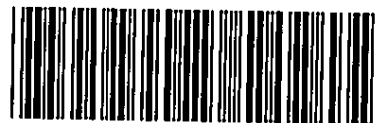


Severn Valley Railway (Holdings) Public Limited Company

REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 6 JANUARY 2013

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SEVERN VALLEY RAILWAY (HOLDINGS) PLC

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SEVERN VALLEY RAILWAY (HOLDINGS) PLC

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS	N C Paul C B E - Chairman M E Ball - Deputy Chairman A G Bending (SVR Co Ltd Representative) J A Dunster A D Owen O B E C G Thomas C W Walton S White (SVR Association Representative) D C Williams (SVR Co Ltd Representative) N Wright M R York
COMPANY SECRETARY	M P Harris
REGISTERED NUMBER	01046274
REGISTERED OFFICE	The Railway Station Bewdley Worcestershire DY12 1BG
STATUTORY AUDITOR	Crowe Clark Whitehill LLP Black Country House Rounds Green Road Oldbury West Midlands B69 2DG
BANKERS	HSBC Bank plc 31 Church Street Kidderminster Worcestershire DY10 2AY
SOLICITORS	Harrison Clark LLP 5 Deansway Worcester WR1 2JG
REGISTRAR	M P Harris The Railway Station Bewdley Worcestershire DY12 1BG

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 6 JANUARY 2013

In this my second statement as Chairman of the Severn Valley Railway Holdings Plc, I am pleased to tell you that 2012 was an exciting and at times challenging year, but most importantly it was profitable. The Severn Valley Railway has been operating trains successfully for forty-two years, with the invaluable help of its dedicated band of working members, members and shareholder supporters.

Poor economic conditions in 2012 were not made easier for heritage railways nor tourism attractions in general by the appalling summer weather and the so called 'Olympic effect'. Like many others we found that the public at large preferred to stay at home and watch the sports on the television rather than venture out. Despite these challenging conditions the Holdings Company recorded a profit of £58,158 in 2012.

This has been achieved once again through close attention to our cost base. The 2012 special events were well supported by our passengers and we received some fantastic feedback via Trip Advisor. The Steam Galas, the Halloween event and, the Santa Specials, are all worthy of special mention. The bars also performed very successfully in the year. The Railway continues to invest substantial sums in its most important physical asset, its infrastructure. The beginning of 2012 saw a £276,000 investment in the replacement of drainage, cabling and track through Bewdley tunnel, a project that saw a positive working relationship between our contractors, paid staff and working members to complete the project before the February school half term holiday. It was completed on time and to budget. Further civil engineering projects have been undertaken following the completion of daily running in October 2012 and have continued in the close down period following the Christmas and New Year programme, these have included, the replacement of Hampton Loade signal box roof, the replacement of the storm drain down the back lane at Bridgnorth, the replacement of track at Country Park and the installation of a new water treatment plant at Kidderminster at a cost of £44,000. During the winter the Bewdley Permanent Way Gang undertook to replace the boarding on Victoria Bridge that supports the formation, a considerable project, which has saved the Company from using external contractors with a saving in excess of £20,000. The improvements to the main line cross-over at Kidderminster at a cost of £40,088 is an important project for the future of the Railway, making it possible for fully signalled passenger train movements to and from SVR metals. This project required close working between our S&T Department, Permanent Way Gang and Network Rail contractors. Our colleagues in the Guarantee Company have continued to support specific projects for the benefit of working members. For example in Kidderminster car park you may have witnessed the construction of sheds for the Type 50 Alliance and a shed for the Signalling Maintenance Department. Whilst at Bewdley a new shower block facility has been constructed for the use by working volunteers, at a cost of £49,619. All of these projects are typical of the diligent approach taken by the Railway Boards in constantly seeking to improve the infrastructure and facilities of the SVR.

2012 has also seen the recruitment of two new managers to the Railway. Clare Gibbard joined the Company in October 2012 as our new Marketing and Communications Manager. She has helped to produce a new marketing plan for 2013 which focuses on families but not at the expense of our core market of members, shareholders and enthusiasts. The plan uses targeted web based advertising for the first time and includes TV advertising. 2012 saw the retirement of Phil Sowden as Infrastructure Manager with the appointment of Chris Bond as his replacement. Chris a long term volunteer and employee, formerly in the Carriage & Wagon department, has already made a significant impact. For example by working with a number of volunteer teams to undertake several projects 'in house' rather than by using contractors.

Moving on to a general review of progress, at the Annual General Meeting in 2012 I referred to ambitious plans to sell three million shares to help fund projects to secure the future of the Railway. You, our shareholders, have responded magnificently to the 2012 Share Offer and I can report that the Railway has now sold 1.4 million shares. As Chairman I am delighted with the response to the Offer, and you may be interested to know that forty percent of the shares have been purchased by new shareholders. Also you may have noticed, as mentioned in my statement last year, that the structure of shareholder benefits has been simplified and a new platinum level introduced. This share offer is still open until the end of September 2013 and I would urge you to encourage friends and family to purchase shares in this offer. Please remember the potential tax advantages available through the Enterprise Investment Scheme, which if eligible will give you a 30% tax relief on your purchase. All purchases, over £100 are most welcome and will enable the continued and lasting investment in the Railways future.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 6 JANUARY 2013

As a shareholder I would like to update you on progress with some of the projects as described in the Share Offer

The Bridgnorth Development Project.

The project seeks to improve Bridgnorth Station by providing interest and facilities appropriate to our northern terminus, including new buffet, restaurant and retail facilities and the complete restoration of the Victorian Grade II listed station building

This project is so important for the future of the Railway. In 2012 a project brief was developed for the station and draft designs created for consultation. The draft architectural designs for the project did not receive the levels of support required, in particular that the development would not be in keeping with the Great Western heritage of Bridgnorth Station. Through the offices of David Postle, Manager of Kidderminster Railway Museum, a positive discussion between Company representatives and volunteers with expertise and knowledge of Great Western architecture and planning have come together and agreed on the principles for taking the project forward together. Conceptual designs of the project should be available in the second half of 2013.

The overhaul of 4930 Hagley Hall and the refurbishment of the Great Western set of Carriages.

The Company has committed to move 4930 from the Engine House to the locomotive works for the commencement of its overhaul in the second half of 2013. The Friends of Hagley Hall, a group of dedicated supporters, have already raised, through tireless efforts, a significant fund to put towards the overhaul of this iconic locomotive, which has been out of service for twenty-six years. Through the good auspices of John Leftwich, Campaign Chairman of the Severn Valley Railway Charitable Trust, Lord Cobham, whose family seat is Hagley Hall, has agreed to be the President of the Friends of Hagley Hall (the locomotive). To accompany this good news the Company will commence the overhaul of Great Western carriage 1146 this year.

The Heritage Training Academy

One of the most popular and important projects contained within the share offer document is the proposal to establish a Training Academy to preserve the specialist heritage skills of our workforce. Working with an academic professional, the Company is currently recruiting a Volunteer Project Coordinator to complete a business plan for the Academy. We are aware that there are a number of similar initiatives regarding apprenticeship in the heritage railway sector and we are coordinating our efforts with colleagues from other Railways, endeavouring to produce a nationally recognised programme of accreditation for our apprentices. Meetings with two local colleges have been arranged for April to finalise the syllabus and recruitment of our first apprentices will begin this summer, for a pilot project to begin in September 2013.

The three projects described above will together necessitate considerable funding from sources other than the Share Offer. The new Severn Valley Railway Charitable Trust (SVRCT) is key to our continued fundraising efforts for the Railway. One of the many initiatives being developed by the SVRCT is concerned with legacies. Working with local solicitors it will provide supporters of the Railway with the means to set up a bequest in their will to leave a legacy donation to assist the Railway in the years to come.

In last year's statement I also reported on the plans to negotiate with locomotive owners on the Railway to provide an updated and fair Running Agreement for all of the 26 locomotives located on the SVR. 2012 has seen several meetings take place between Company representatives and a small representative committee of locomotive owners. The meetings have been cordial, good humoured and positive. The principals of an agreement and the necessary balance sheet adjustments have been agreed with the small locomotive owning committee and the proposals have been taken back with all the owning groups. The proposals have been broadly accepted in principle and on-going negotiations are continuing and we anticipate issuing a joint statement on progress at the AGM.

Again, it is pleasing to report on the progress made on another project I referred to in my last statement to improve the efficiency of the Motive Power Department at Bridgnorth. This project has been underway for some eighteen months, in which time it has seen a restructure of roles at MPD, and recruitment to new posts. One of the key changes is that paid staff now work on a rostered basis five days out of every seven, providing cover for weekends. The working members have embraced this change and in 2013 there have been working parties of over thirty volunteers engaged at the Motive Power Department most weekends. Credit is due to all those involved for their support of this project both working members and paid staff.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 6 JANUARY 2013

There is still much to do, including the installation of a new costing system which will enable the Railway to fully cost locomotive overhauls for the first time without staff wasting valuable time trawling through paper records. It will be accurate and up to date and invaluable as we continue to secure contracts from external customers. The next elements of the MPD improvements the construction of a new storage and classroom building which will allow the removal of the containers and porter-cabins within the workshop creating more working space for locomotive overhauls.

Turning to 2013, the New Year offers both challenges and reasons for optimism. In terms of challenges, the success of continued negotiations to deliver an agreed Bridgnorth Development project is vital and there is growing confidence from all those involved in the project that we can make progress together. Later in the year the Board will analyse business plans for each of the projects before the injection of shareholder funds. There is also further work needed to improve communication within the Railway. Whilst the introduction of an intranet site 'SVRLive' provides improved means of communication, further development and increased accessibility and usage to make it truly two way. The Marketing and Communications Manager working with key working members will produce a communication plan for the Railway in 2013.

The Railway works as a team, it is reliant on the skills of its working members, members, paid staff, directors, trustees and the large number of affiliated locomotive and carriage owners plus the undying support of its shareholders for its future growth. As Chairman of the Holdings Company I am very proud to be able to work with and for such a wide family of concerns that work together as the Severn Valley Railway, a name and organisation of which we are all justly proud. I look forward to meeting you on the Railway in 2013 or at the Annual General Meeting, thank you once again for your continued support.



Name **N C Paul C.B.E.**
Chairman

Date 16 April 2013

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 6 JANUARY 2013

The Directors present their report and the Financial Statements for the period ended 6 January 2013

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 period's business is included in the Chairman's Statement on pages 2 to 4 which is deemed to form part of this Report.

KEY PERFORMANCE INDICATORS

The Board monitors the Company's performance against strategic objectives and the financial performance on a regular basis. Performance is assessed against the budgets using financial and non-financial measures.

The following are some of the most significant key performance indicators:

- Cashflow
- Turnover
- Expenditure
- Passenger numbers, and yield per passenger
- Operating profit
- Performance compared to the Strategic Plan

The Directors consider the following issues to be the Company's main risks and uncertainties:

- Continue to operate within the company's safety management system
- The current economic situation and its impact on disposable income
- Weather and its impact on the number of passengers
- Availability of coal, oil and other necessary resources
- Age of working volunteers and their continuing support of the Railway
- Risk of not finding funding for ongoing repairs or future projects
- Availability and recruitment of skilled staff
- Ongoing changes to legislation
- Environmental issues
- Compliance with Health & Safety

In order to mitigate these risks and uncertainties, the Directors produce detailed business plans and monitor progress against these.

RESULTS AND DIVIDENDS

The profit for the period, after taxation, amounted to £58,158 (2012 - £58,605).

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.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 6 JANUARY 2013

DIRECTORS

The Directors who served during the period and their interests in the Company's issued share capital were

	Ordinary shares of £1 each	
	6 January 2013	3 January 2012
N C Paul C B E - Chairman	6,451	1,451
M E Ball - Deputy Chairman	1,700	500
A G Bending (SVR Co Ltd Representative)	2,600	2,600
J A Dunster	250	250
A D Owen O B E	1,500	500
C G Thomas	1,052	452
C W Walton	1,200	700
S White (SVR Association Representative)	60	60
D C Williams (SVR Co Ltd Representative)	2,505	2,005
N Wright	16,080	8,080
M R York	1,000	500

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 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 6 January 2013 was 40 (2 January 2012 - 36).

PROVISION OF INFORMATION TO STATUTORY AUDITOR

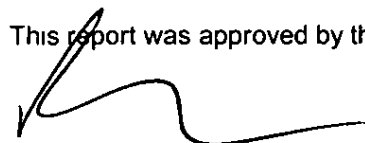
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that

- so far as that Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- that Director has taken all the steps that ought to have been taken as a Director in order to be aware of any information needed by the Company's auditor in connection with preparing its report and to establish that the Company's auditor is aware of that information

STATUTORY AUDITOR

The auditor, Crowe Clark Whitehill LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the Board on 16 April 2013 and signed on its behalf



M P Harris
Company Secretary

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

DIRECTORS' RESPONSIBILITIES STATEMENT FOR THE PERIOD ENDED 6 JANUARY 2013

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

The Directors are responsible for preparing the Directors' Report and the Financial Statements in accordance with applicable law and regulations

Company law requires the Directors to prepare Financial Statements for each financial period. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the Financial Statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these Financial Statements, the Directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements,
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In determining how amounts are presented within items in the Profit and Loss Account and Balance Sheet, the Directors have had regard to the substance of the reported transaction or arrangement, in accordance with generally accepted accounting principles.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEVERN VALLEY RAILWAY (HOLDINGS) PLC

We have audited the Financial Statements of Severn Valley Railway (Holdings) plc for the period ended 6 January 2013, set out on pages 10 to 25. 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 Company's shareholders, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITOR

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited Financial Statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

OPINION ON FINANCIAL STATEMENTS

In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 6 January 2013 and of its profit for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial period for which the Financial Statements are prepared is consistent with the Financial Statements.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF SEVERN VALLEY RAILWAY
(HOLDINGS) PLC**

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

Dave Darlaston (Senior Statutory Auditor)

for and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

Black Country House

Rounds Green Road

Oldbury

West Midlands

B69 2DG

16 April 2013

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED 6 JANUARY 2013**

	Note	Period ended 6 January 2013 £	Period ended 2 January 2012 £
TURNOVER	1,2	5,371,952	5,538,945
Cost of sales		(5,208,267)	(5,260,981)
GROSS PROFIT		163,685	277,964
Administrative expenses		(620,425)	(635,495)
Other operating income	3	535,949	434,833
OPERATING PROFIT	4	79,209	77,302
Interest receivable and similar income		183	90
Interest payable and similar charges	5	(21,234)	(18,787)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		58,158	58,605
Tax on profit on ordinary activities	15	-	-
PROFIT FOR THE FINANCIAL PERIOD		58,158	58,605

All amounts relate to continuing operations

There were no recognised gains and losses for 2013 or 2012 other than those included in the Profit and Loss Account

The notes on pages 13 to 25 form part of these Financial Statements

SEVERN VALLEY RAILWAY (HOLDINGS) PLC
REGISTERED NUMBER: 01046274


BALANCE SHEET
AS AT 6 JANUARY 2013

	Note	6 January 2013 £	£	2 January 2012 £	£
FIXED ASSETS					
Tangible assets	9		11,773,688		11,738,104
CURRENT ASSETS					
Stocks	10	416,538		271,993	
Debtors	11	312,826		407,320	
Cash at bank and in hand	12	793,454		265,462	
		<u>1,522,818</u>		<u>944,775</u>	
CREDITORS amounts falling due within one year	13	<u>(1,150,766)</u>		<u>(1,271,262)</u>	
NET CURRENT ASSETS/(LIABILITIES)			<u>372,052</u>		<u>(326,487)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>12,145,740</u>		<u>11,411,617</u>
CREDITORS: amounts falling due after more than one year	14		<u>(5,920,705)</u>		<u>(6,301,216)</u>
NET ASSETS			<u><u>6,225,035</u></u>		<u><u>5,110,401</u></u>
CAPITAL AND RESERVES					
Called up share capital	16		5,781,463		4,724,987
Profit and loss account	17		443,572		385,414
SHAREHOLDERS' FUNDS - all equity	18		<u><u>6,225,035</u></u>		<u><u>5,110,401</u></u>

The Financial Statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 16 April 2013



N C Paul C B E
Director



M E Ball
Director

The notes on pages 13 to 25 form part of these financial statements

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**CASH FLOW STATEMENT
FOR THE PERIOD ENDED 6 JANUARY 2013**

	Note	Period ended 6 January 2013 £	Period ended 2 January 2012 £
Net cash flow from operating activities	19	223,051	124,835
Returns on investments and servicing of finance	20	(21,051)	(18,697)
Capital expenditure and financial investment	20	(532,112)	(613,814)
CASH OUTFLOW BEFORE FINANCING		(330,112)	(507,676)
Financing	20	858,104	570,121
INCREASE IN CASH IN THE PERIOD		527,992	62,445

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE PERIOD ENDED 6 JANUARY 2013**

	Period ended 6 January 2013 £	Period ended 2 January 2012 £
Increase in cash in the period	527,992	62,445
Cash outflow from decrease in debt and lease financing	198,372	(408,167)
MOVEMENT IN NET DEBT IN THE PERIOD	726,364	(345,722)
Net debt at 3 January 2012	(695,423)	(349,701)
NET FUNDS/(DEBT) AT 6 JANUARY 2013	30,941	(695,423)

The notes on pages 13 to 25 form part of these financial statements

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 6 JANUARY 2013

1. PRINCIPAL ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom. A summary of the accounting policies, which have been applied consistently, are set out below.

1.1 Basis of preparation of financial statements

The Financial Statements are prepared in accordance with the historical cost convention.

The Directors have drawn up these accounts to the accounting reference period of 6 January 2013 (2 January 2012) to correspond with the end of the Company's 'festive season' running schedule.

When preparing these Financial Statements, the Directors have assessed the Company's ability to continue as a going concern. As a result of this assessment, no material uncertainties have been identified by the Directors that may cast significant doubt about the ability of the Company to continue as a going concern.

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 5 to 6.

The Company meets its day-to-day working capital requirements through an overdraft facility that is due for renewal in July 2013. The Company's forecasts and projections show that the Company should be able to operate within the level of its current facility. The Company will hold renewal negotiations with the Bank in due course and has, at this stage, not sought any written commitment that the facility will be renewed. However, since the year end, the Company has held discussions with the Bank about its future borrowing needs and no matters have been drawn to its attention to suggest that renewal may not be forthcoming on acceptable terms.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the annual Financial Statements.

1.2 Turnover

Turnover comprises revenue recognised by the Company in respect of goods and services supplied, exclusive of Value Added Tax and trade discounts.

Income associated with credit sales is recognised at the point an invoice is raised. Invoices are raised once the Company becomes entitled to consideration for goods and services supplied.

Income associated with cash sales is recognised at the point of sale for non-refundable goods and services. Where services are purchased in advance of the date that the service is provided, the income is deferred until the date of supply.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 6 JANUARY 2013

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.3 Tangible fixed assets and depreciation

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.

Depreciation is calculated so as to write off the cost 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
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.

Where fixed assets are acquired with the aid of specific grants, they are capitalised and depreciated as above. The related grants are treated as deferred capital grants and released to income over the expected useful life of the asset.

1.4 Operating leases

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

1.5 Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value and include goods for resale and stores of goods for use in operation of the Railway. 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.

1.6 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.

Deferred tax assets and liabilities are not discounted.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 6 JANUARY 2013

1 PRINCIPAL ACCOUNTING POLICIES (continued)

1.7 Pension costs

The Company operates a defined contribution pension scheme. Amounts falling due are charged to the Profit and Loss Account as incurred.

1.8 Grants

Grants are released to the Profit and Loss Account over the same period to which the related costs are charged once confirmation of the grant amount to be received is certain. 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.

1.9 Rental Income

Rental income is recognised on an accruals basis.

1.10 Locomotives and Rolling Stock

These arrangements are in the nature of operating leases. Repairs and maintenance are provided for in accordance with the locomotive and rolling stock agreements. Costs of repairs and maintenance, over and above those in the terms of the agreement, are charged to the Profit and Loss Account as incurred.

2 TURNOVER

In the opinion of the Directors, the Company's business is a single entity, that of operating a heritage railway, with a scheduled service, in the United Kingdom.

All turnover arose within the United Kingdom.

3 OTHER OPERATING INCOME

	Period ended 6 January 2013 £	Period ended 2 January 2012 £
Rents received	22,074	16,922
Other donations and legacies	166,688	107,768
Other non trading income	88,246	51,388
Release of deferred grants/donations	240,975	258,755
Insurance claim for stock theft	17,966	-
	<u>535,949</u>	<u>434,833</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 6 JANUARY 2013**

4. OPERATING PROFIT

The operating profit is stated after charging

	Period ended 6 January 2013 £	Period ended 2 January 2012 £
Depreciation of tangible fixed assets - owned by the Company	496,528	489,728
Operating lease rentals - plant and machinery	2,102	2,017
	<u>498,630</u>	<u>491,745</u>

5. INTEREST PAYABLE AND SIMILAR CHARGES

	Period ended 6 January 2013 £	Period ended 2 January 2012 £
On bank loans and overdrafts	20,604	18,086
On other loans	630	701
	<u>21,234</u>	<u>18,787</u>

6 AUDITORS' REMUNERATION

	Period ended 6 January 2013 £	Period ended 2 January 2012 £
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	14,500	14,500
Fees payable to the Company's Auditor and its associates in respect of		
Taxation compliance services	4,000	4,000
Corporate finance services	22,500	-
Other services	2,000	3,000
	<u>40,000</u>	<u>21,500</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 6 JANUARY 2013**

7 DIRECTORS' EMOLUMENTS

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

8 EMPLOYEE INFORMATION

Staff costs were as follows

	Period ended 6 January 2013 £	Period ended 2 January 2012 £
Wages and salaries	1,770,362	1,765,951
Social security costs	121,620	128,180
Other pension costs	32,415	54,148
	<u>1,924,397</u>	<u>1,948,279</u>

The average monthly number of employees during the period was as follows

	Period ended 6 January 2013 No	Period ended 2 January 2012 No
Full time	72	78
Part time	55	63
	<u>127</u>	<u>141</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 6 JANUARY 2013**

9 TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Locos and rolling stock £	Office equipment and motor vehicles £	Commercial fixtures, fittings & equipment £	Capital work in progress £	Total £
Cost						
At 3 January 2012	14,036,838	737,801	175,040	972,836	107,051	16,029,566
Additions	208,683	-	45,225	103,214	174,990	532,112
Transfer between classes	73,279	-	-	-	(73,279)	-
At 6 January 2013	14,318,800	737,801	220,265	1,076,050	208,762	16,561,678
Depreciation						
At 3 January 2012	3,009,096	676,284	156,957	449,125	-	4,291,462
Charge for the period	434,595	3,939	13,699	44,295	-	496,528
At 6 January 2013	3,443,691	680,223	170,656	493,420	-	4,787,990
Net book value						
At 6 January 2013	10,875,109	57,578	49,609	582,630	208,762	11,773,688
At 2 January 2012	11,027,742	61,517	18,083	523,711	107,051	11,738,104

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 in line with the accounting policy.

10 STOCKS

	6 January 2013 £	2 January 2012 £
Stores	216,317	104,464
Goods for resale	200,221	167,529
	<u>416,538</u>	<u>271,993</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 6 JANUARY 2013**

11 DEBTORS

	6 January 2013 £	2 January 2012 £
Trade debtors	156,816	171,196
Other debtors	67,330	77,964
Prepayments and accrued income	88,680	158,160
	<u>312,826</u>	<u>407,320</u>

12. CASH AT BANK AND IN HAND

	6 January 2013 £	2 January 2012 £
Balance at bank	785,014	256,931
Petty cash and cash floats	8,440	8,531
	<u>793,454</u>	<u>265,462</u>

**13 CREDITORS:
Amounts falling due within one year**

	6 January 2013 £	2 January 2012 £
Bank loans	140,556	136,911
Other loans	116,432	175,879
Trade creditors	406,336	387,847
Other taxation and social security	35,294	42,500
Other creditors	161,515	175,644
Accruals and deferred income	290,633	352,481
	<u>1,150,766</u>	<u>1,271,262</u>

The bank borrowings are secured by means of a fixed charge over all book debts and certain freehold properties and a floating charge over certain assets, goodwill, undertakings and uncalled capital both present and future

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 6 JANUARY 2013

14 CREDITORS:
Amounts falling due after more than one year

	6 January 2013 £	2 January 2012 £
Bank loans	505,525	648,095
Accruals and deferred income	5,415,180	5,653,121
	<u>5,920,705</u>	<u>6,301,216</u>

Creditors include amounts not wholly repayable within 5 years as follows

	6 January 2013 £	2 January 2012 £
Bank loans repayable by instalments	<u>119,362</u>	<u>164,764</u>

Loan 1 - Kidderminster

The loan limit is capped at £550,000 and was initially repayable in monthly instalments of £3,863 repayable within twenty years from draw down in April 2006. From 1 April 2008, monthly instalments were increased to £4,000 (including interest) in order to accelerate repayment of the capital amount. At 6 January 2013 £42,240 is repayable within one year, £168,931 repayable in 2 to 5 years and £119,362 repayable in over 5 years.

Interest is charged at 1.25% over the HSBC Bank plc base rate.

Loan 2 - Arley and Bewdley South Viaduct

The loan limit is capped at £500,000 and is repayable over a term of five years. The total amount drawn down was £492,918 and repayment commenced on 4 April 2011 at a rate of £8,928 (including interest). At 6 January 2013 £98,316 is repayable within one year and £217,232 repayable in 2 to 5 years.

Interest is charged at 2.24% over the HSBC Bank plc base rate.

Both bank borrowings are secured by means of a fixed charge over all book debts and freehold properties and a floating charge over certain assets, goodwill, undertakings and uncalled capital, both present and future.

Deferred income includes grants and public donations received towards Kidderminster carriage shed, Kidderminster station building improvements, Highley Engine House and Bridgnorth locomotive shed roof refurbishment.

The grants and donations are being released to the Profit and Loss Account over the economic useful life of the respective asset and in line with depreciation for freehold buildings.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 6 JANUARY 2013

15 TAXATION

Corporation Tax and Deferred Tax

No corporation tax or deferred tax is chargeable to either the current or the prior period

Factors affecting tax charge for the period

The tax assessed for the period is lower than (2012 - lower than) the standard rate of corporation tax in the UK of 20% (2012 - 20%) The differences are explained below

	Period ended 6 January 2013 £	Period ended 2 January 2012 £
Profit on ordinary activities before tax	<u>58,158</u>	<u>58,605</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 20% (2012 - 20%)	11,632	11,721
Effects of.		
Expenses not deductible for tax purposes	4	-
Depreciation on ineligible assets	70,042	70,252
Adjustments to tax charge in respect of previous periods	18	-
Donations received	(33,421)	(21,637)
Movement on accelerated capital allowances	-	608
Unrelieved tax losses / (Utilisation of brought forward tax losses)	606	(9,731)
Release of deferred income	(48,826)	(51,661)
Other differences	(55)	448
	<u>-</u>	<u>-</u>
Current tax charge for the period (see note above)	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

The tax rate of 20% (2012 - 20%) has been used, as the Directors consider that this is the rate applicable to the Company taking into account its expected level of future profits

The Company has a potential deferred tax asset of £718,803 (2012 - £719,776) relating to tax losses carried forward and a potential deferred tax asset of £875,567 (2012 - £922,813) relating to fixed asset timing differences

The potential deferred tax assets have not been provided for, as the Directors cannot be sure that there will be sufficient taxable profits against which these assets can reverse in the foreseeable future

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 6 JANUARY 2013**

16. SHARE CAPITAL

	6 January 2013 £	2 January 2012 £
Authorised		
8,000,000 Ordinary shares of £1 each	<u>8,000,000</u>	<u>8,000,000</u>
Allotted, called up and fully paid		
5,871,413 (2012 - 4,724,987) Ordinary shares of £1 each	<u>5,781,463</u>	<u>4,724,987</u>

During the period the Company issued 1,146,426 Ordinary shares at par

Share capital is shown net of direct share offer costs of £89,950 incurred during the period

17. RESERVES

	Profit and loss account £
At 3 January 2012	385,414
Profit for the financial period	58,158
	<u>443,572</u>
At 6 January 2013	

18. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	6 January 2013 £	2 January 2012 £
Opening shareholders' funds	5,110,401	4,889,842
Profit for the period	58,158	58,605
Shares issued during the period (net of direct share offer costs)	<u>1,056,476</u>	<u>161,954</u>
Closing shareholders' funds	<u>6,225,035</u>	<u>5,110,401</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 6 JANUARY 2013**

19 NET CASH FLOW FROM OPERATING ACTIVITIES

	Period ended 6 January 2013 £	Period ended 2 January 2012 £
Operating profit	79,209	77,302
Depreciation of tangible fixed assets	496,528	489,728
(Increase)/decrease in stocks	(144,545)	111,853
Decrease/(increase) in debtors	94,494	(107,408)
Decrease in creditors	(302,635)	(446,640)
Net cash inflow from operating activities	223,051	124,835

20. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN CASH FLOW STATEMENT

	Period ended 6 January 2013 £	Period ended 2 January 2012 £
Returns on investments and servicing of finance		
Interest received	183	90
Interest paid	(21,234)	(18,787)
Net cash outflow from returns on investments and servicing of finance	(21,051)	(18,697)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(532,112)	(613,814)
Financing		
Issue of ordinary shares (net of direct share offer costs)	1,056,476	161,954
Repayment of loans	(258,372)	(139,765)
New loans	60,000	547,932
Net cash inflow from financing	858,104	570,121

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 6 JANUARY 2013**

21 ANALYSIS OF CHANGES IN NET DEBT

	3 January 2012 £	Cash flow £	Other non-cash changes £	6 January 2013 £
Cash at bank and in hand	265,462	527,992	-	793,454
Debt:				
Debts due within one year	(312,790)	198,372	(142,570)	(256,988)
Debts falling due after more than one year	(648,095)	-	142,570	(505,525)
Net debt	(695,423)	726,364	-	30,941

22. CAPITAL COMMITMENTS

At 6 January 2013 the company had capital commitments as follows

	6 January 2013 £	2 January 2012 £
Capital expenditure that has been contracted for, but has not been provided for in these financial statements	55,122	180,485

23. 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 period represents contributions payable to the fund and amounted to £39,263 (2012 - £54,148).

24. OTHER FINANCIAL COMMITMENTS

At 6 January 2013 the Company had annual commitments under non-cancellable operating leases as follows

	6 January 2013 £	2 January 2012 £
Expiry date:		
Within 1 year	2,102	2,017

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 6 JANUARY 2013

25 RELATED PARTY TRANSACTIONS

Severn Valley Railway Company Limited

Severn Valley Railway Company Limited is a company limited by Guarantee, supported by its membership, which provides the volunteer workforce that assist in the operation of the railway. During the period, the following transactions were undertaken with Severn Valley Railway Company Limited who own 22.2% of the Company's shares.

	Period ended 6 January 2013 £	Period ended 2 January 2012 £
Recharges to SVR Co Ltd	<u>39,019</u>	<u>9,944</u>
Recharges from SVR Co Ltd	<u>12,134</u>	<u>11,682</u>

Loans totalling £nil (*prior period* - £40,000) were made during the period from Severn Valley Railway Company Limited to Severn Valley Railway (Holdings) Plc. Interest of £630 (*prior period* - £1,212) was charged on the outstanding loan during the period at interest rates of between 0.5% above the ruling money market rate for investments and a flat rate of 2%.

The balance due to Severn Valley Railway Company Limited at 6 January 2013 was £17,193 (*2 January 2012* - £84,950) and this figure is included in Creditors.

Severn Valley Railway Association

Severn Valley Railway Association is a body created to fundraise, support and communicate from the working members of the Severn Valley Railway to the Severn Valley Railway (Holdings) plc Board of Directors.

There were no material transactions undertaken with Severn Valley Railway Association during the period.

Severn Valley Railway Charitable Trust Limited

Severn Valley Railway Charitable Trust Limited is a registered charity, set up by the SVR family in 2002 to help ensure the long term future of rolling stock based on the Severn Valley Railway.

There were no material transactions undertaken with Severn Valley Railway Charitable Trust Limited during the period.