

The Board use annual passenger numbers on the railway to measure the performance of the Group.

A review of business describing how objectives and activities have been achieved in the current year has been included in the Chairman's Strategic Report which starts on page 2.

PUBLIC BENEFIT

The directors have given due regards to the requirement of the Charity Commission with respect to public benefit.

The Trust discharges its obligations for the public benefit through the direct management of its museum functions and through the operation of train services by its subsidiary, the Swanage Railway Company Limited. As well as providing railway services using heritage locomotives and rolling stock, the Company's activities provide the opportunity for volunteers to give their services in support of the railway and to gain additional skills by so doing. The Trust's activities, directly and indirectly as above, make a significant contribution to the Purbeck and Dorset economy. The Trust endeavours to accommodate all sections of the community both as volunteers and as visitors.

**THE SWANAGE RAILWAY TRUST
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

RISK MANAGEMENT

The directors have considered the major risks that the Swanage Railway Trust and its trading subsidiary face when developing strategies and strategic plans for the future. The major risks are lack of funding to prevent the Trust from achieving its objectives and operational issues for the trading subsidiary which will be enhanced in the future with operations to and from the main line. These risks may cause a delay in the Trust achieving its objectives or curtail the operations of the trading subsidiary. Where appropriate, directors obtain the assistance of experts in the various areas that are a risk to the Trust or its trading subsidiary.

RELATED PARTIES

The charity acknowledges a relationship with:-

The Swanage Railway Company Limited	Drummond Locomotives Limited
Southern Locomotives Ltd	JMB Locomotive Services
Southern Locomotives Engineering Limited	Class 33/1 Preservation Co. Ltd
71A Locomotive Ltd	
Birmingham Railwaymen's Crompton Works Group	

The Swanage Railway Trust holds a controlling interest in the Swanage Railway Company Limited, which assists the Trust in meeting its objectives by operating the Swanage Railway and undertaking the associated trading activities. Whilst the company has a paid staff it is still heavily dependent on the supply of volunteers by the Trust for the operation of its train services and the maintenance and development of the railway.

A number of the directors of the Swanage Railway Trust are also directors of the Swanage Railway Company Limited. It is current Trust policy that the majority of voting Directors of the Swanage Railway Company are also Directors of the Swanage Railway Trust.

VOLUNTEERS

The charity is heavily dependent on the volunteers who perform many different tasks to assist with the management, administration, maintenance and operation of the railway.

FINANCIAL REVIEW

The level of consolidated income has decreased largely because of the reduction of capital grants from outside organisations which were made to the trading subsidiary as those projects near completion although this is matched by a decrease in capital and revenue expenditure. Legacy income in the Trust was also substantially lower this year. The number of passengers carried by the trading subsidiary has shown a decrease of 3% over the previous year. The Trust has continued to make grants to the Swanage Railway Company Limited for the restoration and construction of railway buildings, track maintenance, locomotives and rolling stock which are part of the objectives of the Trust.

Consolidated funds total £7,181,203 at 31 December 2016 (2015 - £6,361,271). There is a requirement for a high level of reserves given the substantial investment by the Trust and its subsidiary in fixed assets.

**THE SWANAGE RAILWAY TRUST
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

RESERVES POLICY

The Group has a requirement for a high level of reserves due to its large investment in fixed assets and its trading subsidiary and for setting aside resources for future projects.

Where funds have been raised for specific projects, the Group maintains separate funds either as designated or restricted funds – see notes 15 and 16.

The available reserves of the Group are as follows:

	£
Total consolidated funds at 31 December 2016	7,181,203
Less:-	
- Tangible Fixed assets	5,822,008
- Fixed asset investments	9,617
- Restricted funds held in bank balances	363,084
- Designated funds	383,938
Net reserves	<u>602,556</u>

Funds in relation to fixed assets would only be released on the sale of those assets.

The Group will continue to invest in fixed assets and locomotive overhaul in 2017.

The Directors review the finances of the Trust and its Subsidiary each month at the Council of Management meetings.

FUTURE PLANS

The Group intends to use its strategic objectives to utilise its resources and to develop its museum facilities and collections and to restore further items of equipment appropriate to its need for use on the Swanage Railway. The Swanage Railway Company Limited continues to be engaged in the development of plans for the restoration of commercial services to Wareham. Initial trial services are planned to commence in June 2017.

As part of the national accreditation process to become formally recognised as Museums in their own right, the Purbeck Mineral & Mining Museum and the Corfe Castle Railway Museum now have their income and expenditure listed in a note 20 to the accounts. However, both museums are under the auspices of and remain part of the Swanage Railway Trust and their income and expenditure is included in the Consolidated Accounts of the Trust.

The Swanage Railway Trust Limited is negotiating to lease two units within the Anvil Business Centre here in Swanage. The rent is expected to be £20k per annum and it is hoped that completion of the formalities will be complete by the time the accounts are signed off.

The National Railway Museum has donated the former LSWR T3 Class Locomotive No 563 to the Swanage Railway Trust. Ownership has formally passed to the Trust and the locomotives arrived at Norden by road on 13th April 2017. It will be on public display while assessments are made with regard to the possibility of returning the locomotive to working order. No funder has been identified for this and no funds committed. No 563 had been part of the national collection since 1949 when it last steamed. More recently this locomotive has appeared in the theatre production of the Railway Children in London.

**THE SWANAGE RAILWAY TRUST
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2016 (Continued)**

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including income and expenditure of the charitable company and the group for that period. In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Observe the methods and principles in the Charities SORP;
- Make judgments and estimates that are reasonable and prudent;
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable group 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 2006. They are also responsible for safeguarding the assets of the charitable company and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

In so far as the directors are aware:

- There is no relevant audit information of which the charitable company's auditors are unaware;
- The trustees have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The auditors, Ward Goodman, will be proposed for re-appointment at the forthcoming Annual General Meeting.

Approved by Order of the Directors



M R Woolley

Company Secretary

Date 20th MAY 2017

THE SWANAGE RAILWAY TRUST
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND DIRECTORS OF
THE SWANGE RAILWAY TRUST
FOR THE YEAR ENDED 31 DECEMBER 2016

We have audited the financial statements of The Swanage Railway Trust for the year ended 31 December 2016 on pages eleven to thirty-three. 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).

This report is made solely to the charitable company's trustees, as a body, in accordance with Section 144 of the Charities Act 2011 and regulations made under Section 154 of that Act. Our audit work has been undertaken so that we might state to the charitable company's trustees those matters we are required to state to them in an auditors' 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 charitable company and the charitable company's trustees 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 Trustees Responsibilities set out on page two, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

The trustees have elected for the financial statements to be audited in accordance with the Charities Act 2011 rather than the Companies Act 2006. Accordingly we have been appointed as auditors under Section 144 of the Charities Act 2011 and report in accordance with regulations made under Section 154 of that Act.

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 charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report of the Trustees 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 group's and the parent charitable company's affairs as at 31 December 2016 and of the group's incoming resources and application of resources, including its income and expenditure, 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 Companies Act 2006 and the Charities Act 2011.

**THE SWANAGE RAILWAY TRUST
INDEPENDENT AUDITORS' REPORT TO THE MEMBERS AND DIRECTORS OF
THE SWANAGE RAILWAY TRUST
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

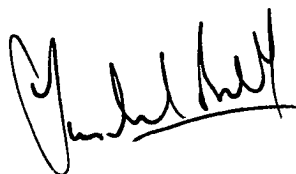
OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

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

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 and the Charities Act 2011 requires us to report to you if, in our opinion:

- the group and parent charitable company has not kept adequate accounting records, or returns adequate for our audit have not been received from branches not visited by us; or
- the group and parent charitable company 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.



Mr I Rodd ACA FCCA
Senior Statutory Auditor
c/o Ward Goodman Limited
4 Cedar Park
Cobham Road
Ferndown Industrial Estate
Wimborne
Dorset BH21 7SF

Date: 20 May 2017

THE SWANAGE RAILWAY TRUST
CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
FOR THE YEAR ENDED 31 DECEMBER 2016
(INCORPORATING A CONSOLIDATED INCOME AND EXPENDITURE ACCOUNT)

	Notes	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total 2016 £	Total 2015 £
Incoming Resources					
Voluntary Income:					
Appeals, donations, legacies and covenants		414,838	119,061	533,899	852,877
Grant income		75,000	319,398	394,398	1,455,955
Activities for generating funds:					
Membership subscriptions		30,802	-	30,802	32,075
Fund raising and other income		10,108	26,346	36,454	25,688
Trading income		2,760,325	-	2,760,325	2,517,072
Investment income		1,889	14	1,903	2,793
Total Incoming Resources	2	3,292,962	464,819	3,757,781	4,886,460
Resources Expended					
Cost of generating funds					
Trading expenses		2,608,246	33,841	2,642,087	2,673,786
Fundraising costs		70,390	4,605	74,995	10,713
Charitable activities		183,561	35,312	218,873	204,600
Total Resources Expended	3	2,862,197	73,758	2,935,955	2,889,099
Net Incoming Resources		430,765	391,061	821,826	1,997,361
Other recognised gains / (losses)					-
Revaluation adjustment		(1,894)		(1,894)	-
Net Movement In Funds		428,871	391,061	819,932	1,997,361
Funds at 1 January 2016		3,928,948	2,432,323	6,361,271	4,363,910
Funds at 31 December 2016	13,14	4,357,819	2,823,384	7,181,203	6,361,271

All incoming resources and resources expended derive from continuing activities.

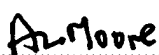
	2016 £	2015 £
Total recognised gains as defined by the Companies Act 2006	<u>819,932</u>	<u>1,997,361</u>


The notes on pages 15 to 33 form part of these financial statements.

THE SWANAGE RAILWAY TRUST
CONSOLIDATED AND CHARITY BALANCE SHEETS
FOR THE YEAR ENDED 31 DECEMBER 2016

		Trust and Subsidiary		Trust	
	Notes	2016	2015	2016	2015
		£	£	£	£
Fixed Assets					
Tangible Fixed Assets	5	5,822,008	5,501,222	620,467	499,720
Fixed asset investments - listed	8	9,617	11,511	9,617	11,511
Investment in subsidiaries	7	-	-	469,315	469,315
Total fixed assets		5,831,625	5,512,733	1,099,399	980,546
Current Assets					
Stocks	9	87,718	81,029	-	-
Debtors and prepayments	10	436,459	507,486	346,095	373,948
Cash at bank and in hand		1,275,067	898,889	1,031,200	730,019
		1,799,244	1,487,404	1,377,295	1,103,967
Creditors: Amounts falling due within one year					
Creditors and accruals	11	(374,956)	(608,925)	(143,196)	(31,039)
Total current liabilities		(374,956)	(608,925)	(143,196)	(31,039)
Net Current Assets		1,424,288	878,479	1,234,099	1,072,928
Total assets less current liabilities		7,255,913	6,391,212	2,333,498	2,053,474
Creditors: Amounts falling due after more than one year	11				
Finance leases		(26,077)	-	-	-
Life membership equalisation	12	(35,633)	(16,941)	(35,633)	(16,941)
Members Loans		(13,000)	(13,000)	(13,000)	(13,000)
Total long term liabilities		(74,710)	(29,941)	(48,633)	(29,941)
Net Assets		7,181,203	6,361,271	2,284,865	2,023,533
Unrestricted Funds;	13				
General funds		3,584,813	3,207,285	1,487,654	1,376,800
Designated funds		383,938	330,701	383,938	330,701
Revaluation funds		371,420	373,314	219	2,112
Minority shareholdings		17,648	17,648		
		4,357,819	3,928,948	1,871,811	1,709,613
Restricted funds	14	2,823,384	2,432,323	413,054	313,920
Total funds		7,181,203	6,361,271	2,284,865	2,023,533

These financial statements were approved by the directors and authorised for issue on 2017, and are signed on their behalf by :


A L Moore - Director


Mr G J Johns - Director

**THE SWANAGE RAILWAY TRUST
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016**

	<u>Note</u>	<u>2016</u> <u>£</u>	<u>2015</u> <u>£</u>
Net cash flows from operating activities	1	797,629	1,937,365
Cash flows from investing activities			
Purchase of equipment		(430,107)	(1,779,418)
Interest received		1,903	2,793
Proceeds from sale of fixed assets		7,500	-
Net cash flows from investing activities		<u>(420,704)</u>	<u>(1,776,625)</u>
Cash flows from financing activities			
Capital repayment of Hire Purchase leases		(409)	-
Interest paid		(338)	-
Net cash flows from financing activities		<u>(747)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>376,178</u>	<u>160,740</u>
Cash and cash equivalents at the beginning of the year		898,889	738,149
Cash and cash equivalents at the end of the year		<u>1,275,067</u>	<u>898,889</u>
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		1,275,067	898,889
Bank overdrafts		-	-
Cash and cash equivalents		<u>1,275,067</u>	<u>898,889</u>

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2016

1. NET CASH FLOWS FROM OPERATING ACTIVITIES

Cash flows from operating activities

	<u>2016</u>	<u>2015</u>
	£	£
Net Surplus/(Deficit)	819,932	1,997,361
Adjustment for;		
Depreciation charges	143,008	143,084
Unrealised loss on revaluation of fixed assets	-	41,360
(Gains)/Losses on revaluation of investments	1,894	(845)
Fixed assets reclassified as revenue expenditure	-	21,151
Investment income	(1,903)	(2,793)
Interest paid	338	-
Gain on disposal of fixed assets	(6,738)	-
	<hr/>	<hr/>
Cash flows before movement in working capital	956,531	2,199,318
(Increase) / Decrease in stock	(6,689)	11,118
(Increase)/Decrease in debtors	71,029	(173,440)
Increase / (Decrease) in creditors	(223,242)	(99,631)
	<hr/>	<hr/>
Cash generated by operations	<u>797,629</u>	<u>1,937,365</u>

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. ACCOUNTING POLICIES (CONTINUED)

1.0 Legal form

The Swanage Railway Trust Limited is incorporated as a Company limited by guarantee, registered in England and Wales (company number 4115126). The registered office address is on page 1 of these accounts. The company is also a registered charity in England (charity number 1087318).

The Swanage Railway Company Limited is incorporated as a Company limited by shares, registered in England and Wales (company number 01412568). The registered office address is on page 1 of these accounts.

1.1 Accounting Convention

The Financial statements have been prepared under the historical cost convention as modified by the revaluation of the locomotives and rolling stock and are in accordance with applicable Accounting Standards, the Companies Act 2006 and the Charities Accounting Statement of Recommended Practice (SORP FRS 102).

1.2 Basis of Consolidation

The consolidated accounts present the financial statements of The Swanage Railway Trust and its subsidiary the Swanage Railway Company Limited as if they formed a single entity. Intercompany transactions and balances have therefore been eliminated in full.

1.3 Incoming Resources

Membership income:

Annual subscriptions from members are included in full in the year they are received. Life membership subscriptions are credited to the life membership account and from there to income in equal annual instalments over ten years.

Voluntary income and donations:

All voluntary income and donations are accounted for gross when received. Due to the nature of donations and fund raising income the directors have no control over this until received and entered into the records.

Trading income: Income from the subsidiary trading company is included in the period in which it is generated.

Legacy income: Legacy income is recognised at the earlier of the charity being notified or the legacy being received.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.4 Resources Expended

All resources expended are classified under activity headings that aggregate all costs related to the category.

- Cost of generating funds comprises the costs of fundraising and trading activities.
- Charitable activities include the costs incurred directly in the fulfillment of the Charity's objectives.
- Governance costs represent those costs of the strategic management of the charity and of complying with constitutional and statutory requirements.

Liabilities are recognised as resources expended once there is a legal or constructive obligation to make a payment to a third party.

All expenditure is included in the Statement of Financial Activities on an accruals basis net of recoverable VAT.

1.5 Operating Leases

Rentals payable under operating leases are charged to the Statement of Financial Activities as incurred over the term of the lease.

1.6 Tangible Fixed Assets

Fixed assets are included at cost or valuation. Expenditure on repairs and renewals and minor items of equipment is written off in the year in which it is incurred.

Freehold land is not depreciated.

1.7 Heritage Assets

Part of the Objectives of the Trust is to acquire, restore, preserve and manage heritage locomotives and rolling stock. These assets are included in the accounts of the Trust at valuation and are not subject to an annual depreciation charge, as in the opinion of the directors the nature of the assets concerned and the level of maintenance is such that there is no significant annual depreciation. Any permanent diminution in the value of such assets is charged to the Consolidated Statement of Financial Activities when recognised in accordance with FRS 102. During the year accounting policies in the subsidiary's accounts were amended to come in line with this group policy.

Detailed information on the locomotives and rolling stock of the Trust and its subsidiary company can be found at www.swanagerailway.co.uk.

1.8 Infrastructure, plant and equipment

Infrastructure, plant and equipment are stated in the balance sheet at cost less accumulated depreciation. Depreciation is calculated to write off the cost of the assets concerned on either a straight line basis or a reducing balance basis over their estimated useful lives at the following rates:-

**THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

1. ACCOUNTING POLICIES (CONTINUED)

1.8 Infrastructure, plant and equipment (continued)

Plant and machinery;
Fixtures and fittings, plant and equipment – 20% Reducing balance
Computer equipment – 25% Straight line
Motor vehicles – 10% Straight line
Rolling stock – 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

1.9 Stocks

Stocks are valued at the lower of cost or net realisable value.

1.10 Investments

All investments in locomotive preservation groups are stated at cost.
Investment in the Trust's subsidiary company the Swanage Railway Company Limited is stated at cost. Investments in listed entities are measured at market value at the year end. The listed investments were gifted to the Trust as part of a legacy in previous years and are held to earn investment income. The Trust has no plans or policies in place for further investment in listed entities.

1.12 Fund accounting

Unrestricted funds are available to use to further any of the purposes of the charity, at the discretion of the trustees.

Designated funds are unrestricted funds of the charity which have been set aside by the trustees to fund particular activities of the charity.

Restricted funds are donated for particular areas of the charity work or specific projects undertaken. Restrictions arise when specified by the donor, by the trust deed or when funds are raised for particular restricted purposes.

1.13 Financial instruments

Financial instruments are recognised in the balance sheet when the Group 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.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

1. ACCOUNTING POLICIES (CONTINUED)

1.13 Financial instruments (continued)

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 Group's contractual rights or obligations expire or are discharged, transferred or cancelled.

1.14 Significant judgement and estimates

In the application of the group'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 are areas that are considered to be key sources of estimation uncertainty, there are no significant judgements to note.

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 £5,792,008.

1.15 Finance Leases

Finance leases are measure at the present value of future lease payments and interest is accrued using the sum of digits method.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. INCOMING RESOURCES

	Unrestricted Funds 2016 £	Restricted Funds 2016 £	Total 2016 £	Total 2015 £
Voluntary income (Trust)				
Appeals, donations, legacies and covenants	414,838	119,061	533,899	618,057
Grant income	75,000	-	75,000	
Membership subscriptions	30,802	-	30,802	32,075
Fundraising and other income	10,108	26,346	36,454	25,688
Investment income	1,889	14	1,903	2,793
Total voluntary income from Trust	532,637	145,421	678,058	678,613
Activities for generating funds (Subsidiary Company)				
Capital grants				
National Lottery Big Fund	-	239,395	239,395	1,043,315
BP/Perenco	-	46,162	46,162	400,000
Network Rail	-	-	-	12,500
Other capital grants	-	-	-	140
Passenger fare income	2,128,356	-	2,128,356	1,979,881
Shop income	170,325	-	170,325	146,528
Catering income	272,412	-	272,412	278,756
Other income	189,232	-	189,232	111,907
Revenue grants	-	33,841	33,841	234,820
Total income from activities in subsidiary company	2,760,325	319,398	3,079,723	4,207,847
Total consolidated incoming resources	3,292,962	464,819	3,757,781	4,886,460

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

2. NET INCOME FROM TRADING ACTIVITIES OF SUBSIDIARY

The Trust discharges part of its charitable objectives through its subsidiary the Swanage Railway Company Limited, a company incorporated in the UK. A summary of the trading results including intergroup trading is set out below. Audited accounts are filed with Companies House.

	2016	2015
	£	£
Turnover	2,804,233	2,747,972
Cost of sales	(974,033)	(1,176,203)
Gross profit	1,830,200	1,571,769
Administrative expenses	(1,720,755)	(1,517,284)
Operating profit	109,445	54,485
Interest payable	(3,886)	(3,788)
Interest receivable	15	15
Profit on ordinary activities	105,574	50,712
Retained profit for the year	105,574	50,712
Net assets	1,658,554	1,552,980

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

3. TOTAL RESOURCES EXPENDED

	Premises & railway running costs £	Admin, salaries and other £	Dep'n £	Total 2016 £	Total 2015 £
Charitable Activities:					
Rent	103,166	-	-	103,166	97,900
Rates & utilities	9,565	-	-	9,565	10,031
Printing & stationery	-	30,514	-	30,514	26,471
Repairs & other	42,082	6,825	12,362	61,269	53,955
Auditors remuneration (audit)		3,610		3,610	3,610
Auditors remuneration (non audit)		4,475		4,475	4,865
Other legal and professional		6,274		6,274	7,768
Total charitable activities	154,813	51,698	12,362	218,873	204,600
Costs of generating funds:					
Fundraising costs	-	74,995	-	74,995	10,713
Trading costs (subsidiary only) ¹	1,386,267	1,132,287	123,533	2,642,087	2,673,786
Total cost of generating funds	1,386,267	1,207,282	123,533	2,717,082	2,684,499
Total resources expended	1,541,080	1,258,980	135,895	2,935,955	2,889,099

1 Auditors remuneration for Swanage Railway Company audit £4,215, Non audit fees £2,750.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

4. DIRECTORS AND EMPLOYEES

	Trust and Subsidiary		Trust	
	2016	2015	2016	2015
	£	£	£	£
Staff costs				
Wages and salaries	929,743	970,158	-	-
Social security costs	68,506	70,874	-	-
Pension costs	4,818			
	<u>1,003,067</u>	<u>1,041,032</u>	<u>-</u>	<u>-</u>

The Swanage Railway Company Limited had 49 (2015 – 45) employees at the year end, excluding directors. All staff members are employed by Swanage Railway Company Limited.

None of the directors of either The Swanage Railway Trust or the Swanage Railway Company Limited received any remuneration for their services. Expenses were reimbursed to the directors during the year for out of pocket expenses incurred in accordance with their duties as directors.

The aggregate total of Key Management Personnel salaries for the year to 31 December 2016 was £277,018 (2015: £264,992). The names of the people that the Directors consider to be Key Management are listed in the Directors report on page 4.

The Swanage Railway Trust and the Swanage Railway Company Limited are both heavily reliant on volunteer staff in all areas of their activities.

There were no employees with emoluments above £60,000 in the SRC or SRT.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

5. TANGIBLE FIXED ASSETS

	Freehold Land (Norden)	Land and Buildings	Heritage Assets	Plant Machinery and Equipment	Shop Fittings and Equipment	Permanent Way and Other Assets	Assets Under Construction	Total
Swanage Railway Company Limited								
Cost	£	£	£	£	£	£	£	£
At 1 January 2016	-	635,639	782,925	419,949	6,436	823,197	2,883,459	5,551,605
Additions	-	7,099	3,000	82,269	2,522		236,183	331,073
Disposal	-			(15,000)				(15,000)
Reclassification	-	78,967	1,174	(63,879)	(5,571)	(16,000)		(5,309)
Transfer of completed assets	-	119,274		-			(119,274)	-
As 31 December 2016	-	840,979	787,099	423,339	3,387	807,197	3,000,368	5,862,369
Depreciation								
At 1 January 2016	-	159,975	-	176,489	1,394	212,246	-	550,104
Charge for the year	-	43,003	-	32,596	622	54,050		130,271
Adjustments on disposals	-			(14,238)				(14,238)
Reclassification	-			(4,173)	(1,136)			(5,309)
At 31 December 2016	-	202,978	-	190,674	880	266,296	-	660,828
Net Book Value								
At 31 December 2016	-	638,001	787,099	232,665	2,507	540,901	3,000,368	5,201,541
At 31 December 2015	-	475,664	782,925	243,460	5,042	610,951	2,883,459	5,001,501
Swanage Railway Trust Limited								
Cost								
At 1 January 2016	30,000	329,780	273,533	30,206	-	-	3,885	667,404
Additions	-	5,970	125,627	1,887	-	-	-	133,484
Disposal	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
Transfer of completed assets	-	-	-	-	-	-	-	-
As 31 December 2016	30,000	335,750	399,160	32,093	-	-	3,885	800,888
Depreciation								
At 1 January 2016	-	141,329	-	26,355	-	-	-	167,684
Charge for the year	-	11,683	-	1,054	-	-	-	12,737
Adjustments on disposals	-	-	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-	-	-
At 31 December 2016	-	153,012	-	27,409	-	-	-	180,421
Net Book Value								
At 31 December 2016	30,000	182,738	399,160	4,684	-	-	3,885	620,467
At 31 December 2015	30,000	188,451	273,533	3,851	-	-	3,885	499,720
Total Consolidated NBV								
at 31 December 2016	30,000	820,739	1,186,259	237,349	2,507	540,901	3,004,253	5,822,008

Included in the above carrying amount of fixed assets is £37,629 in respect of assets held under hire purchase agreements

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

6. TANGIBLE FIXED ASSET REVALUATION – HERITAGE ASSETS

Heritage assets are held under a revaluation policy. According to the guidance of FRS 102 on Heritage Assets, there must be reliable evidence as to the valuation of an asset for it to be recognised at that value in the accounts. The directors consider that the most reliable value for the assets is original cost plus any overhaul costs exceeding that amount.

Heritage assets were last revalued on 31 December 2014 by the Directors of the company who have knowledge of the value of such assets. If the assets had not been revalued, they would have been included at historical cost of £1,090,695 (2015: £990,894).

7. INVESTMENT IN THE SWANAGE RAILWAY COMPANY LIMITED (company number 01412568)

The Trust discharges part of its charitable objectives through its subsidiary, the Swanage Railway Company Limited, which operates the Swanage Railway and undertakes the associated trading activities.

The share structure of the Swanage Railway Company Limited is such that The Swanage Railway Trust is the only shareholder who can hold voting shares in the Company. The effect of this structure is that The Swanage Railway Trust controls the Swanage Railway Company Limited. The trust owns 96% of the issued share capital of The Swanage Railway Company Limited.

An extract of the subsidiary's income statement is in note 2 to these accounts.

An extract from the Balance Sheet of the Swanage Railway Company Limited at 31 December 2016 is as follows:-

	2016	2015
	£	£
Fixed assets	5,201,541	5,001,501
Current assets	421,939	446,987
Current liabilities	<u>(261,414)</u>	<u>(701,775)</u>
Total assets less current liabilities	5,362,066	4,746,713
Creditors due in more than one year	<u>(3,703,512)</u>	<u>(3,193,733)</u>
	<u>1,658,554</u>	<u>1,552,980</u>
Called up share capital	486,963	486,963
Revaluation reserve	371,202	371,202
Profit and loss account	<u>800,389</u>	<u>694,815</u>
	<u>1,658,554</u>	<u>1,552,980</u>

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

8. INVESTMENTS IN LISTED ENTITIES

	£
Market value at 1 January 2016	11,511
Additions	-
Disposals	-
Net investment (losses)/gains	(1,894)
Market value at 31 December 2016	<u>9,617</u>

9. STOCKS

	Trust and Subsidiary		Trust	
	2016	2015	2016	2015
	£	£	£	£
Shop stocks for resale	22,221	19,160	-	-
Catering stock	5,604	6,390	-	-
Consumable stocks	9,599	16,548	-	-
Special events stock	2,887	1,718	-	-
Signals & telegraphs stock	177	356	-	-
Locomotive and carriages	47,230	36,857	-	-
	<u>87,718</u>	<u>81,029</u>	<u>-</u>	<u>-</u>

10. DEBTORS AND PREPAYMENTS

	Trust and Subsidiary		Trust	
	2016	2015	2016	2015
	£	£	£	£
Trade debtors	14,186	13,820	402	222
Loan to the Swanage Railway Company Limited	-	-	-	63,554
Other debtors	363,187	434,390	304,601	297,992
Prepayments and accrued income	59,086	59,276	41,092	12,180
	<u>436,459</u>	<u>507,486</u>	<u>346,095</u>	<u>373,948</u>

The total amount outstanding on the loan from Swanage Railway Trust Limited to Swanage Railway Company Limited at 31 December 2016 was £nil (2015: £63,554). The whole amount of the loan is repayable on demand.

Interest is charged at 1.5% above the banks base lending rate and the amount of interest charged in the year was £3,548 (2015 - £3,780).

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

11. CREDITORS AND ACCRUALS

	Trust and Subsidiary		Trust	
	2016	2015	2016	2015
Due within one year	£	£	£	£
Trade creditors	138,966	509,611	38,962	14,450
Life membership equalisation account	9,145	7,927	9,145	7,927
Hire purchase creditors	7,964	-	-	-
Other creditors and accruals	218,881	91,387	95,089	8,662
	<u>374,956</u>	<u>608,925</u>	<u>143,196</u>	<u>31,039</u>

	Trust and Subsidiary		Trust	
	2016	2015	2016	2015
Due more than one year	£	£	£	£
Members Loans	13,000	13,000	13,000	13,000
Hire purchase creditors (1-3 years)	26,077	-	-	-
Life membership equalisation account	35,633	16,941	35,633	16,941
	<u>74,710</u>	<u>29,941</u>	<u>48,633</u>	<u>29,941</u>

Hire purchase creditors are in respect of two hire purchase contracts for motor vehicles purchase in the year, both expiring in four years and repayable in monthly installments. The creditor is measured at the present value of future lease payments.

12. LIFE MEMBERSHIP

Life membership subscriptions are credited to the accounts and released over ten years.
The movements during the year were:-

	2016	2015
	£	£
Ordinary Life, Lifetime Travel and Premier Life Memberships brought forward	24,868	26,885
Memberships paid in the year	30,695	7,480
Premier life memberships released over 10 years	(7,185)	(9,383)
Life member subscriptions released over 10 years	(3,600)	(114)
Balance of life memberships at close of year	<u>44,778</u>	<u>24,868</u>
Shown in:-		
Creditors under 1 year	9,145	7,927
Creditors over 1 year	<u>35,633</u>	<u>16,941</u>
	<u>44,778</u>	<u>24,868</u>

Both Premier Life Membership and Ordinary Life membership have now closed to new applicants. A new Life Time Travel Membership was introduced in the previous year for which memberships were sold.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

13. UNRESTRICTED FUNDS

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

	Opening balance at 1 January 2016 £	Incoming Resources £	Expenditure £	Transfers £	Gains/(losses) on revaluation £	Closing balance at 31 December 2016 £
General funds	3,207,285	3,292,962	(2,726,636)	(188,798)	-	3,584,813
Designated funds for;						
Restoration and purchasing of Locomotives, coaches etc.	275,296	-	(116,860)	84,288	-	242,724
Other capital expenditure	40,275	-	(4,826)	4,018	-	39,467
Education and museum expenditure	6,219	-	-	59,492	-	65,711
Other designated	8,911	-	(13,875)	41,000	-	36,036
Total designated	330,701	-	(135,561)	188,798	-	383,938
Revaluation reserve	373,314	-	-	-	(1,894)	371,420
Share capital	17,648					17,648
Total	3,928,948	3,292,962	(2,862,197)	-	(1,894)	4,357,819

The designated funds for purposes as described above are designated and reviewed annually by the Council of Management. Incoming resources are received into the general fund and are subsequently reallocated to the designated funds at the discretion of the directors.

The revaluation reserve is in respect of Heritage Assets and Listed Fixed Asset Investments. £371,202 of the reserve was an adjustment made on transition to FRS 102 to bring in Heritage Assets in Swanage Railway Company Limited at "deemed cost" which was in fact equal to the original cost of those assets as this is the most reliable valuation in the opinion of the directors using the guidance in FRS 102 section on Heritage Assets.

The share capital represents non voting shares in Swanage Railway Company Limited which are owned by members of the company. The funds raised on issue of the shares were included in unrestricted income.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

14. RESTRICTED FUNDS

The income funds of the charity include restricted funds in respect of unexpended balances of donations which are to be applied for the following specific purposes:-

	Balance At 1 January 2016	Movement in Funds			Balance At 31 December 2016
	£	Incoming Resources £	Resources Expended £	Transfers from general funds £	£
The 200 Club	57,036	13,351	(4,082)	-	66,305
The Southern Carriage Account	22,554	-	-	-	22,554
New Company Appeal	56,738	46,683	-	-	103,421
Mining Museum Group	164,414	38,414	(32,498)	-	170,330
Swanage 4TC Group	13,178	46,973	(3,337)	-	56,814
Charity	313,920	145,421	(39,917)	-	419,424
Dorset County Council	349,998	-	-	-	349,998
Chalk & Cheese	39,834	-	-	-	39,834
National Lottery Big Fund	1,270,931	273,236	(33,841)	-	1,510,326
BP Perenco	440,000	46,162	-	-	486,162
IMERYS	5,000	-	-	-	5,000
Network Rail	12,500	-	-	-	12,500
Other for PW	140	-	-	-	140
Consolidated	2,432,323	464,819	(73,758)	-	2,823,384

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

15. RESTRICTED FUNDS (CONTINUED)

The balance on a restricted fund is held in separate bank accounts except for the following funds which are composed :-

	Fixed Assets £	Bank £	Current Assets £	Current Liabilities £	Total £
The 200 Club	37,539	28,766			66,305
The Southern Carriage Account	22,554				22,554
Purbeck Mineral and Mining Museum	130,731	43,067	18,100	(21,568)	170,330
Dorset County Council	349,998				349,998
Network Rail	12,500				12,500
National Lottery Big Fund	1,510,326				1,510,326
Other Project Wareham	140				140
BP Perenco	486,162				486,162
IMERYS	5,000				5,000
Swanage 4TC group	32,777	25,735		(1,698)	56,814
Project Wareham Appeal	103,418	3			103,421
Chalk & Cheese	39,834				39,834
Restricted funds held in charity bank accounts	2,730,979	97,571	18,100	(23,266)	2,823,384

The purpose of the restricted funds is as follows:-

- The 200 Club – general fundraising for projects around the railway as decided by CoM
- The Southern Carriage Fund – funds have been fully expended on heritage assets and the Southern Carriage Group is no longer active
- Purbeck Mineral & Mining Museum –donations towards the upkeep and development of the Mining Museum at Norden
- Grants were received between 2012 and 2014 from Dorset County Council, Network Rail, the National Lottery Big Fund (Coastal Communities Fund). These grants were used by the company to finance the purchase of fixed assets, particularly with regards to "Project Wareham".
- BP/Perenco – part of grant totalling £500,000 towards the purchase and installation costs of new automatic crossing
- Imerys – grant given towards the cost of removal of contaminated permanent way materials at Furzebrook
- The Swanage 4TC Group – fundraising for and restoration of a 4TC unit to be based at Swanage to provide a push-pull set working with a Class 33/1 diesel electric locomotive
- Project Wareham Appeal – to raise funds to launch mainline services
- Chalk and Cheese was partly used for the development of the Purbeck Mineral and Mining Museum, amounts went to the company with regards to Turntable/Water Tower project.

THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

16. FINANCIAL COMMITMENTS

The group is committed to paying the following remaining lease payments on non cancellable operating leases;

	Trust and Subsidiary		Trust	
	2016	2015	2016	2015
	£	£	£	£
Lease expiring				
-in under 1 year	204,898	44,560	8,686	8,443
-after 1 year but within 5 years	372,346	327,436	34,742	33,772
-after 5 years	3,139,514	4,274,944	258,622	256,397
	<u>3,716,758</u>	<u>4,646,940</u>	<u>302,050</u>	<u>298,612</u>

Locomotive hire agreements

- a) The Swanage Railway Trust's trading subsidiary, Swanage Railway Company Limited, utilises the motive power and engineering support provided by Southern Locomotives Engineering Limited for which there is an agreement under which Swanage Railway Company Limited pays a fixed amount each year. As detailed in Note 18, a number of the directors of The Swanage Railway Trust and the directors of the trading subsidiary are also shareholders in Southern Locomotives Limited, the holding company of Southern Locomotives Engineering Limited.

The amount billed in respect of the year to the trading subsidiary by Southern Locomotives Engineering Limited was £102,686 (2015 - £113,026). At the year end, an amount of £408 (2015: £10,258) was owed to Southern Locomotives Engineering Limited. Goods and services totaling £13,241 (2015: £16,285) were sold to Southern Locomotives Engineering Limited. £5,010 (2015: £5,522) was outstanding at the year end.

- b) The Swanage Railway Trust's trading subsidiary, Swanage Railway Company Limited, utilises the locomotive power provided by Drummond Locomotives Limited. As detailed in Note 18, a number of the directors of The Swanage Railway Trust and the directors of the trading subsidiary are also shareholders in Drummond Locomotives Limited.

The amount invoiced by Drummond Locomotives Limited to the trading subsidiary for the supply of motive power in respect of the year was £46,277 (2015 - £45,846). At the year end, no balance (2015: £nil) was owed to Drummond Locomotives Limited.

- c) The Swanage Railway Trust's trading subsidiary, Swanage Railway Company Limited, utilised the locomotive power provided by JMB Locomotive Services. The amount invoiced by JMB Locomotive Services to the trading subsidiary for the supply of motive power in respect of the year was £74,880 (2015; £59,280). During the period, one of the locomotives has been commercially hired to other heritage railways.

THE SWANAGE RAILWAY TRUST
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17. CAPITAL COMMITMENTS

At 31 December 2016 the group anticipates that in the coming year £100,000 will be spent on the construction of a new inspection pit for locomotives and rolling stock at Swanage, £80,000 will be spent refurbishing the Swanage Station Toilets. However, contractual commitments have yet to be entered in to. Work will also continue to restore mogul locomotives to working order.

18. DIRECTORS' INTERESTS

A number of the directors of The Swanage Railway Trust and its subsidiary the Swanage Railway Company Limited are shareholders in Southern Locomotives Limited and Drummond Locomotives Limited which as detailed in this note have entered into arrangements with the Swanage Railway Company Limited for the provision of motive power and engineering support.

The directors' interests in the shares at 31 December 2016 are as follows:

	Southern Locomotives Ltd No of Ordinary £250 Shares Held	Drummond Locomotives Ltd No of Ordinary £100 Shares Held
Swanage Railway Trust		
Directors		
D A Budd	-	10
E M Sellen	2	-
W S Trite	37	2
M A Whitwam	2	-
M R Woolley	2	-
Mr S Magnus	2	-
A L Moore	61	1
Swanage Railway Company		
Directors		
A L Moore	As above	As above
E M Sellen	2	-
M R Woolley	2	-

The total issued share capital of Southern Locomotives Limited at 31 December 2016 was 9,732 ordinary £250 shares and that of Drummond Locomotives Limited 1,331 ordinary £100 shares of which Swanage Railway Trust owns 52 shares.

**THE SWANAGE RAILWAY TRUST
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2016 (CONTINUED)**

19. RELATED PARTY TRANSACTIONS

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, £230 of goods were purchased from Coastal Publishing Limited (2015: £115). A company in which Peter Sills, a director of the Trust, has a controlling interest.