



# **REPORT AND FINANCIAL STATEMENTS**

**Severn Valley Railway (Holdings)**

**Public Limited Company**

(Registered No. 1046274)

**FOR THE YEAR ENDED 31 DECEMBER 2002**

## NOTICE OF MEETING

Notice is hereby given that the Thirty First Annual General Meeting of the above-named Company will be held at The Castle Hall, West Castle Street, Bridgnorth, Shropshire on Saturday 12 July 2003 at 8.00pm to transact the following business:

1. To approve the Minutes of the 2002 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 2002.
4. To reappoint Horwath Clark Whitehill 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

A S Harding

Secretary



6 May 2003

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 2002**

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## DIRECTORS, OFFICERS AND ADVISERS

### Directors

M R York - Chairman  
R S Smith - Deputy Chairman  
A Barker  
P C Fathers  
P A Hobson (SVR Assoc Representative)  
R F Hobson (SVR Co Ltd Representative)  
C F Homer  
A D Owen  
N C Paul  
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

Following the traumas of 2000 and 2001, when we were beset by boiler problems which decimated the locomotive fleet, tourism generally suffered from the effects of the Foot and Mouth disease, and then the September 11 attacks, it is indeed gratifying to be able to report that the Company fared much better in 2002.

The Board set a prudent budget for the year, being only too well aware of how easy it is to get blown off course. Throughout the period great emphasis was placed on controlling costs but whilst we achieved important savings on coal, water treatment chemicals and locomotive maintenance, we incurred hefty increases in business rates and insurance premiums, the latter being of particular concern where we saw a 50% rise.

A key feature of the year's performance was the increase in passenger numbers, up 2.7% to a new record figure of 236,704. This growth pushed up total traffic revenues to a new high of £1,907,000, with particularly strong performances from footplate experience courses, locomotive hire and charters. Special events continued to be popular with our visitors, producing traffic revenues of almost £700,000, 18% of total Company income. Improved results were achieved by most of the profit centres, in particular the bars and on-train buffet cars and catering - where on-train dining enjoyed near maximum loading figures - and dining charters were more popular than ever. The giftshops saw a big increase in sales but unfortunately this could not be matched by our wholesale activities. Quite the reverse, in fact, and with projections for 2003 looking no better the Board took the decision at the end of the year to close down the operation in what had become a diminishing market. Regrettably, this resulted in two members of staff being made redundant, although the Company has been able to re-employ one elsewhere on the Railway. As a result of our generally buoyant trading, total revenue receipts rose to £3,766,000, up 5% on 2001. Another new record, and I am pleased to report a profit before tax of £35,193.

Due to the introduction of Financial Reporting Standard 19, all companies must now provide in full for deferred tax liabilities. Deferred taxation occurs when there is a timing difference between when the income and expenditure is recognised in the Company accounts and when it is recognised in the tax computation. For example, fixed assets are depreciated in the accounts at a rate determined by the Directors based on the expected economic useful life of the asset, but the charge allowed in the tax computation is at the standard Inland Revenue capital allowance rates. Any differences between these two figures will mean that the tax charge in future years will be different from that expected in the profits shown in the accounts, hence there is a deferred tax liability or asset.

The deferred tax liability, caused by these timing differences, provided in the Company's accounts at 31 December 2002 is £211,671 (2001: £216,722). As this is a change in accounting policy the comparative figures for 2001 have been restated as if the deferred tax liability had always been provided for. This year's reduction in the liability of £5,051 has been credited to the profit and loss account in these accounts and gives the Company an after tax profit of £40,244.

Spending on capital projects continued in 2002 but at a more modest level. Following the installation of the reverse osmosis water treatment plant at Kidderminster in 2001, a second plant was commissioned at Bridgnorth and already the benefits of this investment are being seen, with cleaner boilers requiring less attention. Another major development in the first half of the year, funded entirely by Severn Valley Railway Company Limited, was the provision of a new locomotive preparation and disposal pit at Bewdley, matching the one installed at Bridgnorth a year earlier. Other works have included re-timbering of Cleobury Road bridge, repairs to Borle viaduct, provision of a guard rail and mesh on the roof of Kidderminster carriage works to facilitate inspection and repairs without the need for a possession of the Network Rail mainline which runs alongside it, and the building of new accommodation at Bewdley to

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

house the Volunteer Liaison Office. The latter will also be financed by the Severn Valley Railway Company Limited aided by a £4,500 contribution from the West Bromwich Building Society SVR Branch Account. In total £126,800 was spent on capital works during the year.

2002 saw the welcome return to traffic of 7802 *Bradley Manor* with the overhaul of a second engine, 42968, being virtually complete by the year's end. Unfortunately, the return of these two locomotives has not increased the size of the fleet as two other engines, 47383 and 80079 were retired during the course of the year for major repairs. On the carriage front, five coaches were given mechanical overhauls at Kidderminster and another twelve received bodywork attention and repaint / re-varnish, whilst at Bewdley a further seven coaches underwent repair and repaint / re-varnish. All this activity enabled us to put out four sets of coaches looking very presentable, with another set partially done, and by 2004 it is to be hoped that the remaining one and a half sets will have been completed. That will be a job very well done and will, I am sure, be greatly appreciated by our visitors.

A key factor in the SVR remaining viable has to be our ability to attract even more visitors and to this end the Company has continued to be pro-active in marketing the business. Several new initiatives were introduced in 2002, starting with a '1960's Transport Day' in February which attracted nearly 2000 visitors. In the same month a part time Education Officer was appointed with the brief to develop school party visits through a more professional approach to our educational services. In addition to building up the normal schools traffic, a prime initiative was a successful 'Learn with Thomas' week in May aimed at the younger children. Another new idea was slotted into the Santa programme with the running of mid-week 'Christmas Cracker Express' trains for parties of primary and pre-school children and again, the results were promising.

In Marketing, the benefits of new initiatives can take a time to come through but the effectiveness of our marketing strategy over recent years can be judged by the steady growth in visitor numbers. The SVR has now become firmly established as an all-year-round leisure attraction and the figures clearly demonstrate that even in the winter months, given favourable weather, people are prepared to pay us a visit. Not only does this help swell our overall visitor numbers but it also provides a very timely boost to our cash flow. As our publicity material proudly proclaims, we are most definitely "the line for all seasons".

For many, the highlight of the year was undoubtedly the Autumn Steam Gala. Over the 3-day event we carried more than 7,000 contented passengers. We had ten locomotives in action, including two Stanier Pacifics, 6201 *Princess Elizabeth* and 6233 *Duchess of Sutherland*, plus Gresley Pacific 60009 *Union of South Africa*. Even the weather was kind to us. Just a few weeks later, not to be outdone, the heritage diesels had their own gala and with almost 4,000 visitors over the weekend, produced the most successful diesel event on the Railway for many years. An extra bonus on the Saturday was the visit by a Virgin Voyager, which was officially named *Severn Voyager* in a short ceremony at Kidderminster before making two return trips to Arley. Add to this the continuing success of the 'Thomas the Tank Engine' weekends, the '1940's' weekends, the Classic Car and Bike Day and, of course, the Santa services and it is not difficult to see why these special events are so important to us. In 2002 they attracted 39% of all our passengers!

Whilst there were many positive things to report on in 2002, there was also the sadness of losing one of our founding fathers, John Garth, who died in August after a long fight against cancer. During his 37 years with the Railway John was Severn Valley through and through, holding at various times just about every senior position in the Organisation, including five years as the Chairman of this Company. John epitomised all that is best about the SVR and in so many ways he helped lay the foundation upon which we could build

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

a successful Railway. Regrettably, the year also saw my predecessor, Paul Fathers, relinquishing the chairmanship of the Company due to his work commitments, which have also precluded him from standing again for re-election at this year's AGM. Paul has made a tremendous contribution to the Board over a period of nine years and our sincere thanks go to him for all his hard work in helping to take the Company forward. Another change in the boardroom resulted from Alan Osborne's decision to stand down as a Director, but the Railway is not losing him altogether as he is now devoting more time to the recently formed SVR Rolling Stock Trust Company Limited. Alan has made a significant input during his time on the Board and we are grateful for having benefited from his business acumen and enthusiasm. In his place, the Directors unanimously resolved to co-opt Nick Paul onto the Board. A keen SVR supporter, Nick brings a wealth of business experience from which we are already feeling the benefit. In accordance with our Articles, Nick will be putting himself forward for election at the AGM. Finally, SVR Association Nominee Director, Paul Hobson, will be stepping down at the AGM after serving on the Board for the past five years and our thanks go to him for the contribution he has made during that time.

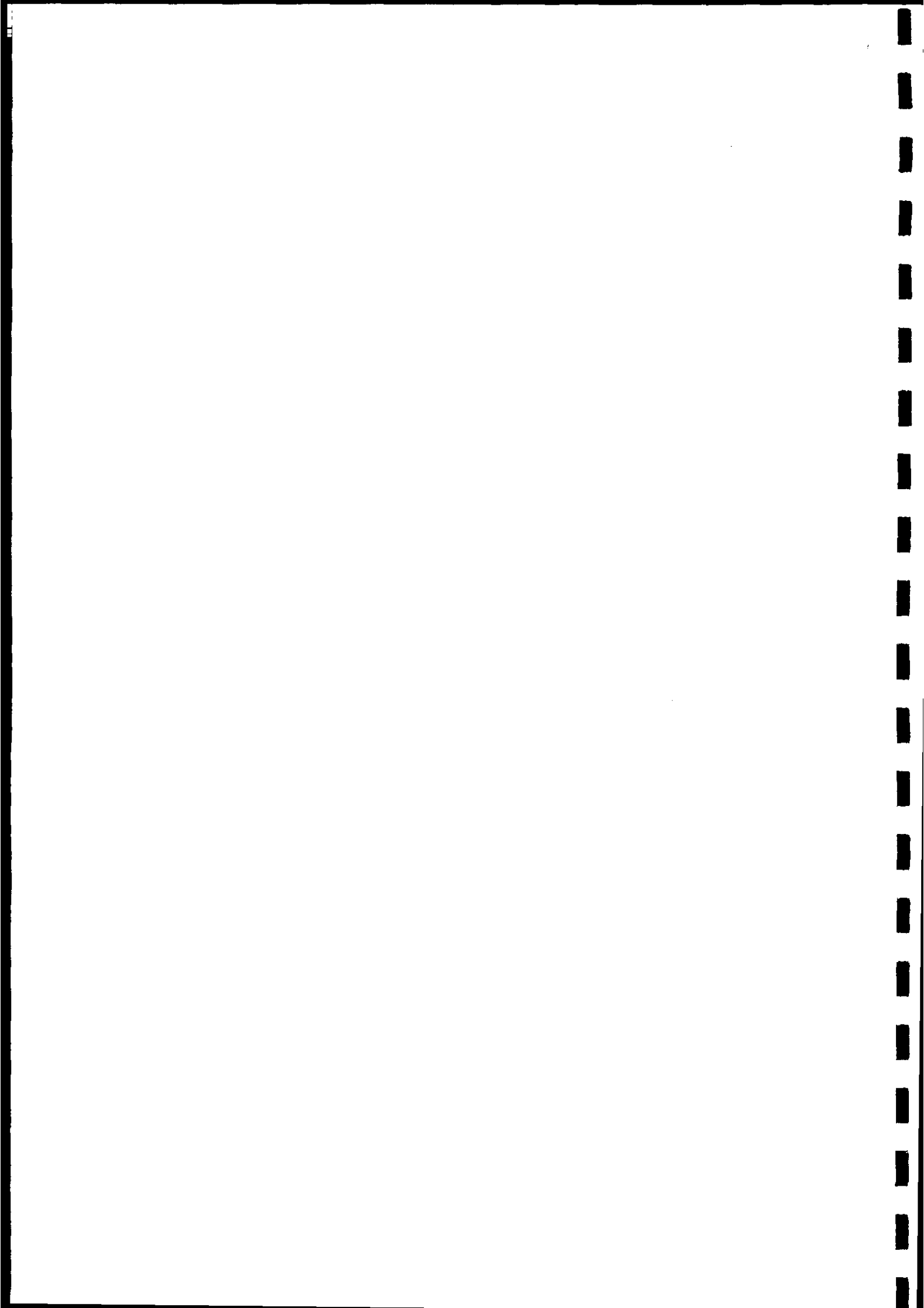
Looking at 2003, the year has started well with passenger numbers running ahead of budget. However, it is still early days and there can be no room for complacency. In particular, we must continue to work hard at containing costs. Our applications for grant funding for the Locomotive Display Building at Highley from the European Union and the Heritage Lottery Fund have been submitted and are being considered currently. The five yearly report on the Railway's bridges and structures has been received from our Consulting Engineers and indicates that a sizeable programme of capital works will need to be undertaken, commencing in 2004. The Board has agreed to go ahead with the long awaited completion of Kidderminster Station building which, apart from improving the visual aspect of the station, will create quality catering facilities for our visitors. A leaflet enclosed with this Report provides more details about the project and any financial assistance you can give with this exciting development will be most welcome.

During the year, the SVR Rolling Stock Trust Company Limited was formed to help support some of the long term aims of the Severn Valley Railway. On 1st July 2002, it was granted charitable status. As a charity, sources of tax efficient funding are available to it, that would not normally be accessible to our Company. One of these sources is a legacy, which is a gift of money or belongings left in a will to benefit other people, organisations, or charities. Legacies can make a major difference to the long term future preservation and operation of the Railway. Included with this year's Report, is a leaflet which outlines how these particular charitable legacies can benefit the Railway and how someone can make provision in their will with a bequest in the most tax efficient manner. Please read this leaflet and if you can help, complete the form and keep it safe with your will, or if you want more information, write to the SVR Rolling Stock Trust Co Ltd at Bewdley station.

I cannot close this Report without expressing my admiration for, and gratitude to, all staff, both paid and unpaid, whose commitment and dedication throughout the year, happily backed by the encouragement and support of many thousands of shareholders and members, has contributed so much to our progress. The Railway is regularly praised by visitors for its professionalism and friendliness. These qualities and the team spirit created are our greatest strengths. Long may they remain so.

  
M R York  
Chairman

6 May 2003





## DIRECTORS' REPORT

### Directors' Report for the year ended 31 December 2002

The Directors present their report and the audited financial statements for the year ended 31 December 2002.

### Principal Activity

The principal activity of the Company is to operate the Severn Valley Railway between Bridgnorth in Shropshire and Kidderminster in Worcestershire. A review of the year is included in the Chairman's Statement on pages 4 to 6 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 11.

In accordance with the special resolutions passed at the Extraordinary General Meeting of the Company on 19 December 1997, the Memorandum and Articles of Association of the Company no longer permit either the payment of dividends or the participation of members in the distribution of any residual property or assets upon the winding up or dissolution of the Company. During 2002 the company made a profit before tax of £35,193 compared to a loss of £30,703 in 2001. This year's deferred taxation credit of £5,051 has resulted in a retained profit of £40,244 being transferred to reserves.

### Directors

The Directors of the Company are listed on page 3.

### Directors' Interests

The interests of the current Directors in the shares of the Company at 31 December 2002, together with their beneficial interests at 1 January 2002, or date of their appointment, were:

	1 January 2002	31 December 2002
A Barker	3,650	3,890
A Barker – Trustee holding (with P A Hobson) for SVR Assoc	43,978	43,978
P C Fathers	501	501
P A Hobson	205	205
P A Hobson – Trustee holding (with A Barker) for SVR Assoc	43,978	43,978
R F Hobson	350	350
C F Homer	1,510	1,510
A Osborne (resigned 8 October 2002)	1,701	-
A D Owen	500	500
N C Paul (appointed 8 October 2002)	251	251
R S Smith	7,500	7,500
C G Thomas	302	302
C W Walton	600	600
D C Williams	2,005	2,005
M R York	375	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.

### 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 2002 was 36.



## DIRECTORS' REPORT

### Directors' Report for the year ended 31 December 2002 (Continued...)

#### Charitable Donations

During the year the Company made charitable donations of £535 (2001: £50).

#### Substantial Shareholdings

The following had holdings in excess of 3% of the issued share capital of the Company at 31 December 2002.

	No. of Shares	% of Total
SVR Co. Ltd	650,444	21.4
Rubery Owen Holdings Ltd	150,000	4.9

#### 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

6 May 2003

## 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 2002 set out on pages 11 to 25. 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 15 and 16.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

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

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

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

### BASIS OF AUDIT OPINION

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

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

### UNQUALIFIED OPINION

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 2002 and of its profit 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

**6 May 2003**

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £	As restated 2001 £
<b>Turnover</b>	2	<b>3,633,112</b>	3,434,291
Cost of sales		<u>(3,244,377)</u>	<u>(3,191,545)</u>
<b>Gross profit</b>		<b>388,735</b>	242,746
Administrative expenses		<u>(478,609)</u>	<u>(427,294)</u>
		<b>(89,874)</b>	<b>(184,548)</b>
Other operating income	3	<u>133,415</u>	<u>153,573</u>
<b>Operating Profit/(loss)</b>		<b>43,541</b>	<b>(30,975)</b>
Interest received		<b>825</b>	3,076
Interest payable and similar charges	4	<u>(9,173)</u>	<u>(2,804)</u>
<b>Profit/(loss) on ordinary activities before taxation</b>	5	<b>35,193</b>	<b>(30,703)</b>
Tax on ordinary activities	14	<u>5,051</u>	<u>25,529</u>
<b>Retained profit/absorbed loss for the financial year</b>	17/18	<u><b>40,244</b></u>	<u><b>(5,174)</b></u>

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

### Note of historical cost profits and losses

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

The notes on pages 15 to 25 form part of these financial statements.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2002

	2002 £	As restated 2001 £
<b>Profit/(loss) for the financial year</b>	<b><u>40,244</u></b>	<b><u>(5,174)</u></b>
<b>Total recognised gains and losses relating to the year</b>	<b>40,244</b>	<b><u>(5,174)</u></b>
Prior year adjustment (note 17)	<b><u>(216,722)</u></b>	
<b>Total gains and losses recognised since last financial statements</b>	<b><u>(176,478)</u></b>	

The notes on pages 15 to 25 form part of these financial statements.

# **BALANCE SHEET**

## **31 DECEMBER 2002**

	Notes	2002 £	As restated 2001 £
<b>Fixed Assets</b>			
Tangible Assets	8	<u>6,712,561</u>	<u>6,740,588</u>
<b>Current Assets</b>			
Stocks	9	294,341	297,542
Debtors	10	240,644	258,197
Cash at bank and in hand	11	<u>145,135</u>	<u>4,649</u>
		680,120	560,388
<b>Creditors: Amounts falling due within one year</b>	12	<u>(696,052)</u>	<u>(666,524)</u>
<b>Net Current Liabilities</b>		<u>(15,932)</u>	<u>(106,136)</u>
<b>Total Assets Less Current Liabilities</b>		6,696,629	6,634,452
<b>Creditors: Amounts falling due after more than one year</b>	13	<u>(1,854,751)</u>	<u>(1,891,563)</u>
		4,841,878	4,742,889
<b>Provisions for liabilities and charges</b>			
Deferred taxation	14	<u>(211,671)</u>	<u>(216,722)</u>
<b>Net Assets</b>		<u>4,630,207</u>	<u>4,526,167</u>
<b>Capital and Reserves</b>			
Called up share capital	16	3,035,074	2,971,278
Revaluation reserve	17	905,644	912,162
Profit and loss account	17	<u>689,489</u>	<u>642,727</u>
<b>Shareholders' Funds</b>	18	<u>4,630,207</u>	<u>4,526,167</u>

The Financial Statements on pages 11 to 25 were approved by the Board of Directors on 6 May 2003 and signed on its behalf by:

*MR York*

MR York

*R.S. Smith*

R S Smith

}  
}  
} Directors  
}  
}

The notes on pages 15 to 25 form part of these financial statements.



## CASHFLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2002

	Notes	2002 £	2001 £
<b>Net cashflow from operating activities</b>		<b><u>421,204</u></b>	<b><u>(48,842)</u></b>
<b>Returns on investment and servicing of finance</b>			
Interest received		825	3,076
Interest paid		<u>(9,173)</u>	<u>(2,804)</u>
Net cashflow from investment and servicing of finance		<u>(8,348)</u>	<u>272</u>
<b>Taxation</b>			
Tax paid		<u>-</u>	<u>-</u>
<b>Capital expenditure and financial investment</b>			
Purchase of tangible fixed assets		(126,800)	(389,475)
Sale of tangible fixed assets		<u>1,500</u>	<u>-</u>
Net cash outflow from investment and servicing of finance		<u>(125,300)</u>	<u>(389,475)</u>
<b>Net cash inflow/(outflow) before financing</b>		<b>287,556</b>	<b>(438,045)</b>
<b>Financing</b>			
Issue of ordinary share capital		<u>63,796</u>	<u>64,210</u>
Net cash inflow from financing		<u>63,796</u>	<u>64,210</u>
<b>Increase/(decrease) in cash in the year</b>	23	<b><u>351,352</u></b>	<b><u>(373,835)</u></b>

### Note to the cash flow statement

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

	2002 £	2001 £
Operating profit/(loss)	43,541	(30,975)
Depreciation charge	154,827	149,303
Profit on sale of tangible fixed assets	(1,500)	-
Movement in working capital:		
Decrease/(increase) in stocks	3,201	(41,908)
Decrease in debtors	17,553	16,596
Increase/(decrease) in creditors	<u>203,582</u>	<u>(141,858)</u>
Net cash inflow/(outflow) from operating activities	<b><u>421,204</u></b>	<b><u>(48,842)</u></b>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002

### 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 are 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

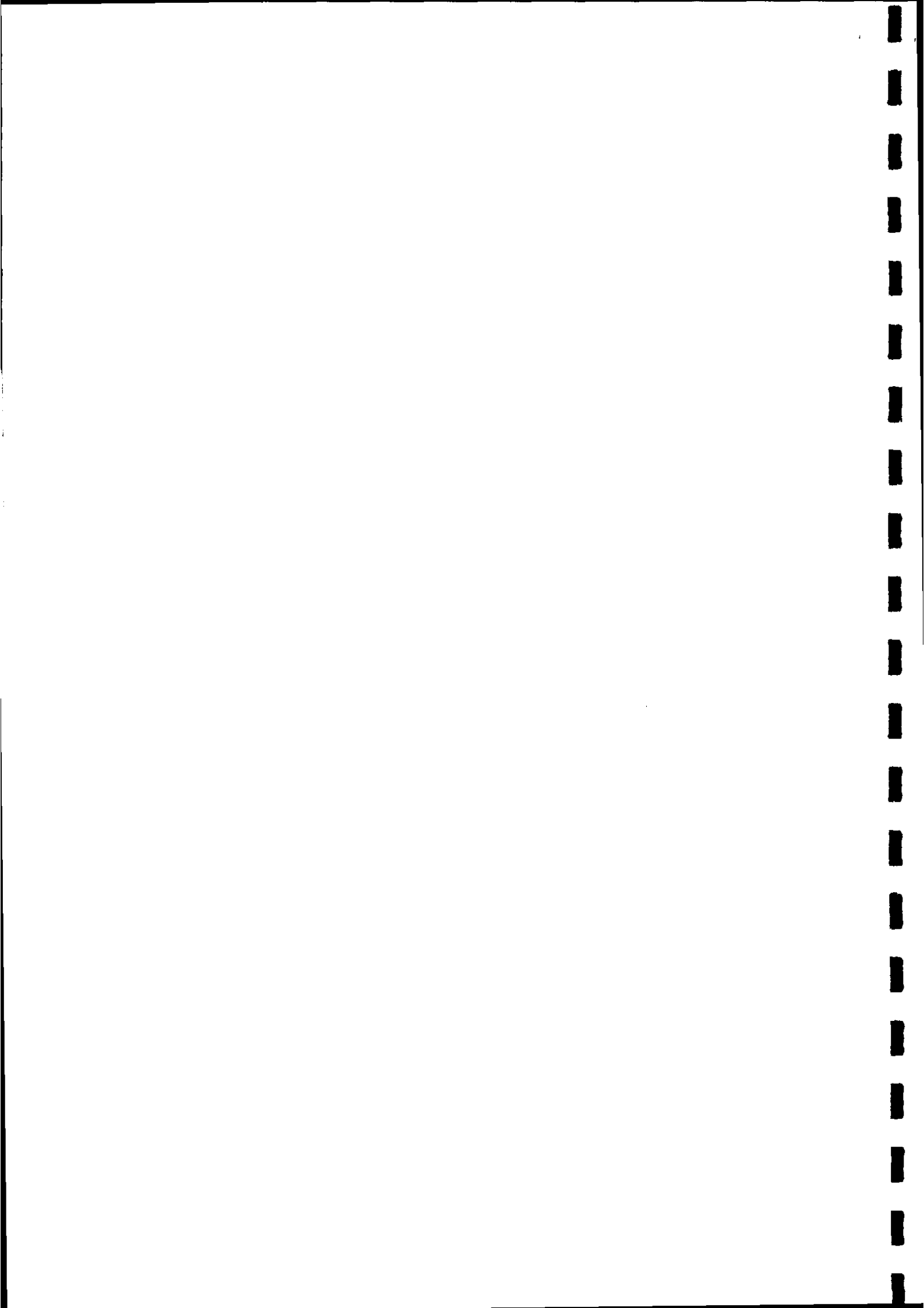
Freehold land is not depreciated.

#### 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 2002 (Continued...)

### 1. Principal accounting policies - continued

#### Deferred taxation

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

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

#### Pension costs

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

#### Grants

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

### 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

	2002	2001
	£	£
Profit on the sale of an asset	1,500	-
Grant of easement	-	15,000
Rents received	25,119	26,032
Donations	67,088	72,831
Release of deferred grants/donations	<u>39,708</u>	<u>39,710</u>
	<u>133,415</u>	<u>153,573</u>

### 4. Interest payable and similar charges

	2002	2001
	£	£
On bank loans and overdrafts and other loans:		
Repayable within 5 years, not by instalments	<u>9,173</u>	<u>2,804</u>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (Continued...)

## 5. Profit/(loss) on ordinary activities before taxation

	2002 £	2001 £
Profit/(loss) on ordinary activities before taxation is stated after charging:		
Depreciation on tangible owned fixed assets	154,827	149,303
Hire of other assets – operating leases	3,136	3,685
Auditors' remuneration for:		
Audit	7,250	7,250
Tax	<u>1,000</u>	<u>1,400</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:

	2002 Number	2001 Number
Full time	68	69
Part time	<u>31</u>	<u>32</u>
	<u>99</u>	<u>101</u>
	£	£
Staff costs for the above		
Wages and salaries	1,116,647	1,067,362
Social security costs	78,228	75,578
Other pension costs	<u>48,273</u>	<u>38,092</u>
	<u>1,243,148</u>	<u>1,181,032</u>



# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (Continued...)

## 8. Tangible fixed assets

	Total £	Freehold land and buildings £	Locos and rolling stock £	Commercial fixtures, fittings and equipment £	Office equipment and motor vehicles £	Capital work in progress £
<b>Cost or valuation</b>						
At 1 January 2002	7,669,742	6,633,338	694,520	251,056	83,174	7,654
Additions	126,800	82,949	-	1,874	4,995	36,982
Reclassification	-	544	-	-	-	(544)
<b>At 31 December 2002</b>	<b><u>7,796,542</u></b>	<b><u>6,716,831</u></b>	<b><u>694,520</u></b>	<b><u>252,930</u></b>	<b><u>88,169</u></b>	<b><u>44,092</u></b>
<b>Depreciation</b>						
At 1 January 2002	929,154	184,555	519,255	159,501	65,843	-
Charge for the year	<u>154,827</u>	<u>97,672</u>	<u>38,827</u>	<u>10,317</u>	<u>8,011</u>	-
<b>At 31 December 2002</b>	<b><u>1,083,981</u></b>	<b><u>282,227</u></b>	<b><u>558,082</u></b>	<b><u>169,818</u></b>	<b><u>73,854</u></b>	<b><u>-</u></b>
<b>Net book value</b>						
At 31 December 2002	<b><u>6,712,561</u></b>	<b><u>6,434,604</u></b>	<b><u>136,438</u></b>	<b><u>83,112</u></b>	<b><u>14,315</u></b>	<b><u>44,092</u></b>
At 31 December 2001	<u>6,740,588</u>	<u>6,448,783</u>	<u>175,265</u>	<u>91,555</u>	<u>17,331</u>	<u>7,654</u>

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 the directors do not believe their current 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:

	2002 £	2001 £
Land and Buildings		
Cost	6,286,480	6,202,987
Aggregate depreciation	<u>(757,520)</u>	<u>(669,449)</u>
Net book value	<b><u>5,528,960</u></b>	<b><u>5,533,538</u></b>





# **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2002** (Continued...)

## **9. Stocks**

	2002 £	2001 £
Goods for resale	166,462	177,565
Stores	<u>127,879</u>	<u>119,977</u>
	<u>294,341</u>	<u>297,542</u>

## **10. Debtors**

	2002 £	2001 £
Trade debtors	108,795	109,626
Other debtors	28,920	46,139
Prepayments and accrued income	<u>102,929</u>	<u>102,432</u>
	<u>240,644</u>	<u>258,197</u>

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

	2002 £	2001 £
Balance at bank	140,335	-
Petty cash and cash floats	<u>4,800</u>	<u>4,649</u>
	<u>145,135</u>	<u>4,649</u>



# **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2002** (Continued...)

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

	2002 £	2001 £
Bank overdraft	-	210,866
Trade creditors	371,883	193,724
Other taxation and social security	21,826	20,868
Other creditors	119,436	83,607
Accruals and deferred income	<u>182,907</u>	<u>157,459</u>
	<b><u>696,052</u></b>	<b><u>666,524</u></b>

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**

	2002 £	2001 £
Deferred income	<u>1,854,751</u>	<u>1,891,563</u>
	<b><u>1,854,751</u></b>	<b><u>1,891,563</u></b>

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 2002** (Continued...)

## **14. Taxation**

### **14.1 Corporation Tax**

	2002 £	As restated 2001 £
<b>Analysis of tax charge in year</b>		
<b>Current tax</b> (see note 14.2)		
UK corporation tax on profits of the year	—	—
<b>Deferred tax</b>		
Accelerated capital allowances	(1,003)	36,418
Short term timing differences	7,441	97
Taxable losses carried forward	(11,489)	(62,044)
<b>Total deferred tax</b> (see note 14.3)	(5,051)	(25,529)
<b>Tax on profit on ordinary activities</b>	(5,051)	(25,529)



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (Continued...)

### 14. Taxation (continued)

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

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

	2002 £	2001 £
Profit/(loss) on ordinary activities before tax	<u>35,193</u>	<u>(30,703)</u>
Profit/(loss) on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2001-20%)	6,687	(6,141)
<b>Effects of:</b>		
Donations received	(12,747)	(14,566)
Movement on accelerated capital allowances	2,490	(32,253)
Expenses not deductible for tax purposes.	-	798
Losses utilised	11,435	60,206
Release of deferred income	(7,425)	(7,942)
Other differences	<u>(440)</u>	<u>(102)</u>
<b>Current tax charge for the year (see note above)</b>	<u>-</u>	<u>-</u>

There were no factors that may affect future tax charges.

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

#### 14.3 Deferred Taxation

	2002 £	As restated 2001 £
At 1 January 2002	216,722	242,251
Charge for the year	<u>(5,051)</u>	<u>(25,529)</u>
At 31 December 2002	<u>211,671</u>	<u>216,722</u>

The provision for deferred tax is made up as follows:

Accelerated capital allowances	779,592	780,595
Short term timing differences	<u>(362,635)</u>	<u>(370,076)</u>
	416,957	410,519
Taxable losses carried forward	<u>(205,286)</u>	<u>(193,797)</u>
	<u>211,671</u>	<u>216,722</u>





# NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (Continued...)

## 15. Pension Scheme

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company and are in an independently administered fund. The pension cost charge against profits in the year represents contributions payable to the fund and amounted to £48,273 (2001: £38,092).

## 16. Called up Share Capital

	2002 £	2001 £
Authorised ordinary shares of £1 each	<u>5,000,000</u>	<u>5,000,000</u>
Allotted, called up and fully paid ordinary shares of £1 each	<u>3,035,074</u>	<u>2,971,278</u>

The Company allotted 63,796 ordinary shares of £1 each at par during the year ended 31 December 2002.

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

## 17. Reserves

	Revaluation Reserve £	Profit and loss account £
At 1 January 2002	912,162	859,449
Prior year adjustment	-	(216,722)
At 1 January 2002 as restated	912,162	642,727
Historical cost depreciation adjustment	(6,518)	6,518
Profit for the financial year	-	40,244
At 31 December 2002	<u>905,644</u>	<u>689,489</u>

The prior year adjustment reflects a change in accounting policy for deferred taxation following the implementation of FRS19.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2002 (Continued...)

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

	2002 £	As restated 2001 £
Profit/(loss) for the financial year	40,244	(5,174)
Issue of share capital	<u>63,796</u>	<u>64,210</u>
Net addition to shareholders' funds	<u>104,040</u>	<u>59,036</u>
Opening shareholders' funds	4,526,167	4,709,382
Prior year adjustment	—	<u>(242,251)</u>
Opening shareholders' funds restated	<u>4,526,167</u>	<u>4,467,131</u>
Closing shareholders' funds	<u>4,630,207</u>	<u>4,526,167</u>

### 19. Capital commitments

	2002 £	2001 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>24,434</u>	<u>Nil</u>

### 20. Other financial commitments

The following annual commitments existed at 31 December 2002 in respect of non-cancellable operating leases:

	2002 £	2001 £
Plant and Equipment: falling due in less than 1 year	<u>196</u>	<u>209</u>
Between 2 to 5 years	<u>2,411</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 21.4% of the Company's shares

	During 2002 £	Balance at 31.12.02 £	During 2001 £	Balance at 31.12.01 £
Recharges to SVR Co Ltd	<u>10,363</u>	<u>—</u>	<u>8,374</u>	<u>772</u>



# **NOTES TO THE FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2002** (Continued...)

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

	2002 £	2001 £
Increase/(decrease) in cash in the year	351,352	(373,835)
Net funds at the beginning of the year	<u>(206,217)</u>	<u>167,618</u>
Net funds/(debt) at the end of the year	<u>145,135</u>	<u>(206,217)</u>

## **23. Analysis of changes in net funds/(debt)**

	01.01.02 £	Cash flows £	Non-cash movement £	31.12.02 £
Cash in hand, at bank	4,649	140,486	-	145,135
Debt due within 1 year	<u>(210,866)</u>	<u>210,866</u>	<u>-</u>	<u>-</u>
Total net funds	<u>(206,217)</u>	<u>351,352</u>	<u>-</u>	<u>145,135</u>

## ADDITIONAL INFORMATION FOR THE YEAR ENDED 31 DECEMBER 2002

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

<b>Turnover</b>	<b>2002</b> <b>£</b>	<b>2001</b> <b>£</b>
Traffic	1,810,629	1,701,145
Giftware (retail shops and wholesale)	512,621	507,748
Bars	608,600	584,705
Catering	393,466	358,150
Contract engineering	197,938	239,364
Locomotive hire	93,210	31,125
Other	16,648	12,054
	<u>3,633,112</u>	<u>3,434,291</u>

### Cost of Sales Relating to Traffic includes Working Expenses of:

	<b>2002</b> <b>£</b>	<b>2001</b> <b>£</b>
Operating wages and salaries	612,175	590,954
Locomotive maintenance	182,086	231,223
Carriage maintenance and cleaning	88,450	80,660
Coal, oil and water	162,769	193,817
Civil engineering	35,967	36,464
Permanent way maintenance	32,633	27,266
Signals and telecommunications	20,693	8,851
Plant, machinery and electrical repairs	11,012	14,136
Visiting locomotive costs	16,942	20,733
Sundry traffic expenses	76,915	52,809
Depreciation of buildings and equipment	119,662	112,638
Events including Galas, Santa, Filming and Thomas the Tank Engine © Gullane (Thomas) Ltd (2002)	167,706	164,479
Publicity	148,913	140,678
Station expenses	154,670	161,610
	<u>1,830,593</u>	<u>1,836,318</u>

# **ADDITIONAL INFORMATION** **FOR THE YEAR ENDED 31 DECEMBER 2002 (Continued...)**

<b>Administrative Expenses:</b>	<b>2002</b> <b>£</b>	<b>2001</b> <b>£</b>
Wages, salaries, pension and PHI	215,021	200,375
Bank charges	26,978	26,990
Rent, rates and insurance	128,325	90,505
Postage and telephone	23,977	24,818
Printing and stationery	11,068	12,293
Professional fees (including Civil Engineering fees)	7,616	8,369
Registrar's costs	7,851	7,803
Auditors' remuneration	7,250	7,250
General expenses	42,375	41,391
Office repairs	2,148	798
Motor travel	2,356	2,896
Entertainment	-	162
Depreciation of computer equipment	1,652	1,652
Office machinery leasing and hire of equipment	<u>1,992</u>	<u>1,992</u>
	<b><u>478,609</u></b>	<b><u>427,294</u></b>