

# Severn Valley Railway Company Limited

Company Number 906842

ANNUAL REPORT  
and  
FINANCIAL STATEMENTS  
for the year ended  
31st December, 2007

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# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

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# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

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## DIRECTORS AND OFFICERS

### *Directors.*

David C Williams, *Chairman*

Michael E. Ball

Anthony G. Bending

Peter V. Edkins

Roger F. Hobson

Jason L. Houlders

Alan W. Longdon

Diane E. Malyon

Stephen C. White

### *Secretary.*

David L. Mellor, FCA

### *General Manager*

Nick Ralls, MA, BA

### *Auditors.*

Folkes Worton, Stourbridge, West Midlands

### *Bankers:*

HSBC Bank PLC, Bewdley, Worcestershire

### *Registered Office:*

The Railway Station, Bewdley, Worcestershire

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## NOTICE OF MEETING

Notice is hereby given that the Fortieth Annual General Meeting of the Company will be held at the Railway Museum, Kidderminster, Worcestershire, at 7 30 p m , on Saturday, 26th July, 2008, for the following purposes —

- 1 To receive apologies for absence
- 2 To approve the Minutes of the Thirty-ninth Annual General Meeting (circulated herewith)
- 3 To elect Directors
- 4 To adopt the Directors' Report and Financial Statements for the year ended 31st December, 2007
- 5 To reappoint Folkes Worton as Auditors of the Company, and to authorise the Directors to fix the remuneration of the Auditors
- 6 To approve subscription rates to take effect from 1st January, 2009, as follows Adult £17 00 (*£15 00*), Junior (14 to 16 years) £7 00 (*£6 00*), Student (17 to 18 years and older members in full-time education) £11 00 (*£10 00*), Senior £14 00 (*£12 00*), Joint £24 00 (*£20 00*), Joint Senior £18 00 (*£14 00*), Family £28 00 (*£24 00*), Life membership £340 00 (*£300 00*), Joint Life membership £480 00 (*£380 00*) (*Current rates in italics*)
- 7 To receive a review of the year
- 8 To transact any other business proper to an Annual General Meeting

The Railway Station,  
Bewdley, Worcestershire  
11th June, 2008



By order of the Board  
D L MELLOR  
Secretary

- (i) Any member entitled to attend and vote may appoint a proxy who need not be a member of the Company to attend on his behalf and vote for him on a poll The proxy form, enclosed herewith, must reach the Company Secretary at the address shown thereon not less than 48 hours before the commencement of the meeting
- (ii) Admission will be by production of a valid membership card
- (iii) Joint members have one vote each

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## CHAIRMAN'S REPORT

No-one in the world could possibly have predicted the massive problems that have befallen the Severn Valley Railway since I wrote my last Chairman's Report just one year ago. We were contentedly running trains, and entering the start of our busy season, as indeed we have for the past 37 summers. And then came The Great Storm of Tuesday evening, 19th June 2007, which totally devastated our Railway. Damage at Kidderminster, Bewdley and Bridgnorth was relatively light, but over the 11 miles from Northwood Halt to Oldbury Viaduct, all hell was let loose. The storm damage report made depressing reading, the line was damaged, in one form or another, in 45 different places, but 8 of them particularly seriously.

I hope that our communications, the daily Floodline electronic bulletin, the monthly Working Members Newsletter, the quarterly 'SVR News', and the annual Shareholders Newsletter, together with some very comprehensive news coverage in all the national railway magazines, have successfully conveyed to members and others the scale of what happened, and equally importantly, what has been done since then to put things right, and to coax our Railway back into life once again after a lengthy 274 days without a train service in the valley proper.

An early reaction to the calamitous situation could have been 'the impossible has happened, let's pack up'. But as you all know, the SVR organisation is made of sterner stuff. It was quickly recognised by many people, including some influential friends, that not only is the Severn Valley line a major attraction in its own right, but it also contributes significantly to the local economy through tourism and education. These points were made with some force and urgency, and were recognised, several funding agencies responded quickly and favourably, and to all of them we owe a huge 'thank you'. But what was also necessary was for members and shareholders to take the initiative and to show their own support and enthusiasm for the SVR. And this you all did, with no less than £592,000 being raised for repairs to the infrastructure, and offers of help in many other ways.

Although some of the repairs to the line could only be tackled by contractors and full-time teams, our own staff, both paid and volunteer, were in the forefront of repair work, involving clearing and improving drainage, track re-instatement, signalling repairs and removing undergrowth and overgrowth. The work was made much more difficult with the line of the railway being lost, and hence the remoter locations of the more seriously damaged sections being impossible to reach either by rail or road. Here, in many cases, SVR ingenuity was tested to the limit!

We pulled through, of course, and 'great joy' attended the re-opening of the Railway at Easter this year, heralded by a 'thank you' train for benefactors, supporters and press, it included representatives from other heritage railways and railway-interested organisations that gave us wonderful support, indeed quite a heart-warming list. So now it is 'business as usual', with volunteer members of this Company knuckling down to the routine of running a busy railway in all its many facets.

SVR membership remains buoyant, with donation income providing necessary funding for worthwhile projects up and down the Railway. Sleeping accommodation and mess-room facilities for volunteers are high on the spending agenda once again, and indeed anything else where 'a little does a lot' for volunteers, staff and customers. I commend to you a subscription increase for 2009 to keep pace with rising costs of 'SVR News'. I believe SVR is still good value when compared with our contemporaries.

To change from calamity to success, I must mention The Engine House at Highley, which puts 8 of our out-of-traffic locomotives into ambient surroundings for public viewing, with much more besides. My elbows have already started to wear out the wooden handrails on the balcony (internal) and terrace (external) as I expound my views on the world of railways and steam to anyone who might listen. But seriously, it is a grand place for SVR people to meet, around and above the exhibits, films and displays, not forgetting a fabulous view of our own line, with refreshments available. Don't forget to visit and recommend it to others. This Company will be helping to put more of interest into The Engine House, including archive material.

This year, I will mention the superb support that I have received from Secretary David Mellor and colleagues on this Company's Board, in particular, my new Deputy, Jason Houlders, who has used his computer skills to improve some of this Company's administrative processes. There is an absolute need for younger people, possessing the necessary passion, commitment and commonsense, to join us to help manage the Railway in the future.

Finally, whilst talking 'youngsters', I must welcome our new General Manager, Nick Ralls, whose baptism of fire ironically involved water, when Holdings Chairman Michael York and I took him on a rainy day one tour of the SVR only 5 days after 'The Great Storm'. Our journey was, of course, by road not rail, simply staring into large holes in the ground. Luckily, Nick was 'not for turning', and his new 'take' on SVR problems is proving to be interesting, and often refreshing. I am sure you will join me in wishing Nick, and indeed all the Railway, well in the future.

David C Williams *Chairman*  
11th June 2008

*David C. Williams*

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## DIRECTORS' REPORT

The Directors present their report and the financial statements for the year ended 31st December, 2007

### Principal activities and business review

The principal activity of the company continues to concern the operation, by its members, of the Severn Valley Railway between Bridgnorth, Shropshire, and Kidderminster, Worcestershire, on a voluntary basis on behalf of Severn Valley Railway (Holdings) PLC ("SVRH"). The policy of the Directors is to maintain a holding of 25 per cent of the share capital of that company. The Railway is managed by a Joint Board comprising all the Directors of the company and of SVRH.

Membership of the company increased during 2007 from 12,574 to 12,738.

On 20th June 2007 the Railway was forced to suspend services between Bewdley and Bridgnorth due to damage caused by a severe storm, and operations were restricted to the Kidderminster to Bewdley section for the rest of the year. Despite assistance for stabilisation works from outside bodies, there was a detrimental effect on the cash flow of SVRH. This company made a further interest free loan of £65,000 to assist it through its period of need. The previous interest bearing loans totalling £175,000 were reduced by the purchase of 134,183 ordinary shares of £1 each in SVRH and by other inter-company transaction charges. A further 2,216 shares were donated to the company.

The share purchases assisted funding of ten projects at Kidderminster, Bewdley and Bridgnorth, together with the acquisition of a diesel shunting locomotive and the replacement of sleeping car bogies. A small donation was also made to a rolling stock owning fund, and subvention payments to the Severn Valley Railway Junior Club recommenced. Two payments were waived by the Junior Club and were paid direct to the Flood Relief Appeal, together with the audit fee for the 2006 accounts, which was refunded by the auditors.

### Results

The surplus for the year after tax amounted to £44,920. In accordance with the Memorandum of Association, no dividend is payable.

### Post Balance Sheet events

Through services between Kidderminster and Bridgnorth recommenced on 21st March 2008, but SVRH does not expect to be in a position to repay the interest free loan until 2009. £6,435 of the earlier loan has been applied to the purchase of SVRH shares to fund further projects at Bewdley, and an additional 8,000 shares have been purchased on the market.

### Directors

The members of the Board are D C Williams (Chairman), M E Ball, A G Bending, P V Edkins, R F Hobson, J L Houlders, A W Longdon, D E Malyon and S C White. All held office throughout the year.

Messrs Houlders and Williams are the nominees of the company on the Board of Severn Valley Railway (Holdings) PLC.

Messrs Houlders, Longdon and White retire by rotation in accordance with Article 42 and, being eligible, offer themselves for re-election.

As the company is limited by guarantee and has no share capital, the financial interests of the directors in the company are identical to those of the members.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution proposing the re-appointment of Messrs Folkes Worton as auditors of the company will be put to the Annual General Meeting.

11th June 2008

Registered Office The Railway Station, Bewdley, Worcestershire

By Order of the Board

D L MELLOR

Secretary



# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)


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## STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires us as directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company for that year. In preparing those financial statements, we are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the company will continue in business

We are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable us to ensure that the financial statements comply with the Companies Act 1985. We are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

By Order of the Board  
 D. L. MELLOR  
Secretary  
11th June, 2008

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## REPORT OF THE INDEPENDENT AUDITORS to the members of Severn Valley Railway Company Limited

We have audited the financial statements of Severn Valley Railway Company Limited for the year ended 31st December 2007 on pages 8 to 13. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Sections 495 and 496 of the Companies Act 2006. 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 auditors' 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 on page 6 the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Report of the Directors 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 other transactions is not disclosed.

We read the Report of the Directors 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 International Standards on Auditing (UK and Ireland) 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.

### Opinion

In our opinion the financial statements

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 2007 and of its surplus for the year then ended,
- have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of Directors is consistent with the financial statements.

*Folkes Worton*

Folkes Worton  
15-17 Church Street  
Stourbridge  
West Midlands  
DY8 1LU  
11th June, 2008



# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## INCOME AND EXPENDITURE ACCOUNT

Year ended 31st December, 2007

	Notes	£	2007 £	2006 £
<b>Subscriptions</b>				
Annual	1b, 1c		99,329	91,942
Life	1d, 9		7,081	7,206
			<u>106,410</u>	<u>99,148</u>
<b>Administrative Expenses</b>				
Severn Valley Railway News		59,352		59,422
Membership department expenses	2	10,600		10,982
General administrative expenses		7,847		5,224
Auditors' remuneration	3	35		895
Bank charges		3,480		2,758
Staff uniform scheme		1,121		1,958
			<u>82,435</u>	<u>81,239</u>
			23,975	17,909
<b>Other Operating Income and Interest Receivable</b>				
Donations		22,674		19,494
Bequests	1e	134		—
Interest		6,817		6,564
			<u>29,625</u>	<u>26,058</u>
<b>Surplus on ordinary activities before taxation</b>			53,600	43,967
<b>Taxation</b>	4		750	—
<b>Surplus on ordinary activities after taxation</b>			52,850	43,967
Donations to other bodies connected with the Severn Valley Railway			7,930	—
<b>Surplus for the year</b>	11		<u>£44,920</u>	<u>£43,967</u>

### Continuing Operations

None of the company's activities were acquired or discontinued during the above two financial years

### Total Recognised Gains and Losses

The company has no recognised gains or losses other than the surplus for the above two financial years

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## BALANCE SHEET


31st December, 2007

	Notes	£	2007 £	2006 £
<b>Fixed Assets—unlisted investment</b>	1f, 5			
Cost—At 1st January, 2007			745,519	740,707
Additions			136,399	4,812
At 31st December, 2007			881,918	745,519
<b>Current Assets</b>				
Debtors				
Due within one year	6	2,583		4,376
Due after more than one year				
Loans	7	103,913		175,000
			106,496	179,376
Stock of uniforms		489		—
Cash at bank		74,198		56,632
			181,183	236,008
<b>Creditors Due Within One Year</b>	8	75,989		44,484
<b>Net Current Assets</b>			105,194	191,524
<b>Total Assets less Current Liabilities</b>			£987,112	£937,043
<b>Capital and Reserves</b>				
Capital reserve			8,372	8,372
Life membership reserve	1d, 9		72,495	67,346
Special Reserve	1e, 10		—	87,220
Income and expenditure account	11		906,245	774,105
			£987,112	£937,043

The financial statements on pages 8 to 13 were approved by the Board of Directors on 11th June, 2008

D C WILLIAMS  
J L HOULDERS *Directors*

*DC Williams*



# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## CASH FLOW STATEMENT

Year ended 31st December, 2007

	Notes	£	2007 £	2006 £
<b>Net cash inflow from operating activities</b>	13		80,275	48,692
<b>Returns on investments and servicing of finance</b>				
Interest received		6,817		6,564
Net cash inflow			6,817	6,564
<b>Financing</b>				
Shares in Severn Valley Railway (Holdings) PLC		(134,183)		(1,786)
Loan to Severn Valley Railway (Holdings) PLC		71,087		(175,000)
Loan to LNER(SVR) Coach Fund		1,500		1,500
Donations to other bodies connected with the Severn Valley Railway		(7,930)		—
Net cash outflow			(69,526)	(175,286)
<b>Increase/(decrease) in cash at bank</b>			<u>£17,566</u>	<u>£(120,030)</u>

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December, 2007

### 1. Accounting policies

- (a) The financial statements have been prepared on an historical cost basis, and in accordance with applicable Accounting Standards in the United Kingdom
- (b) Credit is taken for the full amount of annual subscriptions received during the year and no apportionment is made over the periods to which subscriptions relate, subscriptions are due on the anniversary of admittance to membership
- (c) Three year subscriptions are apportioned over the three years to which they relate
- (d) Life subscription income is credited to Life Membership Reserve and taken to Income and Expenditure Account in equal annual instalments over the number of years represented by the ratio of the life membership subscription to the annual adult subscription, which in 2007 was 20 years (2006-19 years)
- (e) Bequests are credited to Income and Expenditure Account and then transferred to Special Reserve. When utilised to purchase shares in Severn Valley Railway (Holdings) PLC to finance capital or major repair projects, the Special Reserve is transferred back to Income and Expenditure Account
- (f) Donated shares in Severn Valley Railway (Holdings) PLC are valued at par, shares bequeathed are valued at probate value

### 2. Directors and Employees

The company has no employees, but has exclusive use of 1 employee (2006—1) of Severn Valley Railway (Holdings) PLC, the charge for whose services is included in membership department expenses, together with that for the use of other employees from time to time

No directors receive any emoluments

### 3. Auditors' remuneration

	2007 £	2006 £
Current year	930	895
Prior year credit, donated by the Company to the Flood Relief Appeal	(895)	—
	<u>£35</u>	<u>£895</u>

### 4. Taxation

	2007 £	2006 £
<b>Domestic current year tax</b>		
UK corporation tax		
Current tax charge	715	—
Prior year adjustment	35	—
	<u>£750</u>	<u>£—</u>
<b>Factors affecting the tax charge for the year</b>		
Surplus on ordinary activities before taxation	£53,600	£43,967
UK corporation tax thereon at 19.75% (2006-14 31%)	10,586	6,292
Effects of non-taxable mutual trading income	(9,871)	(6,292)
	<u>£715</u>	<u>£—</u>

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## NOTES TO THE FINANCIAL STATEMENTS — Continued

Year ended 31st December, 2007

### 5. Fixed Asset Investment

The company holds 888,258 (2006 — 751,859) ordinary shares of £1 each in Severn Valley Railway (Holdings) PLC, a company registered in England, representing 22.65% (2006 — 21.62%) of the issued share capital of that company at 31st December, 2007. The aggregate capital and reserves of Severn Valley Railway (Holdings) PLC at 31st December, 2007, was £5,783,274 (2006 — £5,827,316) and its loss for the year then ended was £488,620 (2006 — £51,731). The loss included a net shortfall of £484,449 in respect of railway stabilisation works, of which £358,543 is estimated to be recoverable in 2008. The investment has not been made with a view to obtaining a financial return and no dividends may be paid by Severn Valley Railway (Holdings) PLC. Therefore the directors consider it would be misleading to include the results of this related company in these financial statements.

### 6. Debtors – due within one year

	2007 £	2006 £
Trade debtors	2,273	2,779
Prepayments	310	21
Loan – interest free	—	1,500
Other debtors	—	76
	<u>£2,583</u>	<u>£4,376</u>

### 7. Debtors – due after more than one year

	2007 £	2006 £
Loans – undated		
Severn Valley Railway (Holdings) PLC – interest earning	38,913	175,000
Severn Valley Railway (Holdings) PLC – interest free	65,000	—
	<u>£103,913</u>	<u>£175,000</u>

### 8. Creditors due within one year

	2007 £	2006 £
Trade creditors	1,036	13,666
Amount owed to undertakings in which the company has a participating interest	9,369	8,879
Other creditors	1,724	250
Payments on account	46,628	7,139
Accruals	16,482	14,550
Taxation	750	—
	<u>£75,989</u>	<u>£44,484</u>

### 9. Life membership reserve

	2007 £	2006 £
At 1st January, 2007	67,346	66,072
Life subscriptions received in year	12,230	8,480
Transfer to Income and Expenditure Account	(7,081)	(7,206)
	<u>£72,495</u>	<u>£67,346</u>

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## NOTES TO THE FINANCIAL STATEMENTS — Continued

Year ended 31st December, 2007

10. Special Reserve	2007	2006
	£	£
At 1st January, 2007	87,220	87,220
Transfer from Income and Expenditure Account	134	—
Transfer to Income and Expenditure Account	(87,354)	—
	<u>£—</u>	<u>£87,220</u>
At 31st December, 2007	<u>£—</u>	<u>£87,220</u>

11. Income and expenditure account	2007	2006
	£	£
At 1st January, 2007	774,105	730,138
Surplus for the year	44,920	43,967
Transfer to Special Reserve	(134)	—
Transfer from Special Reserve	87,354	—
	<u>£906,245</u>	<u>£774,105</u>
At 31st December, 2007	<u>£906,245</u>	<u>£774,105</u>

## 12. Related party transactions

During the year the following transactions were undertaken with Severn Valley Railway (Holdings) PLC ("SVRH"), in which the company holds 22.65% of the shares

	2007	2006
Recharges to SVRH	£2,607	—
Recharges from SVRH	£13,794	£11,839
Donation to SVRH	£2,900	—
Balance due to SVRH (Note 8)	£9,369	£8,879

Loans totalling £75,000 were made during the year from Severn Valley Railway Company Limited to Severn Valley Railway (Holdings) PLC, bringing the total loans since 2006 to £250,000, of which £65,000 was interest free. Interest of £4,426 (2006 £3,968) was charged on part of the loan at 0.5% above the ruling money market rate for investments. £134,183 of the loan was converted to ordinary shares during the year, and the balance of the loans outstanding at the end of the year was £103,913, which is included in Loans in Debtors (Note 7).

## 13. Reconciliation of operating surplus to net cash inflow from operating activities

	2007	2006
	£	£
Operating surplus before taxation	53,600	43,967
Non-cash donations	(2,216)	(3,026)
Net interest receivable	(6,817)	(6,564)
Life membership reserve increase/(decrease) (Note 9)	5,149	1,274
Decrease/(Increase) in stocks	(489)	—
Decrease/(Increase) in debtors	293	(687)
Increase/(Decrease) in creditors	30,755	13,728
	<u>£80,275</u>	<u>£48,692</u>
Net cash inflow from operating activities	<u>£80,275</u>	<u>£48,692</u>