

# **REPORT AND FINANCIAL STATEMENTS**



**Severn Valley Railway (Holdings)**

**Public Limited Company**

(Registered No. 1046274)

FOR THE YEAR ENDED 31 DECEMBER 2001

## NOTICE OF MEETING

Notice is hereby given that the Thirtieth Annual General Meeting of the above-named Company will be held at The Castle Hall, West Castle Street, Bridgnorth, Shropshire on Saturday 13 July 2002 at 8.00pm to transact the following business:

1. To approve the Minutes of the 2001 Annual General Meeting and to consider any matters arising therefrom.
2. To elect Directors.
3. To consider the Company's Financial Statements and the Reports of the Directors and Auditors for the year ended 31 December 2001.
4. To consider and, if thought fit, pass the following as a Special Resolution:  
"THAT
  - (a) The Directors be and are hereby generally and unconditionally authorised pursuant to Section 80 of the Companies Act 1985 to exercise all the powers of the Company to allot relevant securities (as defined in the said Section 80) up to the aggregate nominal amount by which the authorised but unissued share capital of the company exceeds the issued share capital of the Company as at the date of this Meeting provided however that this power shall expire on the fifth anniversary of the date of this Meeting save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of such an offer or agreement as if the power hereby conferred had not expired;
  - (b) The Directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined in Section 94 of the said Act) pursuant to the authority referred to in paragraph (a) of this Resolution as if Section 89 (1) of the said Act did not apply to any such allotment".
5. To reappoint Horwath Clark Whitehill as auditors to the Company for the ensuing year and to authorise the Directors to fix their remuneration.
6. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board  
A S Harding  
Secretary

7 May 2002

The Railway Station, Bewdley, Worcestershire DY12 1BG

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

## **ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2001**

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## **DIRECTORS, OFFICERS AND ADVISERS**

### **Directors**

P C Fathers - Chairman  
M R York - Deputy Chairman  
A Barker  
P A Hobson (SVR Assoc Representative)  
R F Hobson (SVR Co Ltd Representative)  
C F Homer  
A Osborne  
A D Owen  
R S Smith  
C G Thomas  
C W Walton  
D C Williams (SVR Co Ltd Representative)

### **Secretary and Registered Office**

A S Harding  
The Railway Station  
Bewdley  
Worcestershire DY12 1BG

### **Stockbrokers**

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

### **Registrar**

A S Harding  
The Railway Station  
Bewdley  
Worcestershire DY12 1BG

### **Registered Auditors**

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

### **Bankers**

HSBC Bank plc  
31 Church Street  
Kidderminster  
Worcestershire DY10 2AY

### **Solicitors**

Harrison Clark  
5 Deansway  
Worcester WR1 2JG

### **NOTE**

For the purposes of this Report and Accounts:

“SVR Assoc” is the Severn Valley Railway Association

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

## CHAIRMAN'S STATEMENT

For many organisations 2001 proved to be a difficult year and as forecast at our last Annual General Meeting, we were no exception. Foot and Mouth disease and later in the year the attack on the World Trade Centre, caused severe problems to many of those dependent upon tourism. To add to these problems, railways suffered bad press and reduced patronage following the accidents at Hatfield, Selby and Ladbroke Grove. Despite these difficulties I am pleased to report that the Company did exceptionally well in certain areas, breaking two records, those of passenger numbers and turnover. This was a remarkable achievement and reflects the commitment and enthusiasm of all our supporters. Unfortunately we also recorded record levels of expenditure, which gave rise to a loss of £30,703. It is an undeniable fact that operating and maintaining a heritage railway is an expensive and challenging business.

In November we were fortunate to receive a visit from our patron, HRH The Duke of Gloucester, who opened formally our Kidderminster Carriage Shed. This high profile event took place with typical SVR style and friendliness, marking completion of a project of which we can all be justifiably proud.

In total, we carried 230,436 passengers, an all time record and over 3,000 more than in 2000. Also during the year we celebrated our 5 millionth passenger, quite an achievement and one that few other heritage railways can match. As well as maintaining our status as an English Tourism Council "Quality Assured Visitor Attraction", the SVR has been awarded the titles of "National Railway of the Year" and "Worcestershire Family Attraction of the Year" by the Good Britain Guide.

Trading turnover increased by more than £200,000 or 6.2% to a new record of £3.43 million and other operating income from rents, grants, bequests and donations increased by more than £105,000 to £153,500. Despite returning to an overdraft for the first time since May 1998, interest paid was kept to £2,804. Conversely, interest received fell back to £3,076 from £11,583 in 2000, as the Company funded an increased but necessary capital spending programme coupled with lower interest rates. Costs increased especially on coal, which rose by £15 per tonne as a result of increased Governmental demand in dealing with the foot and mouth epidemic. Insurance premiums almost doubled being the consequence of a revised risk assessment of railway operations carried out by insurance companies in response to main line accidents.

The Company carried out an ambitious £390,000 capital spending programme during the year. The increase in expenditure was mainly infrastructure, particularly locomotive repairs and maintenance, following a spate of boiler problems throughout 2000. I am pleased to report that these problems have been significantly reduced through chemical dosage and the introduction of a water treatment plant at Kidderminster. The additional plant at Bridgnorth will be operational in 2002, further reducing the cost of chemical treatment. The plants have so far cost the Company £70,000. Expenditure on material for locomotive maintenance increased by £76,000 compared to 2000, mainly on repairs to 686 "The Lady Armaghdale" (otherwise known as Thomas the Tank Engine ©), 1501, 5764, 7802, 2968 and 46443. All this work helped to improve reliability and overcome the dire shortage of locomotives reported last year. The fleet was further strengthened by the return to traffic of 60009 Union of South Africa, and the arrival of 34027 Taw Valley, the latter in the guise of the "Hogwarts Express". Two locomotives reached 100,000 miles in preservation, 8F 48773 and Standard Tank 80079. Eight carriages received bodywork attention and repaints at Kidderminster and a further six were given thorough mechanical overhauls. Six carriages received major attention and repaints at Bewdley. Two Ex-Travelling Post Offices were converted for use as Santa's Grotto at Arley at a cost of £21,000, and carriage 122 was re-upholstered with help of income provided by the West Bromwich Building Society 'Severn Valley Branch Account'.

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

The infrastructure of the Railway benefited from completion of the work on Oldbury Viaduct, where the final three arches were restored at a cost of more than £130,000. The Bewdley footbridge was carefully renovated and repainted at a cost of £29,000. Security fencing costing £16,000 was installed at Foley Park, helping to reduce vandalism and a new locomotive pit costing £43,000 was built at Bridgnorth, with the help of the SVR Company Ltd. Unexpected expenditure arose due to a landslip at Eyemore cutting near Arley, which cost £12,000 to repair.

To maintain the financial well being of the Company it is important that whilst we keep a close eye on every aspect of our costs we also look at our concessions. As part of a general review of shareholder benefits, the directors have accepted the need to adjust the travel allowances made to shareholders, as very often they accumulate travel vouchers over a period of time and we must limit the liability to the Company of these vouchers. To address this problem we are introducing an expiry date, which means that vouchers received this year and in future years will be valid for the year of issue and the following two years. We shall also be adjusting the allocation of benefits from 2003 for those shareholders owning between 51 to 100 shares. From next year, shareholders in this category will receive one third class travel voucher. All other existing benefits will remain unaltered for the time being. The railway relies upon the support of shareholders and we trust that you will understand the need to keep benefits in line with the cost of funding in order to keep our railway viable.

The cost of maintaining the railway and our duties as custodians means that we must always be looking for affordable ways to preserve items in our care. We have therefore taken the opportunity to purchase part of the former Highley colliery yard, for £32,000, with a view to providing covered accommodation for locomotives awaiting restoration. I am pleased to say that this investment was paid for with the assistance of some very generous contributions from shareholders plus a bequest. We are currently applying for European Union and Heritage Lottery Funding towards this project. To help preserve the unique collection of locomotives, carriages and wagons, we have established the SVR Rolling Stock Trust Company Ltd, and have applied for charitable status.

Other highlights from the year included a superb Steam Gala with the introduction of the Duchess of Sutherland to the first heritage railway, the naming of a 'Virgin' diesel locomotive "Severn Valley Railway", and a visit from West Japan Railways. We were used for filming The "Mystique Masseur" and an episode of Dalziel and Pasco to be shown later this year. The operating committee organised a successful 'table top' exercise with the emergency services, to test our procedures. Our special events continue to attract a greater proportion of our visitors, thanks to the tremendous effort put into the organisation and running of them.

The commitment and dedication shown by so many supporters is quite tremendous. If you would like to become involved then please contact the Bewdley office. I assure you that you will not be disappointed. Please visit the railway this year and bring your friends; there is always plenty to see and do. My thanks go to the shareholders, members and staff and to all those involved in making SVR the success that it is, helping to maintain its place as one of the country's leading heritage railways.

Paul Fathers  
Chairman

## DIRECTORS' REPORT

### Directors' Report for the year ended 31 December 2001

The Directors present their report and the audited financial statements for the year ended 31 December 2001.

### Principal Activity

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

### Results and Dividends

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

In accordance with the special resolutions passed at the Extraordinary General Meeting of the Company on 19 December 1997, the Memorandum and Articles of Association of the Company no longer permit either the payment of dividends or the participation of members in the distribution of any residual property or assets upon the winding up or dissolution of the Company. The loss of £30,703 for the financial year has been deducted from reserves.

### Directors

The Directors of the Company are listed on page 3.

### Directors' Interests

The interests of the current Directors in the shares of the Company at 31 December 2001, together with their beneficial interests at 1 January 2001, or date of their appointment, were:

	1 January 2001	31 December 2001
A Barker	3,650	3,650
P C Fathers	501	501
P A Hobson	205	205
P A Hobson - Trustee holding for SVR Assoc	43,978	43,978
R F Hobson	350	350
C F Homer	1,510	1,510
A Osborne	1,701	1,701
A D Owen	500	500
R S Smith (appointed 8.5.01)	-	7,500
B D Thomas (resigned 8.5.01)	3,900	-
C G Thomas	302	302
C W Walton	600	600
D C Williams	2,005	2,005
M R York	375	375

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

## DIRECTORS' REPORT

### Directors' Report for the year ended 31 December 2001 (Continued...)

#### 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 2001 was 32.

#### Substantial Shareholdings

The following had holdings in excess of 3% of the issued share capital of the Company at 31 December 2001.

	No. of Shares	% of Total
SVR Co. Ltd	609,765	20.5
Rubery Owen Holdings Ltd	150,000	5.1

#### Fixed Assets

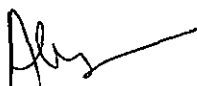
The movements in fixed assets during the year are set out in note 8 to the financial statements.

#### Auditors

A resolution to re-appoint the auditors, Horwath Clark Whitehill and to authorise the Directors to fix their remuneration, will be proposed at the Annual General Meeting.

#### By order of the Board

A S Harding  
Company Secretary



7 May 2002



## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The purpose of this statement is to distinguish the directors' responsibilities for the accounts from those of the auditors, as stated in their report.

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

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

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

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

We have audited the financial statements of Severn Valley Railway (Holdings) PLC for the year ended 31 December 2001 set out on pages 10 to 21. These financial statements have been prepared under the historical cost convention modified by the revaluation of certain fixed assets and the accounting policies set out on pages 13 and 14.

### **RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

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

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

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

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

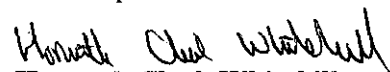
### **BASIS OF AUDIT OPINION**

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

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

### **UNQUALIFIED OPINION**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Horwath Clark Whitehill**

Chartered Accountants

Registered Auditors

Foley House

123 Stourport Road

Kidderminster

Worcs

DY11 7BW

7 May 2002

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 £
<b>Turnover</b>	2	<b>3,434,291</b>	3,231,938
Cost of sales		<u>(3,191,545)</u>	<u>(2,843,559)</u>
<b>Gross profit</b>		<b>242,746</b>	388,379
Administrative expenses		<u>(427,294)</u>	<u>(442,381)</u>
		<b>(184,548)</b>	<b>(54,002)</b>
Other operating income	3	<u>153,573</u>	<u>47,603</u>
<b>Operating loss</b>		<b>(30,975)</b>	<b>(6,399)</b>
Interest received		<b>3,076</b>	11,583
Interest payable and similar charges	4	<u>(2,804)</u>	<u>-</u>
<b>(Loss)/profit on ordinary activities before taxation</b>	5	<b>(30,703)</b>	5,184
Tax on ordinary activities	14	<u>-</u>	<u>-</u>
<b>(Absorbed loss)/retained profit for the financial year</b>	17/18	<b><u>(30,703)</u></b>	<b><u>5,184</u></b>

### Note of historical cost profits and losses

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

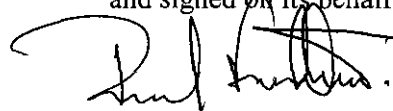
The notes on pages 13 to 21 form part of these financial statements.

# **BALANCE SHEET**

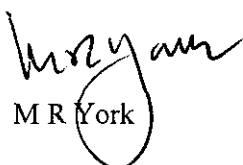
## **31 DECEMBER 2001**

	Notes	2001 £	2000 £
<b>Fixed Assets</b>			
Tangible Assets	8	<u>6,740,588</u>	<u>6,500,416</u>
<b>Current Assets</b>			
Stocks	9	297,542	255,634
Debtors	10	258,197	274,793
Cash at bank and in hand	11	<u>4,649</u>	<u>167,618</u>
		560,388	698,045
<b>Creditors: Amounts falling due within one year</b>	12	<u>(666,524)</u>	<u>(564,413)</u>
<b>Net Current (Liabilities)/Assets</b>		<u>(106,136)</u>	<u>133,632</u>
<b>Total Assets Less Current Liabilities</b>		6,634,452	6,634,048
<b>Creditors: Amounts falling due after more than one year</b>	13	<u>(1,891,563)</u>	<u>(1,924,666)</u>
<b>Net Assets</b>		<u>4,742,889</u>	<u>4,709,382</u>
<b>Capital and Reserves</b>			
Called up share capital	16	2,971,278	2,907,068
Revaluation reserve	17	912,162	918,430
Profit and loss account	17	<u>859,449</u>	<u>883,884</u>
<b>Shareholders' Funds</b>	18	<u>4,742,889</u>	<u>4,709,382</u>

The Financial Statements on pages 10 to 21 were approved by the Board of Directors on 7 May 2002 and signed on its behalf by:



P C Fathers



M R York

}  
}  
} Directors  
}  
}

The notes on pages 13 to 21 form part of these financial statements.

## CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2001

	Notes	2001 £	2000 £
<b>Net cashflow from operating activities</b>		<b><u>(48,842)</u></b>	<b><u>1,005,172</u></b>
<b>Returns on investment and servicing of finance</b>			
Interest received		3,076	11,583
Interest paid		<u>(2,804)</u>	<u>-</u>
Net cash inflow from investment and servicing of finance		<u>272</u>	<u>11,583</u>
<b>Taxation</b>			
Tax paid		<u>-</u>	<u>-</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		<u>(389,475)</u>	<u>(1,311,362)</u>
Net cash outflow from investment and servicing of finance		<u>(389,475)</u>	<u>(1,311,362)</u>
<b>Net cash outflow before financing</b>		<b>(438,045)</b>	<b>(294,607)</b>
<b>Financing</b>			
Issue of ordinary share capital		<u>64,210</u>	<u>86,859</u>
Net cash inflow from financing		<u>64,210</u>	<u>86,859</u>
<b>Decrease in cash in the year</b>	23	<b><u>(373,835)</u></b>	<b><u>(207,748)</u></b>

### Note to the cash flow statement

#### RECONCILIATION OF OPERATING LOSS TO NET CASH (OUTFLOW)/INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating loss	(30,975)	(6,399)
Depreciation charge	149,303	96,797
Movement in working capital:		
Increase in stocks	(41,908)	(35,108)
Decrease in debtors	16,596	661,593
(Decrease)/increase in creditors	<u>(141,858)</u>	<u>288,289</u>
Net cash (outflow)/inflow from operating activities	<u>(48,842)</u>	<u>1,005,172</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001

### 1. Principal accounting policies

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

#### Basis of accounting

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

#### Tangible fixed assets

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

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

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

A full valuation of the land and buildings was made on 25 December 1998 by independent professionally qualified valuers and the Directors continuing to implement the provisions of Financial Reporting Standard 15 in this year's accounts. The basis of valuation is explained in note 8.

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

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

Freehold land is not depreciated.

#### Operating leases

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

#### Stocks

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (Continued...)

### 1. Principal accounting policies - continued

#### Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

#### Pension costs

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

#### Grants

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

### 2. Turnover

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

### 3. Other operating income

	2001 £	2000 £
Grant of easement	15,000	-
Rents received	26,032	25,652
Donations	72,831	12,066
Release of deferred grants/donations	<u>39,710</u>	<u>9,885</u>
	<u>153,573</u>	<u>47,603</u>

### 4. Interest payable and similar charges

	2001 £	2000 £
On bank loans and overdrafts and other loans: Repayable within 5 years, not by instalments	<u>2,804</u>	<u>Nil</u>

# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (Continued...)

## 5. (Loss)/profit on ordinary activities before taxation

	2001 £	2000 £
(Loss)/profit on ordinary activities before taxation is stated after charging:		
Depreciation on tangible owned fixed assets	149,303	96,797
Hire of other assets - operating leases	3,685	5,743
Auditors' remuneration for:		
Audit	7,250	7,000
Tax	1,400	1,000
Other services provided	<u>Nil</u>	<u>400</u>

## 6. Directors' emoluments

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

## 7. Employee information

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

	2001 Number	2000 Number
Full time	69	68
Part time	<u>32</u>	<u>33</u>
	<u>101</u>	<u>101</u>
	£	£
<b>Staff costs for the above</b>		
Wages and salaries	1,067,362	1,005,896
Social security costs	75,578	72,375
Other pension costs	<u>38,092</u>	<u>43,962</u>
	<u>1,181,032</u>	<u>1,122,233</u>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (Continued...)

## 8. Tangible fixed assets

	Total £	Freehold land and buildings £	Locos and rolling stock £	Commercial fixtures, fittings & equipment £	Office equipment & motor vehicles £	Capital work in progress £
<b>Cost or valuation</b>						
At 1 January 2001	7,280,267	6,348,727	673,881	149,759	74,913	32,987
Additions	389,475	279,628	8,110	85,822	8,261	7,654
Reclassification	-	4,983	12,529	15,475	-	(32,987)
<b>At 31 December 2001</b>	<b>7,669,742</b>	<b>6,633,338</b>	<b>694,520</b>	<b>251,056</b>	<b>83,174</b>	<b>7,654</b>
<b>Depreciation</b>						
At 1 January 2001	779,851	90,833	480,428	149,759	58,831	-
Charge for the year	149,303	96,818	38,827	6,646	7,012	-
Reclassification	-	(3,096)	-	3,096	-	-
<b>At 31 December 2001</b>	<b>929,154</b>	<b>184,555</b>	<b>519,255</b>	<b>159,501</b>	<b>65,843</b>	<b>-</b>
<b>Net book value</b>						
<b>At 31 December 2001</b>	<b>6,740,588</b>	<b>6,448,783</b>	<b>175,265</b>	<b>91,555</b>	<b>17,331</b>	<b>7,654</b>
At 31 December 2000	6,500,416	6,257,894	193,453	-	16,082	32,987

The freehold land and buildings were revalued on 25 December 1998 at open market value by Wilkins – Chartered Surveyors, a firm of independent chartered surveyors. They have reassessed the current market value of these assets at 31 December 2001 and do not believe their value to be materially different from that stated above.

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

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

	2001 £	2000 £
Land and Buildings		
Cost	6,202,987	5,918,376
Aggregate depreciation	(669,449)	(578,912)
<b>Net book value</b>	<b>5,533,538</b>	<b>5,339,464</b>

# **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2001** (Continued...)

## **9. Stocks**

	2001 £	2000 £
Goods for resale	177,565	151,269
Stores	<u>119,977</u>	<u>104,365</u>
	<u>297,542</u>	<u>255,634</u>

## **10. Debtors**

	2001 £	2000 £
Trade debtors	109,626	134,251
Other debtors	46,139	68,810
Prepayments and accrued income	<u>102,432</u>	<u>71,732</u>
	<u>258,197</u>	<u>274,793</u>

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

	2001 £	2000 £
Balance at bank	-	163,086
Petty cash and cash floats	<u>4,649</u>	<u>4,532</u>
	<u>4,649</u>	<u>167,618</u>

# **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2001** (Continued...)

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

	2001 £	2000 £
Bank overdraft	210,866	-
Trade creditors	193,724	260,359
Other taxation and social security	20,868	21,201
Other creditors	83,607	111,062
Accruals and deferred income	<u>157,459</u>	<u>171,791</u>
	<u>666,524</u>	<u>564,413</u>

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

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

	2001 £	2000 £
Deferred income	<u>1,891,563</u>	<u>1,924,666</u>
	<u>1,891,563</u>	<u>1,924,666</u>

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (Continued...)

### 14. Taxation

#### 14.1 Corporation Tax

No Corporation Tax is payable for the current year.

#### 14.2 Deferred Taxation

	2001 £	2000 £
Accelerated capital allowances	655,977	598,475
Short term timing differences	<u>(4,949)</u>	<u>(5,102)</u>
	651,028	593,373
Losses carried forward	<u>(309,252)</u>	<u>(210,871)</u>
	<u>341,776</u>	<u>382,502</u>

The Directors consider the Company's depreciation policy and planned future capital expenditure will ensure that these timing differences will continue in the foreseeable future and consequently no provision is necessary for deferred taxation. No liability is expected to arise in the event of sale of revalued assets at the balance sheet value.

### 15. Pension Scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company and in an independently administered fund. The pension cost charge against profits in the year represents contributions payable to the fund and amounted to £38,092 (2000: £ 43,962).

### 16. Called up Share Capital

	2001 £	2000 £
Authorised ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid ordinary shares of £1 each	<u>2,971,278</u>	<u>2,907,068</u>

The Company allotted 64,210 ordinary shares of £1 each at par during the year ended 31 December 2001.

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (Continued...)

### 17. Reserves

	Revaluation reserve £	Profit and loss account £
At 1 January 2001	918,430	883,884
Historical cost depreciation adjustment	(6,268)	6,268
Loss for the financial year	<u>-</u>	<u>(30,703)</u>
At 31 December 2001	<u>912,162</u>	<u>859,449</u>

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

	2001 £	2000 £
(Loss)/profit for the financial year	(30,703)	5,184
Issue of share capital	<u>64,210</u>	<u>176,859</u>
Net addition to shareholders' funds	33,507	182,043
Opening shareholders' funds	<u>4,709,382</u>	<u>4,527,339</u>
Closing shareholders' funds	<u>4,742,889</u>	<u>4,709,382</u>

### 19. Capital commitments

	2001 £	2000 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>Nil</u>	<u>206,740</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2001 (Continued...)

### 20. Other financial commitments

The following annual commitments existed at 31 December 2001 in respect of non-cancellable operating leases:

	2001 £	2000 £
Plant and Equipment: falling due in less than 1 year	<u>209</u>	<u>769</u>
Between 2 to 5 years	<u>1,992</u>	<u>1,992</u>

### 21. Related Party Transactions

During the year the following transactions were undertaken with Severn Valley Railway Company Limited who own 20.5% of the Company's shares

	£	Balance at 31.12.01 £
Recharges to SVR Co Ltd	<u>8,374</u>	<u>772</u>

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

	2001 £	2000 £
Decrease in cash in the year	(373,835)	(207,748)
Capitalisation of long term loan	-	90,000
Net funds at beginning of the year	<u>167,618</u>	<u>285,366</u>
Net funds at end of the year	<u>(206,217)</u>	<u>167,618</u>

### 23. Analysis of changes in net funds

	01.01.01 £	Cash flows £	Non-cash movement £	31.12.01 £
Cash in hand, at bank	167,618	(162,969)	-	4,649
Debt due within 1 year	-	(210,866)	-	(210,866)
Total net funds	<u>167,618</u>	<u>(373,835)</u>	<u>-</u>	<u>(206,217)</u>