

Registered number: 1046274

Severn Valley Railway (Holdings) Public Limited Company

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2009



SEVERN VALLEY RAILWAY (HOLDINGS) PLC

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SEVERN VALLEY RAILWAY (HOLDINGS) PLC

DIRECTORS, OFFICERS AND ADVISERS

DIRECTORS	M R York - Chairman M E Ball - Deputy Chairman A Barker A Davies (SVR Association Representative) R F Hobson (SVR Co Ltd Representative) - (appointed 11 February 2009 & resigned 18 September 2009) C F Homer A D Owen N C Paul R S Smith C G Thomas C W Walton S White (SVR Co Ltd Representative) (appointed 18 September 2009) D C Williams (SVR Co Ltd Representative)
COMPANY SECRETARY	A S Harding
COMPANY NUMBER	1046274
REGISTERED OFFICE	The Railway Station Bewdley Worcestershire DY12 1BG
STATUTORY AUDITOR	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
STOCKBROKERS	GHC Capital Markets Ltd The Tramshed Beehive Yard Walcot St Bath, Avon BA1 5BB
REGISTRAR	A S Harding The Railway Station Bewdley Worcestershire DY12 1BG

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

2009 turned out to be a year of mixed fortunes for the Railway. On the positive side passenger numbers were very good at 248,798, there were two excellent Steam Galas, a tremendous October half-term week (when a certain Tornado blew into the Valley) plus a Royal visit. On the down side more visitors than usual were taking shorter journeys, costs exceeded budget and we suffered an unfortunate derailment to the tender of locomotive 43106 whilst hauling a passenger train at Hampton Loade.

The net result of all this was that turnover from our trading operations rose to a record £5,617,131 whilst gross revenue, which includes grants and donations, exceeded £6 million. Our Special Events once again demonstrated their appeal, attracting a record £785,000 in ticket sales alone despite the loss of the second Thomas event in September. Traffic revenues for the year amounted to £2,805,000 with Footplate Experience Courses continuing to be popular, Charters and Party Bookings also doing well and the Schools Education Service showing a small increase on the previous year. The importance of our Santa operations was again underlined with December recording total sales in excess of £800,000 and making a significant contribution to profits.

On the commercial front the bars, on-train buffets and Venturer operation had another excellent year achieving record sales of £1.2 million, up no less than 13% on the 2008 figure which was itself a new high. Catering overcame a slow start to the year to also achieve record sales of £533,000, up by a creditable 12%. On the other hand the Gift Shops had another difficult year, faced with a challenging trading situation, but nevertheless recorded a slightly improved turnover of £384,000. Contract Engineering maintained its turnover at 2008 levels and, in 2010, the Company is expecting to see the benefits of employing additional staff on boiler work, in particular with the appointment of a Contract Boilershop Foreman charged with seeking additional outside contract work. I am pleased to report that progress is already being made with three contracts booked so far this year. The Engine House Visitor Centre, now in its second year, again proved popular with our visitors achieving sales of almost £350,000 from admissions, shop and Buffers restaurant, a rise of 24% over 2008. We hope to see an increase in that figure in 2010 following the decision to allow free entry for those visitors purchasing a full line rail ticket.

The maintenance of our ageing infrastructure again demanded high expenditure even after a decision to defer major work on Bridgnorth bypass bridge to 2010. The cost of maintaining our locomotive and carriage fleets increased appreciably whilst we also experienced increased cost and consumption of coal, fuel oil, gas, electricity and water. Sources of good quality steam coal are limited and we have now seen the price of this essential commodity rise by 75% in the last eighteen months. Strenuous efforts are being made to reduce expenditure on utilities and a report is now awaited from our Energy Cost Reduction Officer to see how and where savings can be made.

Largely as a result of the increased costs incurred during the year there was a trading loss of £22,088, however, when the last of the 2007 flood related grant monies and appeal donations are included there was an overall profit before taxation of £70,527. After the first few weeks of the year cash flow remained positive and it was not necessary to make use of our overdraft facility with the Bank. As a result interest paid out was much less than in 2008 but conversely, with falling bank rates, interest received was also less.

When comparing the 2009 results against the previous year it is important to be mindful of the costs/grants in that year relating to the railway stabilisation works following the flood damage. I can now report that the final cost of making good that damage was £3,829,791. Funding from Grant Agencies amounted to £2,001,067, our insurers paid us £980,892 and a magnificent £591,515 was received from donations, leaving a final shortfall of £256,317. In addition, a further £85,693 was received from the sale of new shares, supporting the railway stabilisation works.

I would also like to bring to your attention the significant strengthening of the Balance Sheet during the year from a Net Assets value of £4,509,000 in 2008 to £4,877,000 in 2009. Whilst the profit earned in 2009 contributed to this very welcome outcome, much of the improvement came from the purchase of more than 297,000 new £1 Ordinary shares in your Company.

There was further substantial capital investment in the Railway in 2009 with more than £400,000 being spent on a number of projects. The much needed improvements to Bridgnorth MPD, including new steelwork on the

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

front of the building and the fitting of roller shutter doors, together with new translucent side panels to improve natural lighting, was completed at a cost of £240,000. We are indebted to Severn Valley Railway Company for their considerable financial assistance with the project. An initial £55,000 was spent during the year on a wheel-drop facility for Bridgnorth MPD, the project to be completed by mid-2010. A further £56,000 was spent on Highley Station footbridge, £8,000 on Highley station redevelopment, £10,000 to complete Kidderminster Catering Dock, £17,000 on catering equipment for the new Grab and Go food facility at the Engine House (to be operational early 2010) and £9,000 on new electronic tills for the Shops and Engine House restaurant. A further £10,000 was spent on various other projects.

There were a number of highlights during the year. Our Patron, HRH The Duke of Gloucester, very kindly accepted an invitation to visit the Railway in October to formally open the Engine House and also the new Highley Station footbridge which, fortuitously, had been completed just two days before the visit. The SVR gained another national award in 2009, this time receiving the Heritage Railway Association's Peter Manisty Award for Excellence. The Spring and Autumn Steam Galas were both extremely successful, with the four large visiting locomotives in action at the former proving a great attraction for enthusiasts. When it comes to visiting engines nothing in 2009 carried greater appeal to enthusiasts and public alike than brand new A1 Peppercorn Pacific 60163 Tornado. The visit of the locomotive for the October half-term week certainly put a smile on many a face.

In late Summer we lost the services of Pannier Tank 7714 as expected when boiler problems hastened its withdrawal from traffic. However, a spare boiler is currently being worked on to enable a boiler swap to facilitate its return to active service. A little later than predicted 43106 returned to traffic just in time for the Autumn Steam Gala but, unfortunately, it suffered a derailment of its tender just a day after the event. Nobody was hurt but a considerable amount of damage was caused to the tender wheelsets and to the track and south end points at Hampton Loade. We currently await the findings of a Rail Accident Investigation Branch inquiry into the accident. In the meantime, our own internal inquiry has identified the two principal causes of the accident and has highlighted a number of areas in our Safety Management System where improvements need to be made. Safety is of paramount importance and the Board has resolved that lessons will be learned and action taken where necessary. Next out of the Bridgnorth workshop will be 2857, to be followed by 1501 after what we hope will be a reasonably quick overhaul. The Carriage Department had another busy year attending to no fewer than seventeen different vehicles, the work involved ranging from bodywork repairs and repainting, bogie overhauls and wheelset changes through to heavy repairs and major overhauls. Several of the diesel fleet also received attention in the Carriage Works.

The draft Strategic Plan made available for discussion at last year's AGM generated feedback from a number of shareholders and members, and after due consideration of comments received, the final document has now been approved by the Joint Board. For those wanting to access it, the Plan will shortly be posted on our website. Business Plans to support the Strategy will follow later in the year. The Company's website, by the way, is being professionally revamped and will be on stream in the very near future. Do pay it a visit and let us know what you think. Discussions on the future development of the Bridgnorth Station site are progressing slowly, whilst at the other end of the line plans for the erection of a diesel depot at Kidderminster have now entered the planning application stage.

During 2009 the Company was made aware of the availability of an ex-British Railways wheel-drop facility situated at the former Leicester MPD and given the potential benefits it would bring to our locomotive maintenance operations at Bridgnorth, not to mention the scope for additional contract work, the decision was taken to purchase it. The task of installing the equipment, involving the excavation of a twenty foot deep pit, is currently under way and is expected to be completed by mid-May. An appeal for financial assistance has so far raised over £50,000 towards the £200,000 cost of the project and any further assistance shareholders can give would be greatly appreciated.

Looking at 2010, the exceptionally harsh winter weather has already had an adverse impact on our early season visitor numbers, although the fact that the Railway was closed north of Highley whilst track repairs were being carried out at Hampton Loade, will also have been a factor. Along with the rest of the nation we can't wait for warmer weather to come! For those of you contemplating a visit to the Engine House this year I can tell you there will be a new exhibit on view in the shape of LMS Royal Saloon No 798. Built in 1941 the vehicle was initially used by the late King George VI and later by the present Queen. The coach was presented to the SVR

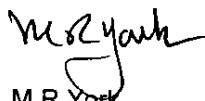
SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

in 2009 by the National Railway Museum and offers a fascinating insight into Royal train travel in the latter half of the 20th century

This year marks the 40th Anniversary of the commencement of SVR passenger train services and the occasion will be particularly celebrated at the Autumn Steam Gala in September. It is proposed to bring back to the Railway for this event a number of former SVR locomotives, including the very first to arrive on the preserved SVR in 1967, GWR 0-6-0 3205. Joining it we hope, will be old favourites LMS Jubilee 5690 Leander and BR Standard Pacific 70000 Britannia. The weekend promises to be full of nostalgia and well worth a visit.

I cannot close this Report without once again paying tribute to the great army of people who make the Severn Valley Railway what it is. Whether they be paid staff, volunteers, shareholders or members all aspire to a common goal – the success of their Railway. Thank you each and every one. I would also like to record my thanks to Roger Smith for the support he has given me over the last seven years. Roger stood down as Deputy Chairman in September and has been succeeded by Mike Ball. Also during the year Steve White joined the Board replacing Roger Hobson as one of the SVR Company's two nominees.



Name M R York
Chairman

Date 6 April 2010

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2009

The Directors present their Report and the audited Financial Statements for the year ended 31 December 2009

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'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
- Passenger numbers
- Turnover
- Gross profit
- Performance compared to the Strategic Plan

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

- 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 or future projects
- Availability and recruitment of skilled staff
- Ongoing changes to legislation
- Environmental issues

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 year, after taxation, amounted to £70,527 (2008 - £97,925).

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 YEAR ENDED 31 DECEMBER 2009

DIRECTORS

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

	Ordinary shares of £1 each	
	2009	2008
M R York - Chairman	500	500
M E Ball - Deputy Chairman	500	500
A Barker	5,838	5,718
A Barker - Trustee holding for SVR Association	52,048	50,048
A Davies (SVR Association Representative)	500	500
R F Hobson (SVR Co Ltd Representative) - (appointed 11 February 2009 & resigned 18 September 2009)	450	450 *
C F Homer	3,010	3,010
A D Owen	500	500
N C Paul	1,451	1,451
R S Smith	300	7,500
C G Thomas	452	452
C W Walton	700	700
S White (SVR Co Ltd Representative) (appointed 18 September 2009)	10	-
D C Williams (SVR Co Ltd Representative)	2,005	2,005

(* held on date of appointment)

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.

After the year end, S White increased his shareholding to the number required by the Company's Articles of Association.

SUBSTANTIAL SHAREHOLDINGS

The following had holdings in excess of 3% of the issued share capital of the Company at 31 December 2009

	No of shares	% of Total
SVR Co Ltd	1,090,629	25.3%
Rubery Owen Holdings Ltd	150,000	3.5%
Philip Walter Swallow	216,753	5.0%

CHARITABLE DONATIONS

During the year the Company made charitable donations of £nil (2008 - £50)

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 2009 was 54 (2008 - 50)

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

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

This report was approved by the Board on 6 April 2010 and signed on its behalf by



A S Harding
Company Secretary

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

- select suitable accounting policies and then apply them consistently,
- make judgements and 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 year ended 31 December 2009, set out on pages 11 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.

UNQUALIFIED 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 31 December 2009 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year 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

HORWATH CLARK WHITEHILL LLP

Statutory Auditor
Foley House
123 Stourport Road
Kidderminster
Worcestershire
DY11 7BW

6 April 2010

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £	2008 £
TURNOVER	1,2	5,617,131	5,019,105
Cost of sales	5	(5,401,422)	(6,343,197)
GROSS PROFIT/(LOSS)		215,709	(1,324,092)
Administrative expenses		(718,006)	(623,847)
Other operating income	3	589,905	2,088,300
OPERATING PROFIT	4	87,608	140,361
Interest receivable		152	1,309
Interest payable	6	(17,233)	(43,745)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		70,527	97,925
Tax on profit on ordinary activities	16	-	-
PROFIT FOR THE FINANCIAL YEAR		70,527	97,925

All amounts relate to continuing operations

There were no recognised gains and losses for 2009 or 2008 other than those included in the Profit and Loss Account

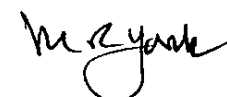
The notes on pages 14 to 25 form part of these Financial Statements

SEVERN VALLEY RAILWAY (HOLDINGS) PLC
REGISTERED NUMBER. 1046274

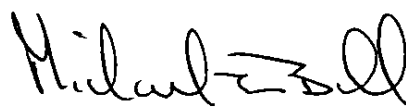
BALANCE SHEET
AS AT 31 DECEMBER 2009

	Note	2009 £	2008 £
FIXED ASSETS			
Tangible assets	10	11,829,027	11,875,837
CURRENT ASSETS			
Stocks	11	348,202	269,906
Debtors	12	379,580	361,449
Cash at bank and in hand	13	275,890	7,783
		<u>1,003,672</u>	<u>639,138</u>
CREDITORS: amounts falling due within one year	14	<u>(1,450,352)</u>	<u>(1,712,140)</u>
NET CURRENT LIABILITIES		<u>(446,680)</u>	<u>(1,073,002)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,382,347</u>	<u>10,802,835</u>
CREDITORS: amounts falling due after more than one year	15	<u>(6,505,096)</u>	<u>(6,293,460)</u>
NET ASSETS		<u><u>4,877,251</u></u>	<u><u>4,509,375</u></u>
CAPITAL AND RESERVES			
Called up share capital	17	4,310,520	4,013,171
Profit and loss account	18	566,731	496,204
SHAREHOLDERS' FUNDS - all equity	19	<u><u>4,877,251</u></u>	<u><u>4,509,375</u></u>

The Financial Statements were approved and authorised for issue by the Board of Directors and were signed on its behalf on 6 April 2010



M R York
Director



M E Ball
Director

The notes on pages 14 to 25 form part of these Financial Statements

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	2009 £	2008 £
Net cash flow from operating activities	20	616,648	930,531
Returns on investments and servicing of finance	21	(17,081)	(42,436)
Capital expenditure and financial investment	21	(405,380)	(734,599)
CASH INFLOW BEFORE FINANCING		194,187	153,496
Financing	21	264,423	(186,940)
INCREASE/(DECREASE) IN CASH IN THE YEAR		458,610	(33,444)

**RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/DEBT
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 £	2008 £
Increase/(Decrease) in cash in the year	458,610	(33,444)
Cash outflow from decrease in debt and lease financing	32,926	278,363
MOVEMENT IN NET DEBT IN THE YEAR	491,536	244,919
Net debt at 1 January 2009	(769,799)	(1,014,718)
NET DEBT AT 31 DECEMBER 2009	(278,263)	(769,799)

The notes on pages 14 to 25 form part of these Financial Statements

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

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.

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 7.

The Company meets its day-to-day working capital requirements through an overdraft facility that is due for renewal on 17 July 2010. 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.

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.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. PRINCIPAL ACCOUNTING POLICIES (continued)

1.3 Tangible fixed assets and depreciation (continued)

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.

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.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2009

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

1.11 Railway Stabilisation Works (Flood Damage)

The income and expenditure associated with stabilising and making good damage suffered by the Railway during the flooding in 2007 is accounted for on the following bases:

- All costs incurred during the year associated with repairing damages caused by the flooding are charged to the Profit and Loss Account,
- Income from donations is credited to the Profit and Loss Account as received,
- Income from grant providers is credited to the Profit and Loss Account when confirmation of the grant amount to be received is certain,
- Income from material damage insurance and business interruption insurance is recognised in the same period as the flood damage expenditure to which it relates.

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.

No further segmental analysis is considered necessary.

3. OTHER OPERATING INCOME

	2009	2008
	£	£
Rents received	20,587	19,703
Insurance claim for bridge impact damage	-	11,875
Grant income relating to railway stabilisation works	95,385	985,386
Flood appeal donations	7,871	59,741
Insurance claim for material damage	-	350,892
Insurance claim for loss of profits	-	146,000
Other donations and legacies	49,261	196,675
Other non trading income	37,877	6,977
Other grant income	160,822	133,222
Release of deferred grants/donations	218,102	177,829
	589,905	2,088,300

Other non trading income includes amounts receivable from West Bromwich Building Society on the monies held in Severn Valley Affinity Accounts run by the Society.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

4. OPERATING PROFIT

The operating profit is stated after charging/(crediting)

	2009 £	2008 £
Depreciation of tangible fixed assets		
- owned by the Company	452,190	403,459
Operating lease rentals		
- plant and machinery	1,808	2,018
Net surplus attributable to railway stabilisation works (see note 5)	<u>(92,615)</u>	<u>(135,517)</u>

5. RAILWAY STABILISATION WORKS FOLLOWING FLOOD DAMAGE

	2007 income and expenditure £	2008 income and expenditure £	2009 income and expenditure £	Total income and expenditure £
Income included within Other Operating Income				
Donations	523,903	59,741	7,871	591,515
Grants	920,296	985,386	95,385	2,001,067
Insurance claim	630,000	350,892	-	980,892
	<u>2,074,199</u>	<u>1,396,019</u>	<u>103,256</u>	<u>3,573,474</u>
Less railway stabilisation works expenditure				
Included within Cost of sales	(2,558,648)	(1,260,502)	(10,641)	(3,829,791)
Surplus/(shortfall)	<u>(484,449)</u>	<u>135,517</u>	<u>92,615</u>	<u>(256,317)</u>

	2009 £	2008 £
Reconciliation with cost of sales in the Profit and Loss Account		
Railway stabilisation works expenditure	10,641	1,260,502
Cost of sales relating to normal trading activities	5,390,781	5,082,695
Cost of sales as per the Profit and Loss Account	<u>5,401,422</u>	<u>6,343,197</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2009 £	2008 £
On bank loans and overdrafts	15,738	31,342
On other loans	1,495	12,403
	<u>17,233</u>	<u>43,745</u>

7. AUDITORS' REMUNERATION

	2009 £	2008 £
Fees payable to the Company's Auditor for the audit of the Company's annual accounts	13,000	13,000
Fees payable to the Company's Auditor and its associates in respect of		
Other services relating to taxation	4,000	5,000
All other services	6,600	4,750
	<u>23,600</u>	<u>22,750</u>

8. DIRECTORS' EMOLUMENTS

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

9. EMPLOYEE INFORMATION

Staff costs were as follows

	2009 £	2008 £
Wages and salaries	1,798,273	1,700,922
Social security costs	127,104	116,467
Other pension costs	65,385	64,268
	<u>1,990,762</u>	<u>1,881,657</u>

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

	2009 No.	2008 No.
Full time	83	83
Part time	51	40
	<u>134</u>	<u>123</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

10. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Locos and rolling stock £	Commercial fixtures, fittings and equipment £	Office equipment and motor vehicles £	Capital work in progress £	Total £
Cost or valuation						
At 1 January 2009	12,764,798	724,100	616,237	161,966	484,553	14,751,654
Additions	317,039	-	1,172	9,944	77,225	405,380
Transfer between classes	462,944	-	-	-	(462,944)	-
At 31 December 2009	13,544,781	724,100	617,409	171,910	98,834	15,157,034
Depreciation						
At 1 January 2009	1,767,159	666,688	327,936	114,034	-	2,875,817
Charge for the year	396,142	4,971	36,850	14,227	-	452,190
At 31 December 2009	2,163,301	671,659	364,786	128,261	-	3,328,007
Net book value						
At 31 December 2009	11,381,480	52,441	252,623	43,649	98,834	11,829,027
At 31 December 2008	10,997,639	57,412	288,301	47,932	484,553	11,875,837

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.

11. STOCKS

	2009 £	2008 £
Stores	163,393	125,182
Goods for resale	184,809	144,724
	348,202	269,906

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

12 DEBTORS

	2009	2008
	£	£
Trade debtors	184,218	83,668
Other debtors	43,141	139,516
Prepayments and accrued income	152,221	138,265
	379,580	361,449

13. CASH AT BANK AND IN HAND

	2009	2008
	£	£
Balance at bank	267,516	1
Petty cash and cash floats	8,374	7,782
	275,890	7,783

14. CREDITORS.
Amounts falling due within one year

	2009	2008
	£	£
Bank loans and overdrafts	40,074	227,898
Other loans	100,345	94,758
Trade creditors	715,733	900,853
Other taxation and social security	42,945	39,912
Other creditors	184,398	147,088
Accruals and deferred income	366,857	301,631
	1,450,352	1,712,140

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 YEAR ENDED 31 DECEMBER 2009

15 CREDITORS.

Amounts falling due after more than one year

	2009	2008
	£	£
Bank loans	413,734	454,926
Accruals and deferred income	6,091,362	5,838,534
	<u>6,505,096</u>	<u>6,293,460</u>

Creditors include amounts not wholly repayable within 5 years as follows

	2009	2008
	£	£
Bank loans repayable by instalments	<u>253,438</u>	<u>342,636</u>

The loan limit is capped at £550,000 and was initially repayable in monthly instalments of £3,863 repayable within twenty years. From 1 April 2008, monthly instalments were increased to £4,000 in order to accelerate repayment of the capital amount, with £160,296 repayable in 2 to 5 years and the balance over 5 years.

Interest is charged at 1.25% over the bank's base rate but capped at 4.95%.

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.

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 YEAR ENDED 31 DECEMBER 2009

16. TAXATION

Corporation Tax and Deferred Tax

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

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2008 - lower than) the standard rate of corporation tax in the UK (21%). The differences are explained below

	2009 £	2008 £
Profit on ordinary activities before tax	<u>70,527</u>	<u>97,925</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2008 - 21%)	14,811	20,564
Effects of		
Depreciation on ineligible assets	72,696	62,759
Donations received	(11,998)	(50,697)
Movement on accelerated capital allowances	(885)	(10,576)
Expenses not deductible for tax purposes	-	120
(Utilisation of brought forward tax losses) / Unrelieved tax losses	(28,934)	39,632
Release of deferred income	(45,486)	(61,630)
Other differences	(204)	(172)
Current tax charge for the year (see note above)	<u>-</u>	<u>-</u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges

The tax rate of 21% 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 £724,618 (2008 - £755,730) relating to tax losses carried forward and a potential deferred tax asset of £1,062,735 (2008 - £999,364) 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 YEAR ENDED 31 DECEMBER 2009**

17. CALLED UP SHARE CAPITAL

	2009 £	2008 £
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		
4,310,520 (2008 - 4,013,171) Ordinary shares of £1 each	<u>4,310,520</u>	<u>4,013,171</u>

During the year the Company issued 297,349 Ordinary shares at par

18. RESERVES

	Profit and loss account £
At 1 January 2009	496,204
Profit for the financial year	70,527
	<u>566,731</u>
At 31 December 2009	

19. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2009 £	2008 £
Opening shareholders' funds	4,509,375	4,320,027
Profit for the year	70,527	97,925
Shares issued during the year	297,349	91,423
	<u>4,877,251</u>	<u>4,509,375</u>
Closing shareholders' funds		

20. NET CASH FLOW FROM OPERATING ACTIVITIES

	2009 £	2008 £
Operating profit	87,608	140,361
Depreciation of tangible fixed assets	452,190	403,459
Profit on disposal of tangible fixed assets	-	(85)
(Increase)/decrease in stocks	(78,296)	8,869
(Increase)/decrease in debtors	(18,131)	853,491
Increase/(decrease) in creditors	173,277	(475,564)
	<u>616,648</u>	<u>930,531</u>
Net cash inflow from operating activities		

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009**

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

	2009 £	2008 £
Returns on investments and servicing of finance		
Interest received	152	1,309
Interest paid	(17,233)	(43,745)
	<u>(17,081)</u>	<u>(42,436)</u>
Net cash outflow from returns on investments and servicing of finance	<u>(17,081)</u>	<u>(42,436)</u>
	2009 £	2008 £
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(405,380)	(748,448)
Sale of tangible fixed assets	-	13,849
	<u>(405,380)</u>	<u>(734,599)</u>
Net cash outflow from capital expenditure	<u>(405,380)</u>	<u>(734,599)</u>
	2009 £	2008 £
Financing		
Issue of ordinary shares	297,349	91,423
Repayment of loans	(86,226)	(279,601)
New loans	53,300	1,238
	<u>264,423</u>	<u>(186,940)</u>
Net cash inflow/(outflow) from financing	<u>264,423</u>	<u>(186,940)</u>

22. ANALYSIS OF CHANGES IN NET DEBT

	1 January 2009 £	Cash flow £	Other non-cash changes £	31 December 2009 £
Cash at bank and in hand	7,783	268,107	-	275,890
Bank overdraft	(190,503)	190,503	-	-
	<u>(182,720)</u>	<u>458,610</u>	<u>-</u>	<u>275,890</u>
Debt:				
Debts due within one year	(132,153)	32,926	(41,192)	(140,419)
Debts falling due after more than one year	(454,926)	-	41,192	(413,734)
	<u>(769,799)</u>	<u>491,536</u>	<u>-</u>	<u>(278,263)</u>
Net debt	<u>(769,799)</u>	<u>491,536</u>	<u>-</u>	<u>(278,263)</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2009

23. CAPITAL COMMITMENTS

At 31 December 2009 the company had capital commitments as follows

	2009 £	2008 £
Capital expenditure that has been contracted for, but has not been provided for in these financial statements	<u>144,853</u>	<u>-</u>

24. 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 £65,385 (2008 - £64,268).

25. OTHER FINANCIAL COMMITMENTS

At 31 December 2009 the Company had annual commitments under non-cancellable operating leases as follows

	2009 £	2008 £
Expiry date.		
Within 1 year	1,808	-
Between 2 and 5 years	<u>-</u>	<u>1,808</u>

26. RELATED PARTY TRANSACTIONS

During the year, the following transactions were undertaken with Severn Valley Railway Company Limited who own 25.3% of the Company's shares

	2009 £	2008 £
Recharges to SVR Co Ltd	<u>11,524</u>	<u>12,845</u>
Recharges from SVR Co Ltd	<u>1,682</u>	<u>6,398</u>
Balance due (to)/from SVR Co Ltd at 31 December 2009	<u>41,151</u>	<u>25,498</u>

Loans totalling £41,495 (2008 - £1,238) were made during the year from Severn Valley Railway Company Limited to Severn Valley Railway (Holdings) Plc. This represented a loan of £40,000 together with interest of £1,495 (2008 - £1,238) which was charged on part of the outstanding loan during the year at interest rates of between 0.5% above the ruling money market rate for investments and a flat rate of 2%. The balance of the loan outstanding at the year end was £75,566 (2008 - £75,024) and this figure is included in Creditors.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**ADDITIONAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2009**

	2009 £	2008 £
TURNOVER		
Engine House	348,003	281,403
Traffic	2,790,270	2,473,704
Giftware	384,066	362,836
Bars	1,206,545	1,070,875
Catering	533,499	476,322
Contract Engineering	296,034	295,885
Locomotive Hire	14,750	20,275
Other	43,964	37,805
	<u>5,617,131</u>	<u>5,019,105</u>

	2009 £	2008 £
Cost of Sales relating to Traffic includes working expenses of:		
Operating wages and salaries	880,569	797,309
Locomotive maintenance	214,709	161,116
Carriage maintenance and cleaning	198,143	141,217
Coal, oil and water	389,707	298,639
Civil engineering	172,491	407,719
Permanent way maintenance	63,694	35,431
Railway stabilisation works	10,641	1,260,502
Signals and telecommunications	11,066	6,871
Plant, machinery and electrical repairs	30,055	38,499
Visiting locomotive costs	63,807	19,800
Sundry traffic expenses	13,958	70,710
Depreciation of buildings and equipment	148,437	166,812
Events	187,471	162,885
Publicity	203,500	191,888
Station expenses	208,117	164,957
	<u>2,796,365</u>	<u>3,924,355</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**ADDITIONAL INFORMATION
FOR THE YEAR ENDED 31 DECEMBER 2009**

ADMINISTRATION EXPENSES

	2009	2008
	£	£
Wages, salaries, pension and PHI	335,332	300,698
Bank charges	35,872	35,953
Rent, rates and insurance	162,812	126,846
Postage and telephone	49,199	35,283
Printing and stationery	17,152	20,637
Professional fees (including Civil Engineering)	18,708	6,813
Registrar's costs	7,767	7,910
Auditors' remuneration	13,000	13,000
General expenses	63,947	61,789
Office repairs	2,749	3,253
Motor Travel	660	666
Entertainment	-	276
Depreciation of computer equipment	9,000	9,000
(Profit) on sale of tangible assets	-	(85)
Office machinery leasing and hire of equipment	1,808	1,808
	718,006	623,847