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# **REPORT AND FINANCIAL STATEMENTS**

**Severn Valley Railway (Holdings)**

**Public Limited Company**

**(Registered No. 1046274)**

**FOR THE YEAR ENDED 31 DECEMBER 2003**

## NOTICE OF MEETING

Notice is hereby given that the Thirty Second Annual General Meeting of the above-named Company will be held at The Castle Hall, West Castle Street, Bridgnorth, Shropshire on Saturday 10 July 2004 at 8.00 pm to transact the following business:

1. To approve the Minutes of the 2003 Annual General Meeting and to consider any matters arising therefrom.
2. To elect Directors.
3. To consider the Company's Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2003.
4. To re-appoint Horwath Clark Whitehill LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. You should note that following the conversion of Horwath Clark Whitehill to a Limited Liability Partnership (LLP) from April 2004, Horwath Clark Whitehill resigned as Auditors and the Directors appointed Horwath Clark Whitehill LLP to fill the casual vacancy created by the resignation.
5. To transact any other business which may be properly transacted at an Annual General Meeting.

By order of the Board  
A S Harding  
Secretary

4 May 2004

The Railway Station, Bewdley, Worcestershire DY12 1BG

Note: Any member entitled to attend and vote is entitled to appoint a proxy to attend and, on a poll, to vote in his/her stead. A proxy need not be a member of the Company.

# **ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2003**

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## **DIRECTORS, OFFICERS AND ADVISERS**

### **Directors**

M R York - Chairman  
R S Smith - Deputy Chairman  
A Barker  
A Davies (SVR Assoc Representative)  
R F Hobson (SVR Co Ltd Representative)  
C F Homer  
A D Owen  
N C Paul  
R K Power  
C G Thomas  
C W Walton  
D C Williams (SVR Co Ltd Representative)

### **Secretary and Registered Office**

A S Harding  
The Railway Station  
Bewdley  
Worcestershire DY12 1BG

### **Stockbrokers**

Rowan Dartington & Co  
The Colston Centre  
Colston Street  
Bristol BS1 4XE

### **Registrar**

A S Harding  
The Railway Station  
Bewdley  
Worcestershire DY12 1BG

### **Registered Auditors**

Horwath Clark Whitehill LLP  
Foley House  
123 Stourport Road  
Kidderminster  
Worcestershire DY11 7BW

### **Bankers**

HSBC Bank plc  
31 Church Street  
Kidderminster  
Worcestershire DY10 2AY

### **Solicitors**

Harrison Clark  
5 Deansway  
Worcester WR1 2JG

### **NOTE**

For the purposes of this Report and Accounts:

“SVR Assoc” is the Severn Valley Railway Association

“SVR Co Ltd” is the Severn Valley Railway Company Limited

## CHAIRMAN'S STATEMENT

When that rare occurrence comes along, a long hot summer, hard on the heels of a decent spring and followed by an equally good autumn, it is only natural that the great British public will want to take the opportunity to leave their urban surroundings for a taste of the countryside. And what could be more appealing than a leisurely train ride through the beautiful Severn Valley, with an opportunity to break the journey for a walk down by the river or to have a picnic.

In 2003 the Railway carried more passengers than ever before, up 5% to 248,866, and undoubtedly the weather played an important part in this tremendous achievement. Increased school and party bookings accounted for many of the extra visitors, enjoying the benefit of discounted rates. Clearly not all of our passengers travel the whole length of the line or make a return journey, but when we have spare capacity bottoms on seats are very welcome, even if for only part of the journey.

The increase in passenger numbers raised total traffic revenues by 12% to £2,122,945 with footplate experience courses, locomotive hire and charters all performing particularly well. Yet again our Special Events continued to attract large numbers, in particular the Santa Specials, accounting between them for one in three of our annual passenger total, although interestingly this is down on the previous two years indicating that the Railway is becoming less reliant on these costly activities. All profit centres performed well with the bars and on-train buffets making the most of the favourable weather conditions, and on-train dining proving yet again just how popular eating on the move has become. Indeed, the Sunday Lunch service achieved 96% loadings during the second half of the main season. The shops also turned in a good performance with profitability improving following the closure of the wholesale operation. Trading generally was buoyant and pushed total revenues for the year past the £4 million mark for the first time, at £4,080,860 up 8% on 2002, thus enabling the Company to record a profit on ordinary activities before tax of £48,252.

The deferred tax liability provided for in the Company's accounts as at 31 December 2003 is £117,591 (2002: £211,671). This year's reduction in the liability of £94,080 has been credited to the profit and loss account in these accounts and gives the Company an after tax profit of £142,332. An explanation of why and how deferred taxation occurs was given in my statement in the 2002 Report and Financial Statements.

The increase in turnover enabled the level of spending on the Railway in 2003 also to reach new heights, with gross expenditure on maintenance passing the £1 million mark for the first time. Half of this figure went on locomotive maintenance but there was also higher spending on carriage maintenance, permanent way, civil engineering and signals and telecommunications. Fortunately, the cost increases seen in previous years in business rates and insurance premiums were not replicated in 2003 thanks to a renegotiation of the Company's rateable value and a re-placement of our insurance business. However, we struggled to contain the consumption of water, gas and electricity on which we spent almost £100,000 during the year. It is to be hoped that a reminder to all users of the need to make savings, plus the impact of unit prices fixed for three years, will have the desired effect on our expenditure in this area in 2004. A heritage railway is a very expensive beast to maintain and there can be no let up in the on-going battle to contain costs.

Spending on capital projects in 2003 amounted to £152,563. Following a decision to fall into line with our neighbours at Network Rail, car park meters were installed at Kidderminster, and later at Bridgnorth station. Arley Station was re-roofed and the gents toilets at Bridgnorth were refurbished. Kidderminster carriage shed benefited from a new storage building, whilst new fencing had to be erected on the southern boundary of Bewdley Station for reasons of safety. Expenditure was also incurred on preparatory work for the refurbishment of Victoria Bridge and the development of plans for the Highley Display Building. Severn Valley Railway Company Limited provided very generous financial assistance for several of these projects.

Early 2003 saw the welcome return to traffic of 42968 and we then had to wait until the year's end before 5164 emerged from Bridgnorth works, under its own steam for the first time in twenty years. Our maintenance staff managed to keep between six and twelve locomotives serviceable throughout the year, aided by the reverse osmosis plants which have proved of such enormous benefit to our boilers. Staff at Bewdley and Kidderminster looking after our large fleet of carriages also had a very busy time. Apart from

## CHAIRMAN'S STATEMENT (continued...)

the routine maintenance of over fifty vehicles, fifteen coaches underwent repairs and repaint, almost half of which were of a major nature, and as a result we can now boast five sets of coaches in smart condition with part of the remaining set also now completed.

Regrettably, the workload of the department was not helped by a spate of wheel flats, which took both valuable time and not inconsiderable cost to put right. A prime example of unnecessary and avoidable expense!

Over the past eighteen months a considerable amount of management time has been devoted to the development of plans for a display building at Highley to house up to ten stored locomotives. The plans allow for a strong emphasis on educational aspects. The £4m project received Stage 1 approval from the Heritage Lottery Fund in July 2003, together with promised support from the EU and Advantage West Midlands. Final plans are now being worked up and the Stage 2 application will be submitted shortly with a decision expected before the end of the summer. The appeal sent out with last year's Reports, seeking support for the completion of Kidderminster Station building, received an encouraging response from shareholders and Guarantee Company members and to date £125,000 has been raised. Directors have considered a revised business plan which places greater emphasis on the Function Room opportunities and have agreed in principle to take the project forward to the next stage. A great deal of time has been spent exploring the merits of a proposed National Cycle Path to be routed alongside the Railway between Hampton Loade and Alveley. There were many considerations to take into account but on balance it was felt that agreement to the scheme would be in the best long term interests of the Railway.

2004 has got off to an encouraging start but we will be hard pressed to match last year's excellent figures, not least because of the six week closure of the southern end of the line for repairs to Victoria Bridge and the consequent loss of over 7,000 passengers. I referred last year to the programme of capital works highlighted by our Consulting Engineers and Victoria Bridge is the first to be tackled, involving the complete replacement of rotten decking and a full repaint whilst the scaffolding is in situ. A marvellous structure but very expensive to maintain – the cost of the work is very nearly £350,000! The opportunity has been taken to refurbish Bridgnorth station footbridge before the main season gets underway, which has involved removal of the bridge and despatch off site for shotblasting, metal replacement where necessary, and a repaint. Another £30,000 spent but we cannot afford to ignore matters of safety. The cost of the work is being met by the income accruing to the Railway from the West Bromwich Building Society Severn Valley Branch Account. Next on the list, commencing in 2005, will be repairs to the impressive Wribbenhall Viaduct which carries the Railway above Bewdley, but at least that can be done in stages rather than all in one go.

This year's accounts reflect the formal revaluation of the Freehold Land and Buildings. Financial Reporting Standards require that companies who choose to adopt a policy of fixed asset revaluation, rather than to carry their assets at cost, undertake a full formal revaluation of those assets on a five-year rolling basis. This is in addition to the Directors reviewing the asset valuations on an annual basis.

This has been a complicated and costly exercise due to the varying and specialised nature of the assets held by the Company. For this reason, the Directors have decided to review this policy of revaluation, over the course of the next few years, to ensure that it is the most appropriate policy for the Company to adopt, especially with the knowledge that none of the other major Heritage Railway Companies in the United Kingdom revalue their Freehold Land and Buildings.

In every respect 2003 was an exceptional year for the Severn Valley Railway and the excellent results achieved reflect great credit on the entire workforce, our shareholders and members. My grateful thanks go to everyone who has contributed to our success.



**M R York**  
Chairman

4 May 2004

## DIRECTORS' REPORT

### Directors' Report for the year ended 31 December 2003

The Directors present their report and the audited financial statements for the year ended 31 December 2003.

### Principal Activity

The principal activity of the Company is to operate the Severn Valley Railway between Bridgnorth in Shropshire and Kidderminster in Worcestershire. A review of the year is included in the Chairman's Statement on pages 4 to 5 and which is deemed to form part of this Report.

### Results and Dividends

The result for the year is stated in the Profit and Loss Account on page 10.

In accordance with the special resolutions passed at the Extraordinary General Meeting of the Company on 19 December 1997, the Memorandum and Articles of Association of the Company no longer permit either the payment of dividends or the participation of members in the distribution of any residual property or assets upon the winding up or dissolution of the Company. During 2003 the company made a profit before tax of £48,252 compared to a profit of £35,193 in 2002. This year's deferred taxation credit of £94,080 has resulted in a retained profit of £142,332 being transferred to reserves.

### Directors

The Directors of the Company are listed on page 3.

### Directors' Interests

The interests of the current Directors in the shares of the Company at 31 December 2003, together with their beneficial interests at 1 January 2003, or date of their appointment, were:

	1 January 2003	31 December 2003
A Barker	3,890	4,010
A Barker – Trustee holding (with P A Hobson) for SVR Assoc	43,978	43,978
A Davies (appointed 1 <sup>st</sup> August 2003)	500	500
P C Fathers (resigned 12 <sup>th</sup> July 2003)	501	-
P A Hobson (resigned 1 <sup>st</sup> August 2003)	205	-
P A Hobson – Trustee holding (with A Barker) for SVR Assoc	43,978	-
R F Hobson	350	350
C F Homer	1,510	1,510
A D Owen	500	500
N C Paul	251	251
R K Power (appointed 12 <sup>th</sup> July 2003)	1,501	1,501
R S Smith	7,500	7,500
C G Thomas	302	302
C W Walton	600	600
D C Williams	2,005	2,005
M R York	375	425

Certain Directors have interests in the rolling stock maintained and utilised by the Railway under the terms of rolling stock agreements. These interests were recognised but were deemed to be minimal.

### Suppliers Payment Policy

It is the Company's policy that payments to suppliers are made in accordance with mutually agreed terms as far as possible, provided that the supplier is also complying with all relevant terms and conditions. The Company's average number of days outstanding in respect of trade creditors at 31 December 2003 was 35.

## DIRECTORS' REPORT

### Directors' Report for the year ended 31 December 2003 (Continued...)

#### Charitable Donations

During the year the Company made charitable donations of £1,000 (2002: £535).

#### Substantial Shareholdings

The following had holdings in excess of 3% of the issued share capital of the Company at 31 December 2003.

	No. of Shares	% of Total
SVR Co. Ltd	666,883	21.1
Rubery Owen Holdings Ltd	150,000	4.8

#### Fixed Assets

The movements in fixed assets during the year are set out in note 8 to the financial statements.

#### Auditors

Following the transfer of substantially all of the business of Horwath Clark Whitehill to a Limited Liability Partnership on 1 April 2004, Horwath Clark Whitehill resigned and the Directors appointed their successor, Horwath Clark Whitehill LLP, as Auditors.

Horwath Clark Whitehill LLP have expressed their willingness to continue in office as Auditors and a resolution proposing their reappointment will be submitted to the forthcoming Annual General Meeting.

#### By order of the Board



**A S Harding**  
Company Secretary

4 May 2004



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The purpose of this statement is to distinguish the Directors' responsibilities for the accounts from those of the Auditors, as stated in their Report.

Company law requires the Directors to prepare accounts for each financial year which give a true and fair view of the Company's state of affairs at the end of the year and of its profit and loss for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts;
- prepare the accounts on the going concern basis unless it is inappropriate to assume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention of fraud and other irregularities.

## AUDITORS' REPORT TO THE SHAREHOLDERS OF SEVERN VALLEY RAILWAY (HOLDINGS) PLC

We have audited the financial statements of Severn Valley Railway (Holdings) PLC for the year ended 31 December 2003 set out on pages 10 to 24. These financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and the accounting policies set out on pages 14 and 15.

This Report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an 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 Company and the Company's shareholders as a body, for our audit work, for this Report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our Report if we become aware of any apparent misstatements within it.

### BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### UNQUALIFIED OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Horwath Clark Whitehill LLP*

**Horwath Clark Whitehill LLP.**

**Chartered Accountants**

Registered Auditors

Foley House

123 Stourport Road

Kidderminster

Worcs

DY11 7BW

4 May 2004

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
<b>Turnover</b>	2	<b>3,875,558</b>	3,633,112
Cost of sales		<u>(3,509,223)</u>	<u>(3,244,377)</u>
<b>Gross profit</b>		<b>366,335</b>	388,735
Administrative expenses		<u>(525,675)</u>	<u>(478,609)</u>
		<b>(159,340)</b>	<b>(89,874)</b>
Other operating income	3	<u>205,302</u>	133,415
<b>Operating Profit</b>		<b>45,962</b>	43,541
Interest received		2,971	825
Interest payable and similar charges	4	<u>(681)</u>	<u>(9,173)</u>
<b>Profit on ordinary activities before taxation</b>	5	<b>48,252</b>	35,193
Tax on ordinary activities	14	<u>94,080</u>	<u>5,051</u>
<b>Retained profit for the financial year</b>	17/18	<u><b>142,332</b></u>	<u>40,244</u>

All amounts in the current and preceding year relate to continuing operations.

### Note of historical cost profits and losses

There is no material difference between the profit on ordinary activities before tax and the retained profit for the year stated above, and their historical cost equivalents.

The notes on pages 14 to 24 form part of these financial statements.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	2003 £	2002 £
Profit for the financial year	142,332	40,244
Unrealised surplus on revaluation of properties	<u>1,013,732</u>	<u>-</u>
Total recognised gains and losses relating to the year	<u>1,156,064</u>	<u>40,244</u>

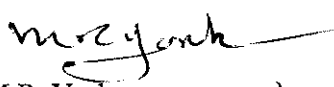

The notes on pages 14 to 24 form part of these financial statements.

# **BALANCE SHEET**

## **31 DECEMBER 2003**

	Notes	2003 £	2002 £
<b>Fixed Assets</b>			
Tangible Assets	8	<u>7,711,376</u>	<u>6,712,561</u>
<b>Current Assets</b>			
Stocks	9	234,948	294,341
Debtors	10	245,046	240,644
Cash at bank and in hand	11	<u>614,287</u>	<u>145,135</u>
		<u>1,094,281</u>	<u>680,120</u>
<b>Creditors: Amounts falling due within one year</b>	12	<u>(934,749)</u>	<u>(696,052)</u>
<b>Net Current Assets/(Liabilities)</b>		<u>159,532</u>	<u>(15,932)</u>
<b>Total Assets Less Current Liabilities</b>		<u>7,870,908</u>	<u>6,696,629</u>
<b>Creditors: Amounts falling due after more than one year</b>	13	<u>(1,844,639)</u>	<u>(1,854,751)</u>
		<u>6,026,269</u>	<u>4,841,878</u>
<b>Provisions for liabilities and charges</b>			
Deferred taxation	14	<u>(117,591)</u>	<u>(211,671)</u>
<b>Net Assets</b>		<u>5,908,678</u>	<u>4,630,207</u>
<b>Capital and Reserves</b>			
Called up share capital	16	3,157,481	3,035,074
Revaluation reserve	17	1,913,237	905,644
Profit and loss account	17	<u>837,960</u>	<u>689,489</u>
<b>Shareholders' Funds</b>	18	<u>5,908,678</u>	<u>4,630,207</u>

The Financial Statements on pages 10 to 24, were approved by the Board of Directors on 4 May 2004 and signed on its behalf by:

  
 M R York }  
  
 R S Smith } Directors  
 R S Smith }

The notes on pages 14 to 24 form part of these financial statements.

## CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2003

	Notes	2003 £	2002 £
<b>Net cashflow from operating activities</b>		<b><u>478,018</u></b>	<b><u>421,204</u></b>
<b>Returns on investment and servicing of finance</b>			
Interest received		2,971	825
Interest paid		<u>(681)</u>	<u>(9,173)</u>
Net cashflow from investment and servicing of finance		<u>2,290</u>	<u>(8,348)</u>
<b>Taxation</b>			
Tax paid		<u>-</u>	<u>-</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(152,563)	(126,800)
Sale of tangible fixed assets		<u>19,000</u>	<u>1,500</u>
Net cash outflow from investment and servicing of finance		<u>(133,563)</u>	<u>(125,300)</u>
<b>Net cash inflow before financing</b>		<b>346,745</b>	<b>287,556</b>
<b>Financing</b>			
Issue of ordinary share capital		<u>122,407</u>	<u>63,796</u>
Net cash inflow from financing		<u>122,407</u>	<u>63,796</u>
<b>Increase in cash in the year</b>	23	<b><u>469,152</u></b>	<b><u>351,352</u></b>

### Note to the cash flow statement

#### RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2003 £	2002 £
Operating profit	45,962	43,541
Depreciation charge	163,584	154,827
Profit on sale of tangible fixed assets	(15,104)	(1,500)
Movement in working capital:		
Decrease in stocks	59,393	3,201
(Increase)/decrease in debtors	(4,402)	17,553
Increase in creditors	<u>228,585</u>	<u>203,582</u>
Net cash inflow from operating activities	<b><u>478,018</u></b>	<b><u>421,204</u></b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003

### 1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### Basis of accounting

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

#### Tangible fixed assets

The cost of acquired fixed assets is their purchase cost, together with any incidental costs of acquisition.

Capital work in progress comprises the cost of capital projects under development, which includes, where appropriate, elements of specifically identifiable and attributable internal labour costs. Capital projects comprise major repair or refurbishment works, which give rise to a significant and continuing economic benefit to the Railway. Depreciation is provided against the cost of such projects in the period in which they are completed.

Interests in land and buildings are included at a valuation. Subsequent additions are stated at cost.

A full valuation of the freehold land and buildings was made on 25 December 2003 by professionally qualified valuers. The basis of valuation is in accordance with Financial Reporting Standard Number 15 as follows:

- Freehold land, bridges and tunnels at market value
- Non-specialised property, including the stations and engineering works, at existing use value
- Specialised property, the carriage shed, at depreciated replacement cost

Full valuations are undertaken every 5 years with an interim valuation in the 3<sup>rd</sup> year. The Directors review the assets in the intervening years to ensure that there are no material changes requiring disclosure.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings and permanent way	2% - 20% on cost or valuation
Locomotives and rolling stock	5% - 10% on cost
Office and computer equipment	20% - 25% on cost
Motor vehicles	20% - 25% on cost
Commercial fixtures, fittings and equipment	10% - 20% on cost

Freehold land is not depreciated.

#### Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued...)

### 1. Principal accounting policies - continued

#### Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

#### Deferred taxation

Provision is made in full for all taxation deferred in respect of timing differences that have originated but not reversed by the balance sheet date, except for gains on disposal of fixed assets which will be rolled over into replacement assets. No provision is made for taxation on permanent differences.

Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

#### Pension costs

The Company operates a defined contribution pension scheme. Amounts falling due are charged to the profit and loss account as incurred.

#### Grants

Grants are released to the profit and loss account over the same period to which the related costs are charged. Where the grant is for a capital project it is released to the profit and loss account over the same period as the asset is depreciated. Where the grant is for a revenue project, it is recognised in the same period as the expenditure.

#### Rental Income

Rental income is on a receipts basis.

### 2. Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied. In the opinion of the Directors, the Company's business is a single entity, that of operating a heritage railway. No further segmental analysis is considered necessary.

### 3. Other operating income

	2003	2002
	£	£
Profit on the sale of assets	15,104	1,500
Rents received	27,701	25,119
Donations	122,823	67,088
Release of deferred grants/donations	39,674	39,708
	<u>205,302</u>	<u>133,415</u>

### 4. Interest payable and similar charges

	2003	2002
	£	£
On bank loans and overdrafts:		
Repayable within 5 years, not by instalments	526	9,173
On other loans	155	-
	<u>681</u>	<u>9,173</u>



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued...)

### 5. Profit on ordinary activities before taxation

	2003 £	2002 £
Profit on ordinary activities before taxation is stated after charging:		
Depreciation on tangible owned fixed assets	163,584	154,827
Hire of other assets – operating leases	3,713	3,136
Auditors' remuneration for:		
Audit	7,750	7,250
Tax	<u>1,500</u>	<u>1,000</u>

Included with operating profit is £19,099 which relates to grant income received. This has been offset against the relevant expenditure.

### 6. Directors' emoluments

No Director, including the Chairman, received any fees, salary payments (including benefits in kind), pension contributions or other emoluments.

### 7. Employee information

The average number of persons employed by the Company during the year was:

	2003 Number	2002 Number
Full time	66	68
Part time	<u>35</u>	<u>31</u>
	<u>101</u>	<u>99</u>
	£	£
<b>Staff costs for the above</b>		
Wages and salaries	1,140,354	1,116,647
Social security costs	86,019	78,228
Other pension costs	<u>47,229</u>	<u>48,273</u>
	<u>1,273,602</u>	<u>1,243,148</u>

# **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued...)**

## **8. Tangible fixed assets**

	Total £	Freehold land and buildings £	Locos and rolling stock £	Commercial fixtures, fittings and equipment £	Office equipment and motor vehicles £	Capital work in progress £
<b>Cost or valuation</b>						
At 1 January 2003	7,796,542	6,716,831	694,520	252,930	88,169	44,092
Additions	152,563	61,696	-	55,074	-	35,793
Disposals	(5,200)	-	(5,200)	-	-	-
Reclassification	-	2,046	-	31,195	-	(33,241)
Revaluation	<u>632,018</u>	<u>632,018</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 31 December 2003</b>	<b><u>8,575,923</u></b>	<b><u>7,412,591</u></b>	<b><u>689,320</u></b>	<b><u>339,199</u></b>	<b><u>88,169</u></b>	<b><u>46,644</u></b>
<b>Depreciation</b>						
At 1 January 2003	1,083,981	282,227	558,082	169,818	73,854	-
Charge for the year	163,584	99,487	38,575	17,509	8,013	-
Disposals	(1,304)	-	(1,304)	-	-	-
Revaluation	<u>(381,714)</u>	<u>(381,714)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>At 31 December 2003</b>	<b><u>864,547</u></b>	<b><u>-</u></b>	<b><u>595,353</u></b>	<b><u>187,327</u></b>	<b><u>81,867</u></b>	<b><u>-</u></b>
<b>Net book value</b>						
<b>At 31 December 2003</b>	<b><u>7,711,376</u></b>	<b><u>7,412,591</u></b>	<b><u>93,967</u></b>	<b><u>151,872</u></b>	<b><u>6,302</u></b>	<b><u>46,644</u></b>
At 31 December 2002	<u>6,712,561</u>	<u>6,434,604</u>	<u>136,438</u>	<u>83,112</u>	<u>14,315</u>	<u>44,092</u>

The freehold land and buildings were revalued on 25 December 2003 in accordance with the accounting policy by R J Wilkins, FRICS, of Wilkins Surveyors Limited, a firm of chartered surveyors. R J Wilkins is a minority shareholder of Severn Valley Railway (Holdings) plc.

In addition to the locomotives and rolling stock owned by the Company, the Company has entered into agreements with various third parties to operate and maintain a range of other locomotives and rolling stock for use on the line. In the opinion of the Directors these arrangements are in the nature of operating leases and the costs of maintenance are charged to the Profit and Loss account as incurred.

If land and buildings had not been revalued they would have been included at the following amounts:

	2003 £	2002 £
Land and Buildings		
Cost	6,350,222	6,286,480
Aggregate depreciation	<u>(850,868)</u>	<u>(757,520)</u>
Net book value	<b><u>5,499,354</u></b>	<b><u>5,528,960</u></b>

# **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2003** (Continued...)

## **9. Stocks**

	2003 £	2002 £
Goods for resale	122,640	166,462
Stores	<u>112,308</u>	<u>127,879</u>
	<u>234,948</u>	<u>294,341</u>

## **10. Debtors**

	2003 £	2002 £
Trade debtors	119,116	108,795
Other debtors	45,081	28,920
Prepayments and accrued income	<u>80,849</u>	<u>102,929</u>
	<u>245,046</u>	<u>240,644</u>

## **11. Cash at bank and in hand**

	2003 £	2002 £
Balance at bank	608,932	140,335
Petty cash and cash floats	<u>5,355</u>	<u>4,800</u>
	<u>614,287</u>	<u>145,135</u>

# **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2003** (Continued...)

## **12. Creditors - Amounts falling due within one year**

	2003 £	2002 £
Trade creditors	416,884	371,883
Other taxation and social security	25,844	21,826
Other creditors	156,975	119,436
Accruals and deferred income	<u>335,046</u>	<u>182,907</u>
	<u>934,749</u>	<u>696,052</u>

## **13. Creditors - Amounts falling due after more than one year**

	2003 £	2002 £
Deferred income	<u>1,844,639</u>	<u>1,854,751</u>
	<u>1,844,639</u>	<u>1,854,751</u>

The deferred income represents a Heritage Lottery Fund grant and public donations towards the Kidderminster carriage shed and Kidderminster station building extension and is to be released to the profit and loss account over the economic useful life of the asset in line with depreciation.

# **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued...)**

## **14. Taxation**

### **14.1 Corporation Tax**

	2003 £	2002 £
<b>Analysis of tax charge in year</b>		
<b>Current tax</b> (see note 14.2)		
UK corporation tax on profits of the year	<u>-</u>	<u>-</u>
<b>Deferred tax</b>		
Accelerated capital allowances	(70,985)	(1,003)
Short term timing differences	(2,006)	7,441
Taxable losses carried forward	(21,089)	(11,489)
<b>Total deferred tax</b> (see note 14.3)	(94,080)	(5,051)
<b>Tax on profit on ordinary activities</b>	(94,080)	(5,051)

# **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued...)**

## **14. Taxation (continued)**

### **14.2 Factors affecting tax charge for the year**

The tax assessed is lower than the standard rate of corporation tax in the UK (19%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	<u>48,252</u>	<u>35,193</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2002-19%)	9,168	6,687
<b>Effects of:</b>		
Donations received	(23,336)	(12,747)
Movement on accelerated capital allowances	(1,846)	2,490
Expenses not deductible for tax purposes.	458	-
Losses utilised	21,089	11,435
Release of deferred income	(7,538)	(7,425)
Other differences	<u>2,005</u>	<u>(440)</u>
<b>Current tax charge for the year (see note above)</b>	<u>-</u>	<u>-</u>

There were no factors that may affect future tax charges.

The tax rate of 19% has been used as the Directors consider that this is the rate applicable to the Company taking into account its level of profits.

### **14.3 Deferred Taxation**

	2003 £	2002 £
At 1 January 2003	211,671	216,722
Charge for the year	(14,472)	(5,051)
Charge for the previous year	<u>(79,608)</u>	-
At 31 December 2003	<u>117,591</u>	<u>211,671</u>

The provision for deferred tax is made up as follows:

Accelerated capital allowances	348,117	419,102
Short term timing differences	<u>(4,700)</u>	<u>(2,694)</u>
	343,417	416,408
Taxable losses carried forward	<u>(225,826)</u>	<u>(204,737)</u>
	<u>117,591</u>	<u>211,671</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued...)

### 15. Pension Scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company and are in an independently administered fund. The pension cost charge against profits in the year represents contributions payable to the fund and amounted to £47,229 (2002: £48,273).

### 16. Called up Share Capital

	2003 £	2002 £
Authorised ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid ordinary shares of £1 each	<u>3,157,481</u>	<u>3,035,074</u>

The Company allotted 122,407 ordinary shares of £1 each at par during the year ended 31 December 2003.

Note: See also Results and Dividends in the Directors' Report on page 6.

### 17. Reserves

	Revaluation Reserve £	Profit and loss account £
At 1 January 2003	905,644	689,489
Revaluation in the year	1,013,732	-
Historical cost depreciation adjustment	(6,139)	6,139
Profit for the financial year	<u>-</u>	<u>142,332</u>
At 31 December 2003	<u>1,913,237</u>	<u>837,960</u>

# **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2003 (Continued...)**

## **18. Reconciliation of movements in shareholders' funds**

	2003 £	2002 £
Profit for the financial year	142,332	40,244
Revaluation in the year	1,013,732	-
Issue of share capital	<u>122,407</u>	<u>63,796</u>
Net addition to shareholders' funds	<u>1,278,471</u>	<u>104,040</u>
Opening shareholders' funds	<u>4,630,207</u>	<u>4,526,167</u>
Closing shareholders' funds	<u>5,908,678</u>	<u>4,630,207</u>

## **19. Capital commitments**

	2003 £	2002 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>365,000</u>	<u>24,434</u>

The capital expenditure that has been contracted for at the year end relates mainly to improvement work on Victoria Bridge.

## **20. Other financial commitments**

The following annual commitments existed at 31 December 2003 in respect of non-cancellable operating leases:

	2003 £	2002 £
Plant and Equipment: falling due in less than 1 year	<u>2,774</u>	<u>196</u>
Between 2 to 5 years	<u>897</u>	<u>2,411</u>

## **21. Related Party Transactions**

During the year the following transactions were undertaken with Severn Valley Railway Company Limited who own 21.1 % of the Company's shares

	During 2003 £	Balance at 31.12.03 £	During 2002 £	Balance at 31.12.02 £
Recharges to SVR Co Ltd	<u>12,458</u>	<u>5,280</u>	<u>10,363</u>	<u>-</u>
Recharges from SVR Co Ltd	<u>225</u>	<u>264</u>	<u>-</u>	<u>-</u>

A loan of £50,000 was made and repaid during the year from Severn Valley Railway Company Limited to Severn Valley Railway Company (Holdings) plc. Interest of £155 was paid on the loan.



# **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2003** (Continued...)

## **22. Reconciliation of net cash flow to movements in net funds**

	2003 £	2002 £
Increase in cash in the year	469,152	351,352
Net funds at the beginning of the year	<u>145,135</u>	<u>(206,217)</u>
Net funds at the end of the year	<u>614,287</u>	<u>145,135</u>

## **23. Analysis of changes in net funds**

	01.01.03	Cash flows	Non-cash movement	31.12.03
	£	£	£	£
Cash in hand and at bank/ total net funds	<u>145,135</u>	<u>469,152</u>	<u>-</u>	<u>614,287</u>