



REPORT AND FINANCIAL STATEMENTS

Severn Valley Railway (Holdings)

Public Limited Company

(Registered No. 1046274)

FOR THE YEAR ENDED 31 DECEMBER 1997





Severn Valley Railway (Holdings) PLC

NOTICE OF MEETING

Notice is hereby given that the Twenty-Sixth Annual General Meeting of the above-named Company will be held at the Castle Hall, Bridgnorth, Shropshire on Friday, 24th July 1998, at 8.00pm to transact the following business:

1. To approve the Minutes of the 1997 Annual General Meeting and the Extraordinary General Meeting of the 19th December 1997 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 31st December 1997.
4. To appoint Coopers & Lybrand as Auditors to the Company for the ensuing year and to authorise the Directors to fix their remuneration.
5. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board
D G H Myers
Secretary
5th May 1998

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.



Severn Valley Railway (Holdings) PLC

ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 1997

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Severn Valley Railway (Holdings) PLC

DIRECTORS, OFFICERS AND ADVISERS

Directors

M R York - Chairman
J S Garth - Deputy Chairman
A Barker
J M S Clark
(SVR Assoc. Representative)
A Davies
P C Fathers (from 25th July 1997)
J J Higgs (to 25th July 1997)
R F Hobson
(SVR Co. Ltd. Representative)
A Osborne
A D Owen
B D Thomas
C W Walton
D C Williams
(SVR Co. Ltd. Representative)

Secretary and Registered Office

D G H Myers
The Railway Station
Bewdley
Worcestershire DY12 1BG

Stock Brokers

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

Registrar

D G H Myers
The Railway Station
Bewdley
Worcestershire DY12 1BG

Registered Auditors

Coopers & Lybrand
Temple Court
35 Bull Street
Birmingham B4 6JT

Bankers

Midland Bank plc
31 Church Street
Kidderminster
Worcestershire DY10 2AY

Solicitors

Harrison Clark
5 Deansway
Worcester WR1 2JG

Anthony Collins
St Philips Gate
5 Waterloo Street
Birmingham B2 5PG

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



Severn Valley Railway (Holdings) PLC

CHAIRMAN'S STATEMENT

The year ended 31st December 1997 was a year of continuing progress for SVR which saw several significant milestones being passed. Passenger carryings were up 8.4%, breaking through the elusive 200,000 barrier for the first time since 1990, and turnover increased by 5.4% to exceed £3 million for the first time in the Company's history. As a result of the improved performances I am pleased to report a profit for the year of £107,723.

The uplift in passenger numbers follows a similar increase in 1996 and reflects favourably on marketing initiatives taken over the last couple of years, with particular emphasis on product improvement and a determination to offer our customers good value for money.

Special events continue to be vitally important to our success. 1997 demonstrated once again just how crucial the Santa operation is to the overall performance of the Company, with 33,000 visitors being carried over 4 weekends in what proved to be one of our most successful Christmas operations ever. Also the popularity of Thomas the Tank Engine continues unabated, I am pleased to say, enabling us to attract over 16,000 visitors to our two Thomas weekends. Between them these two events generated almost a quarter of our passengers for the year in just 6 weekends!

Investments made in 1996 began to bear fruit during the year under review. Improvements to our catering facilities contributed to a greatly improved performance from that activity and the opening of the paint shop at Kidderminster resulted in a welcome improvement in the appearance of a number of our carriages whilst at the same time assisting their long term preservation. A major part of the year's capital expenditure programme was the continuing repair to Company owned locomotive No.45110 which should see the long awaited return to traffic of this versatile and historic locomotive during 1998. Also, expenditure on infilling an area at Bewdley to extend the site has enabled extra sidings to be laid and provided the opportunity to move vehicles away from the main station area, thus improving presentation of one of our principal stations.

I should point out that the improvement in profitability has not been achieved at the expense of reduced expenditure on the railway, either. We have continued to spend more on looking after and improving our assets, with increased expenditure on locomotive maintenance (including the considerable effort put in to 45110), civil engineering and publicity.

I was able to report last year a significant improvement in our cash flow and this has continued through 1997, enabling us further to reduce interest charges. The year has also seen improvement in the debtor profile and a further strengthening of the Balance Sheet.

We were sorry to lose the services earlier this year of Company Accountant and Commercial Manager Julian Garforth, who reluctantly resigned for personal reasons. Julian played a key role in the financial revival of the Company and I would like to place on record the Board's thanks for the significant contribution he has made over the last 4 years. In his place we welcome Andrew Harding to carry on the good work.

At the Extraordinary General Meeting held at Bridgnorth on 19th December 1997 there was an overwhelming majority in support of the Special Resolutions to amend the Memorandum and Articles of Association of the Company and on behalf of your Board, I



Severn Valley Railway (Holdings) PLC

would like to thank shareholders for their wholehearted support. It was an historic decision, the full significance of which may not become apparent for some time. The Company is now eligible to receive grant aid and is actively pursuing its application to the Heritage Lottery Fund for funding to help house and maintain our unique collection of carriages.

The enforced delay in changing our constitution, coupled with the Government's decision to reduce the amount of lottery money now available for heritage projects, may not have helped our cause but we remain hopeful that our bid will be favourably considered. Certainly the support we have received for the project from shareholders and members has been tremendous. As at the time of writing, over £100,000 has been raised towards the Carriage Shed Appeal. Importantly, the revised constitution will now enable us to apply for grant aid for other projects in the future and to other organisations, including charities.

In my report last year I was able to announce the appointment of a number of prominent people as Vice-Presidents of the SVR and I am delighted to report that later in 1997 we were honoured by HRH the Duke of Gloucester agreeing to become our patron. His Royal Highness takes a keen interest in railways and heritage, in particular architecture, and such support does, I feel, reflect well on the standing of the Severn Valley Railway in the world of railway preservation.

1998 has started well and the early signs are encouraging, although I am ever mindful of how vulnerable we are to the vagaries of the British weather, as the Easter weekend proved all too clearly. There is much to be optimistic about but there can be no room for complacency. We are in a very competitive market and the margin between success and failure is slight. For us to invest in our Railway we must first of all create the profits and to achieve this we must continually strive to improve our product, to enable us to attract more visitors by offering them even better value for money.

I made reference earlier in my report to the importance of our Christmas trade. Because the Santa business has such an impact on our finances, the Board is to consider the possibility of bringing forward the Company's financial year end with effect from next year. The primary benefit of this would be to enable us to react early in the financial year to the problems a poor Santa season would create and thus give time to adjust budgets accordingly.

1998 will close a chapter in the history of the SVR when my Deputy Chairman, John Garth, stands down from the Board at the AGM. John is a founder member of the Severn Valley Railway and was an officer of the original SVR Society before becoming a director of the Guarantee Company and subsequently a director of this Company, including spells as Chairman of both Companies. His service to the SVR spans a remarkable 33 years and I cannot overstate the importance of his contribution. We wish him well in his retirement and I am sure he will never be very far away from his beloved railway.

On behalf of the Board, I would like to thank all shareholders for their continuing support and express my appreciation to the staff, both paid and volunteer, whose hard work throughout the year helps keep us on the rails and going forward.

Michael York
Chairman
5 May 1998



Severn Valley Railway (Holdings) PLC

DIRECTORS' REPORT

Directors' Report for the year ended 31 December 1997

The Directors present their report and the audited financial statements for the year ended 31 December 1997.

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 19th 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 profit of £107,723 for the financial year has been added to reserves.

Directors

The Directors of the Company are listed on page 3.

Directors' Interests

The interests of the current Directors in the shares of the Company at 31 December 1997, together with their beneficial interests at 1 January 1997, or date of their appointment, were:

	1 January	31 December
A Barker	3,000	3,000
J M S Clark	1,525	1,525
A Davies	500	500
P C Fathers (appointed 25 July 1997)	450	450
J S Garth	1,555	1,555
J S Garth - Trustee holding for SVR Assoc.	42,665	43,665
R F Hobson	270	270
A Osborne	1,501	1,501
A D Owen	500	500
B D Thomas	3,900	3,900
C W Walton	400	400
D C Williams	2,005	2,005
M R York	350	350



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Directors' Report for the year ended 31 December 1997 (Continued...)

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

Suppliers Payment Policy

It is the Company's policy that payments to suppliers are made in accordance with mutually agreed terms as far as possible, provided that the supplier is also complying with all relevant terms and conditions. The Company's average number of days outstanding in respect of trade creditors at 31st December 1997 was 32.

Substantial Shareholdings

The following had holdings in excess of 3% of the issued share capital of the Company at 31 December 1997.

	No. of Shares	% of Total
SVR Co. Ltd	483,425	20.1
Rubery Owen Holdings Ltd	150,000	6.2

Fixed Assets

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

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, and to authorise the Directors to fix their remuneration, will be proposed at the Annual General Meeting.

By order of the Board

D G H Myers
Company Secretary

5 May 1998



Severn Valley Railway (Holdings) PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for that period.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1997. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records, for safeguarding the assets of the Company and hence for taking reasonable steps for the detection and prevention of fraud.

By order of the Board

A handwritten signature in dark ink, appearing to read "D G H Myers".

D G H Myers
Company Secretary

5 May 1998



Severn Valley Railway (Holdings) PLC

REPORT OF THE AUDITORS

to the members of Severn Valley Railway (Holdings) PLC

We have audited the financial statements on pages 10 to 21.

Respective responsibilities of Directors and Auditors

As described on page 8 the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with 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 mis-statement, 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1997 and of its profit, total recognised gains and losses, and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand

Chartered Accountants and Registered Auditors
Birmingham

5 May 1998



Severn Valley Railway (Holdings) PLC

Profit and Loss Account for the year ended 31 December 1997

	Notes	1997 £	1996 £
Turnover	2	3,026,184	2,870,524
Cost of sales		(2,600,917)	(2,422,437)
Gross profit		425,267	448,087
Administrative expenses		(380,313)	(404,857)
		44,954	43,230
Other operating income	3	48,373	109,564
Profit on disposal of fixed assets	3	17,000	1,199
Operating profit		110,327	153,993
Interest received		2,966	1,132
Interest payable and similar charges	4	(4,828)	(8,573)
Profit on ordinary activities before taxation	5	108,465	146,552
Tax on ordinary activities	14	(742)	(274)
Retained profit for the financial year	17	107,723	146,278

The results in the profit and loss account above relate wholly to continuing operations.

Statement of Total Recognised Gains and Losses

	1997 £	1996 £
Profit for the financial year	107,723	146,278
Unrealised surplus on revaluation of properties	0	0
Total recognised gains and losses relating to the year	107,723	146,278

Note of historical cost profits and losses

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



Severn Valley Railway (Holdings) PLC

Balance Sheet at 31 December 1997

	Notes	1997 £	1996 £
Fixed Assets			
Tangible Assets	8	<u>3,419,863</u>	<u>3,358,182</u>
Current Assets			
Stocks	9	215,648	209,537
Debtors	10	202,434	161,150
Cash at bank and in hand	11	<u>207,126</u>	<u>102,543</u>
		625,208	473,230
Creditors: Amounts falling due within one year	12	<u>(338,436)</u>	<u>(280,949)</u>
Net Current Assets		<u>286,772</u>	<u>192,281</u>
Total Assets Less Current Liabilities		3,706,635	3,550,463
Creditors: Amounts falling due after more than one year	13	<u>(90,000)</u>	<u>(90,000)</u>
Net Assets		<u>3,616,635</u>	<u>3,460,463</u>
Capital and Reserves			
Called up share capital	16	2,402,171	2,353,722
Revaluation reserve	17	494,897	494,897
Profit and loss account	17	<u>719,567</u>	<u>611,844</u>
Shareholders' Fund		<u>3,616,635</u>	<u>3,460,463</u>

The financial statements on pages 10 to 21 were approved by the Board of Directors on the 5th May 1998 and were signed on its behalf by:

M R York }
J S Garth } Directors



Severn Valley Railway (Holdings) PLC

Cash Flow Statement for the year ended 31 December 1997

	Notes	1997 £	1996 £
Net cashflow from operating activities		<u>194,710</u>	<u>242,451</u>
Returns on investment and servicing of finance			
Interest received		2,966	1,132
Interest paid		<u>(4,828)</u>	<u>(8,573)</u>
		<u>(1,862)</u>	<u>(7,441)</u>
Taxation			
Tax paid		(274)	0
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(144,058)	(40,171)
Sale of tangible fixed assets		<u>17,000</u>	<u>1,700</u>
Net cash outflow from investing activities		<u>(127,058)</u>	<u>(38,471)</u>
Management of liquid resources			
Net movement in short term deposits under 3 months, not repayable on demand	18	(52,466)	0
Financing			
Issue of ordinary share capital		48,449	44,059
Repayment of SVR Co Ltd loan	19	0	(10,000)
Discharge of Brewery loan	19	<u>(9,382)</u>	<u>(823)</u>
Net cash inflow from financing		<u>39,067</u>	<u>33,236</u>
Increase in cash in the year	18	<u>52,117</u>	<u>229,775</u>

Note to the cash flow statement

Reconciliation of operating profit to net cash inflow from operating activities

	1997 £	1996 £
Operating profit	110,327	153,993
Depreciation charge	82,377	77,361
Profit on the sale of fixed assets	(17,000)	(1,199)
Movement in working capital:		
(Increase)/decrease in stocks	(6,111)	22,244
(Increase)/decrease in debtors	(41,284)	14,397
Increase/(decrease) in creditors	<u>66,401</u>	<u>(24,345)</u>
Net cash inflow from operating activities	<u>194,710</u>	<u>242,451</u>



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1997

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 in 1993 by independent professionally qualified valuers. 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	1% - 2% on cost or valuation
Locomotives and rolling stock	5% on cost
Office and computer equipment	25% on cost
Motor vehicles	33% on cost
Commercial fixtures, fittings and equipment	20% on cost
Major repair/refurbishment works	4% - 33% 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.



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1997 (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.

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

	1997 £	1996 £
Rents received	15,067	27,741
Miscellaneous	33,306	81,823
	<hr/>	<hr/>
	48,373	109,564
Net profit on sale of tangible fixed assets	17,000	1,199
	<hr/>	<hr/>
	65,373	110,763

Included within Miscellaneous in 1996 is a legacy of £50,000 which is held in a separate Bank account.

4. Interest payable and similar charges

	1997 £	1996 £
On bank loans and overdrafts and other loans: Repayable within 5 years, not by instalments	4,828	8,573
	<hr/>	<hr/>



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1997 (Continued...)

5. Profit on ordinary activities before taxation

	1997 £	1996 £
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on tangible owned fixed assets	82,377	77,361
Net profit on sale of tangible fixed assets	(17,000)	(1,199)
Hire of other assets – operating leases	6,823	6,045
Redundancy payments	0	6,919
Auditors' remuneration for:		
Audit	9,750	9,750
Other services	3,050	3,760
	<hr/>	<hr/>

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 weekly number of persons employed by the Company during the year was:

	1997 Number	1996 Number
Full Time	61	61
Part Time	20	17
	<hr/>	<hr/>
	81	78
	<hr/>	<hr/>

	1997 £	1996 £
Staff costs for the above		
Wages and salaries	831,758	813,104
Social security costs	69,457	62,942
Other pension costs	30,001	33,082
	<hr/>	<hr/>
	931,216	909,128
	<hr/>	<hr/>

During 1997 £33,302 (1996 : £0) of wages and salaries was directly attributable to the restoration of locomotive 45110 and was transferred to Capital work in progress.



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1997 (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 £
Cost or valuation						
At 1 January 1997	3,926,716	3,187,723	540,905	149,760	48,113	215
Additions	144,058	42,386	0	30,162	0	71,510
Disposals	0	0	0	0	0	0
At 31 December 1997	4,070,774	3,230,109	540,905	179,922	48,113	71,725
Depreciation						
At 1 January 1997	568,534	92,392	335,497	99,164	41,481	0
Charge for the year	82,377	31,611	27,046	20,724	2,996	0
Disposals	0	0	0	0	0	0
At 31 December 1997	650,911	124,003	362,543	119,888	44,477	0
Net book value						
At 31 December 1997	3,419,863	3,106,106	178,362	60,034	3,636	71,725
At 31 December 1996	3,358,182	3,095,331	205,408	50,596	6,632	215

The freehold land and buildings were revalued on 21 December 1993 at open market value by Keith Cardale Groves, a firm of independent chartered surveyors.

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.

The additions at cost for Capital Work in Progress includes £33,302 of internal labour costs involved in the restoration of locomotive 45110.



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1997 (Continued...)

8. Tangible fixed assets (Continued...)

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

	1997 £	1996 £
Land and Buildings		
Cost	3,034,085	2,994,700
Aggregate depreciation	(442,107)	(410,821)
Net book value	<u>2,591,978</u>	<u>2,583,879</u>

9. Stocks

	1997 £	1996 £
Goods for resale	105,152	104,587
Stores	110,496	104,950
	<u>215,648</u>	<u>209,537</u>

10. Debtors

	1997 £	1996 £
Trade debtors	148,707	121,391
Other debtors	15,761	2,280
Prepayments and accrued income	37,966	37,479
	<u>202,434</u>	<u>161,150</u>

11. Cash at bank and in hand

	1997 £	1996 £
Balance at bank	203,091	99,000
Petty cash and cash floats	4,035	3,543
	<u>207,126</u>	<u>102,543</u>

Included in the balance at bank, is an amount on short term deposit of £52,466.



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1997 (Continued...)

12. Creditors: Amounts falling due within one year

	1997	1996
	£	£
Other loan	0	9,382
Trade creditors	135,227	113,773
Corporation Tax	742	274
Other taxation and social security	28,423	34,094
Other creditors	81,942	30,247
Accruals	92,102	93,179
	<u>338,436</u>	<u>280,949</u>

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

The Other loan, which was from Bass Mitchells & Butler, was repaid in full during 1997.

Other creditors includes £37,051 (1996: £0) in respect of donations received towards the proposed rolling stock building at Kidderminster which is the subject of an application to the National Heritage Lottery Fund.

13. Creditors: Amounts falling due after more than one year

	1997	1996
	£	£
Loan – SVR Co. Ltd	<u>90,000</u>	<u>90,000</u>

This loan is interest free and unsecured. It is envisaged that this loan will be converted into shares at a later date.

On 22 March 1994 the Company received notification from the SVR Co. Ltd that the loan will not fall due for repayment whilst present banking arrangements with Midland Bank plc remain in force.



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1997 (Continued...)

14. Taxation	1997 £	1996 £
United Kingdom Corporation Tax at 24.25% (1996: 24.25%)	742	274
	<u>742</u>	<u>274</u>

No Corporation Tax is payable on the operating profit for the year due to the utilisation of tax losses brought forward.

At 31 December 1997 there is a contingent liability to taxation deferred because of timing differences arising on depreciation. Although the potential liability is £369,479 (1996: £363,104) 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 represents contributions payable to the fund and amounted to £30,001 (1996: £33,082).

16. Called up Share Capital	1997 £	1996 £
Authorised ordinary shares of £1 each	3,000,000	3,000,000
Allotted, called up and fully paid ordinary shares of £1 each	<u>2,402,171</u>	<u>2,353,722</u>

The Company allotted 48,449 ordinary shares of £1 each at par during the year ended 31 December 1997.

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

17. Reserves

	Revaluation reserve £	Profit and loss account £
At 1 January 1997	494,897	611,844
Profit for the financial year	0	107,723
At 31 December 1997	<u>494,897</u>	<u>719,567</u>

Included in the £719,567 in the Profit and loss account at 31 December 1997 is an amount of £50,000 which has been set aside by the Board for the Carriage Shed Appeal.



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1997 (Continued...)

18. Reconciliation of net cash flow to movements in net cash/(debt)

	1997	1996
	£	£
Increase in cash in the year	52,117	229,775
Cash used to repay SVR Co Ltd loan	0	10,000
Cash used to discharge Brewery loan	9,382	823
Cash used to increase liquid resources	52,466	0
Movement in net debt in the year	113,965	240,598
Net cash/(debt) at beginning of the year	3,161	(237,437)
Net cash at end of the year	117,126	3,161

19. Analysis of changes in net cash/(debt)

1997	At 1.1.97	Cash flows	At 31.12.97
	£	£	£
Cash in hand, at bank	102,543	52,117	154,660
Current asset investments	0	52,466	52,466
Bank overdraft	0	0	0
	102,543	104,583	207,126
Debt due within 1 year	(9,382)	9,382	0
Debt due after 1 year	(90,000)	0	(90,000)
Total net cash/(debt)	3,161	113,965	117,126

1996	At 1.1.96	Cash flows	At 31.12.96
	£	£	£
Cash in hand, at bank	34,550	67,993	102,543
Current asset investments	0	0	0
Bank overdraft	(161,782)	161,782	0
	(127,232)	229,775	102,543
Debt due within 1 year	(10,205)	823	(9,382)
Debt due after 1 year	(100,000)	10,000	(90,000)
Total net cash/(debt)	(237,437)	240,598	3,161

Short term deposits of £52,466 at 31 December 1997 (1996:Nil) are included in cash at bank and in hand.



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1997 (Continued...)

20. Reconciliation of movements in shareholders' funds

	1997 £	1996 £
Profit for the financial year	107,723	146,278
Issue of share capital	48,449	44,059
Surplus arising on revaluation of land and buildings	0	0
Net addition to shareholders' funds	156,172	190,337
Opening shareholders' funds	3,460,463	3,270,126
Closing shareholders' funds	3,616,635	3,460,463

21. Capital commitments

	1997 £	1996 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	17,000	25,000
Capital expenditure that has been authorised by the Directors but has not yet been contracted for	132,500	138,380



Severn Valley Railway (Holdings) PLC

The analysis below is provided purely as additional information for the shareholders and does not form part of the audited Financial Statements.

Turnover

	1997 £	1996 £
Traffic	1,390,393	1,284,870
Giftshops	315,754	318,056
Wholesale	218,230	174,579
Bars	536,386	501,274
Catering	333,487	278,733
Contract engineering	165,771	255,817
Locomotive hire	66,163	57,195
	<u>3,026,184</u>	<u>2,870,524</u>

Cost of sales relating to traffic includes working expenses of:

	1997 £	1996 £
Operating wages	443,517	426,609
Locomotive maintenance	92,867	94,621
Carriage maintenance and cleaning	46,860	56,209
Coal, oil and water	147,982	137,816
Civil engineering	25,513	12,508
Permanent way maintenance	35,066	34,143
Signals and telecommunications	1,966	3,716
Plant, machinery and electrical repairs	4,160	1,265
Visiting locomotive costs	6,080	5,205
Sundry traffic expenses	69,281	27,397
Depreciation of buildings and equipment	60,321	61,507
Events including Galas, Santa, Filming and Thomas the Tank	103,708	104,444
Publicity	115,060	102,602
Station expenses	91,102	95,041
	<u>1,243,483</u>	<u>1,163,083</u>



Severn Valley Railway (Holdings) PLC

Administrative expenses:

	1997	1996
	£	£
Wages, salaries, pension and PHI	145,067	173,446
Bank charges	25,823	18,908
Rent, rates and insurance	71,610	64,971
Postage and telephone	26,681	25,793
Printing and stationery	15,420	14,763
Professional fees (including Civil Engineering fees)	29,723	28,618
Registrar's costs	9,142	8,535
Auditors' remuneration	9,750	9,750
General expenses	30,946	42,070
Office repairs	335	378
Motor travel and entertaining	3,319	4,661
Office machinery leasing and hire of equipment	8,196	6,045
Redundancy payments	0	6,919
Bad debt provision	4,301	0
	<u>380,313</u>	<u>404,857</u>