

# Severn Valley Railway Company Limited

Company Number 906842

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ANNUAL REPORT  
and  
FINANCIAL STATEMENTS

for the year ended

31st December, 2011

# **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

Duncan J. Chandler

Kevin G. Cronin

Peter V. Edkins

Roger F. Hobson

Alan W. Longdon

Diane E. Malyon

### *Secretary:*

David L. Mellor, FCA

### *General Manager:*

Nick Ralls, MA, BA

### *Auditors:*

Folkes Worton LLP, 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 Forty-fourth Annual General Meeting of the Company will be held at the Castle Hall, West Castle Street, Bridgnorth, Shropshire, at 7 30 p m , on Saturday, 21st July, 2012, for the following purposes —

- 1 To receive apologies for absence
- 2 To approve the Minutes of the Forty-third Annual General Meeting (circulated herewith)
- 3 To elect Directors
- 4 To adopt the Directors' Report and Financial Statements for the year ended 31st December, 2011
- 5 To reappoint Folkes Worton LLP as Auditors of the Company, and to authorise the Directors to fix the remuneration of the Auditors
- 6 Following the decision of the Forty-third Annual General Meeting to defer part of the proposed increase in subscription rates, to approve the balance of the increase, so that the following subscription rates take effect from 1st January, 2013  
Adult £20 00 (£18 00), Junior (14 to 16 years) £10 00 (£8 00), Student (17 to 18 years and older members in full-time education) £14 00 (£12 00), Senior £15 00 (£15 00), Joint £30 00 (£27 00), Joint Senior £23 00 (£21 00), Family £35 00 (£32.00), Life membership £400 00 (£370.00), Joint Life Membership £600 00 (£540 00) (*Current interim 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.  
15th June, 2012

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

## ATTENDANCE AT BOARD MEETINGS

There have been seven Board meetings since the Forty-third Annual General Meeting Directors' attendances have been as follows

Mike Ball	4	Roger Hobson	6
Tony Bending	7	Alan Longdon	7
Duncan Chandler	5	Diane Malyon	7
Kevin Cronin	4	David Williams	7
Peter Edkins	6		

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## CHAIRMAN'S REPORT

2012 is a significant year in the history of the Severn Valley line, marking 150 years since its opening in 1862. Looking ahead, 2015 will be an equally significant year for us, commemorating 50 years of the preservation scheme.

But 2011, the year under review, was simply another year in the life of the Severn Valley Railway, with—as ever—some highs and lows. The highest high belongs to the SVR Holdings Company, which managed to contain its costs at last and finished the year with a modest profit. The importance of this cannot be over-emphasised, because it involved some difficult decisions that can be unpalatable from a human perspective. Put simply, spending needed greater control in certain areas, and had to be contained for the sake of the whole railway.

For our part, this Company recruits and (hopefully!) retains the volunteer staff for the Railway. We therefore represent a positive aspect of the Railway's activities in financial terms. Not only do volunteers work free-of-charge, but also there are some who actually helped to start the operation over 40 years ago, and are still active!

The surplus that this Company makes, after taking out 'SVR News' costs, is generally utilised to finance improvements that help the Railway's volunteers. This year, however, was an exceptional one, because we were asked directly to support the Holdings Company's railway rebuilding programme.

In the last few years, the line's ageing infrastructure has taken its toll on finances. The Great Storm (or Big Flood if you prefer) of 2007 necessitated huge remedial works during 2008 and 2009, and not all of the costs were recovered. Vital drainage works at Arley station and Sandbourne viaduct, south of Bewdley, in 2010/11 caused a further call on finances. For 2011/12, it was the turn of Bewdley tunnel drainage to be sorted out, again incurring high costs. The main spend of £250,000 in the tunnel was prefaced by the need to spend £40,000 on drainage outside the Bewdley entrance to the tunnel.

And that is where this Company stepped forward to provide financial support, supplying the £40,000 (in exchange for shares in the Holdings Company), which enabled the advance works to proceed in November 2011. This was a major factor in helping the Railway to successfully meet its target completion date of 11th February 2012.

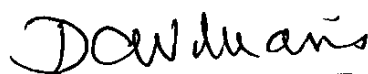
Local needs have not been completely forgotten, and financial support has recently been agreed for improving Bridgnorth station lighting and shower facilities, and a permanent shower and toilet building at Bewdley. Agreement is pending for this Company to part-fund an improvement in mess facilities at Hampton Loade, the starting point being the installation of an improved sewerage system. And, no doubt, further projects within our financial ability will be brought to our attention.

Mention of volunteer staffing earlier reminds me that I must mention to you the sterling work that has been performed over very many years by Peter Edkins, more recently assisted by Barry Moreton, at the Volunteer Liaison Office at Bewdley, and also by the Staffing Committee under Diane Malyon. Without going into detail, this work is rarely a 'bed of roses', and the delight of welcoming all manner of interesting people as newcomers to railway volunteering is occasionally tested by the dismay of disciplinary hearings, and the framing of rules necessary to deal with such eventualities. This subject is little known to most members, nor should it be, but it is an inevitable part of any railway. Our thanks are extended to them for their diligence.

I shall end on a 'sunny note'. This document accompanies the Summer issue of 'SVR News'. Even by quickly glancing through the pages, you will notice a fine array of 'images' by our top 'lensmen' of the recent Spring Steam Gala. The weather was kind, and the valley looked at its best as a backdrop for a superb and diverse collection of locomotives and trains.

When I walked the line (with a BR permit!) in early 1966, I said to my companions "this is worth preserving!" 46 years on, I believe it still is, and nowadays even more than ever. But in a changing and materialistic world, where competition for precious disposable income is fierce, the Railway requires our constant support. So please do your best to extol the virtues of a day out on the Severn Valley Railway to friends and colleagues at every opportunity.

The Directors join me in thanking you for your personal support as members of the Railway. Long may this continue!



David C Williams  
Chairman  
15th June 2012

# 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, 2011

### 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.

Membership of the company decreased during 2011 from 13,492 to 13,176. Production of the quarterly Severn Valley Railway News is back on schedule following the delay experienced in 2010, contrary to expectations when the 2010 financial statements were completed, and consequently five issues are included in the 2011 financial statements.

The £65,000 interest free loan to SVRH, made at the time of the storm damage in 2007, was converted to ordinary shares of £1 each during the year, and a further 3,087 shares were donated to the company. Further interest free short-term loans were made during the year, £70,000 was repaid and £40,000 was outstanding at the end of the year. The interest bearing loan was adjusted in respect of inter-company transaction charges.

Three small donations were made in the year. Quarterly subvention payments to the Severn Valley Railway Junior Club were suspended after the first quarter due to the Club having a sufficiency of funds. The company continues to hold the stock of model locomotives purchased on behalf of SVRH. No bequests were received in the year.

### Results

The surplus for the year after tax amounted to £32,523. In accordance with the Memorandum of Association, no dividend is payable.

### Post Balance Sheet events

The interest free loan of £40,000 to SVRH has been converted into shares in 2012, and a further £29,648 has been used to assist projects on the Railway, of which £12,014 has been subscribed by way of share purchase.

### Directors

The members of the Board are D. C. Williams (Chairman), M. E. Ball, A. G. Bending, D. J. Chandler, K. G. Cronin, P. V. Edkins, R. F. Hobson, A. W. Longdon and D. E. Malyon. Mr Cronin was appointed on 30th July, 2011, and Mr S. C. White retired on the same date. The remaining Directors held office throughout the year.

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

Messrs Ball, Bending and Edkins 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

Messrs Folkes Worton LLP have expressed their willingness to continue in office as auditors of the company, and accordingly a resolution proposing their re-appointment will be put to the Annual General Meeting.

### Disclosure to Auditors

Each Director at the date of this report has confirmed that, so far as he or she is aware, there is no relevant audit information of which the company's auditors are unaware, and he or she has taken all the steps that ought to have been taken as a Director in order to make him or herself aware of any relevant audit information and to establish that the auditors are aware of that information.

This report was approved by the Board on 15th June, 2012, and signed on its behalf by

 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 2006. 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

15th June, 2012

# 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 2011 on pages 8 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the directors' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31st December 2011 and of its surplus for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

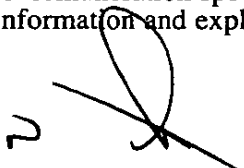
### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion.

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Mr. N C Smith, (Senior Statutory Auditor)  
for and on behalf of Folkes Worton LLP  
Chartered Accountants and Registered Auditors  
15-17 Church Street  
Stourbridge  
West Midlands  
DY8 1LU  
15th June, 2012



# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## INCOME AND EXPENDITURE ACCOUNT

Year ended 31st December, 2011

	Notes	£	2011 £	2010 £
<b>Subscriptions</b>				
Annual	1b, 1c		123,400	121,907
Life	1d, 10		7,618	7,669
			<u>131,018</u>	<u>129,576</u>
<b>Administrative Expenses</b>				
Severn Valley Railway News		85,745		54,743
Membership department expenses	2	9,449		10,796
General administrative expenses		9,932		10,558
Professional charges	3	1,135		1,000
Bank charges		2,764		4,521
Staff uniform scheme		2,709		4,555
			<u>111,734</u>	<u>86,173</u>
			19,284	43,403
<b>Other Operating Income and Interest Receivable</b>				
Donations		16,160		14,250
Bequests	1e	—		24,171
Interest		958		738
Miscellaneous income		—		200
			<u>17,118</u>	<u>39,359</u>
<b>Surplus on ordinary activities before taxation</b>			36,402	82,762
<b>Taxation</b>	4		—	—
<b>Surplus on ordinary activities after taxation</b>			36,402	82,762
Donations to other bodies connected with the Severn Valley Railway			<u>3,879</u>	<u>25,970</u>
<b>Surplus for the year</b>	12		<u>£32,523</u>	<u>£56,792</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, 2011

	Notes	£	2011 £	2010 £
<b>Fixed Assets—unlisted investment</b>	1f, 5			
Cost—At 1st January, 2011			1,161,813	1,077,695
Additions			68,087	84,118
At 31st December, 2011			<u>1,229,900</u>	<u>1,161,813</u>
<b>Current Assets</b>				
Debtors				
Due within one year	6	9,121		21,098
Due after more than one year				
Loans	7	84,621		94,977
			93,742	116,075
Stock	8	20,892		28,964
Cash at bank and in hand		101,046		128,389
			<u>215,680</u>	<u>273,428</u>
<b>Creditors Due Within One Year</b>	9	64,406		83,642
<b>Net Current Assets</b>			<u>151,274</u>	<u>189,786</u>
<b>Total Assets less Current Liabilities</b>			<u>£1,381,174</u>	<u>£1,351,599</u>
<b>Capital and Reserves</b>				
Capital reserve			8,372	8,372
Life membership reserve	1d, 10		67,274	70,222
Special Reserve	1e, 11		68,877	68,877
Income and expenditure account	12		1,236,651	1,204,128
			<u>£1,381,174</u>	<u>£1,351,599</u>

The financial statements on pages 8 to 13 were approved by the Board of Directors on 15th June, 2012

D C WILLIAMS  
A W LONGDON

Directors

*D C Williams*  
*A W Longdon*

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## CASH FLOW STATEMENT

Year ended 31st December, 2011

	Notes	£	2011 £	2010 £
<b>Net cash inflow from operating activities</b>	14		30,222	63,424
<b>Returns on investments and servicing of finance</b>				
Interest received		958		738
Net cash inflow			958	738
<b>Financing</b>				
Shares in Severn Valley Railway (Holdings) PLC		(65,000)		(82,569)
Loan to Severn Valley Railway (Holdings) PLC		9,356		(3,273)
Other loans		1,000		(4,381)
Donations to other bodies connected with the Severn Valley Railway		(3,879)		(25,970)
Net cash outflow			(58,523)	(116,193)
<b>Increase/(decrease) in cash at bank</b>			<u>£(27,343)</u>	<u>£(52,031)</u>

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December, 2011

### 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 2011 was 20 years (2010-20 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 (2010—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. Professional charges

	2011	2010
	£	£
Auditors' remuneration	1,025	1,000
Other professional services	110	—
	<u>£1,135</u>	<u>£1,000</u>

### 4. Taxation

Income from members is mutual trading income which is not chargeable to UK corporation tax  
Other taxable income is exceeded by allowable expenses

### 5. Fixed Asset Investment

The company holds 1,245,489 (2010 — 1,177,402) ordinary shares of £1 each in Severn Valley Railway (Holdings) PLC, a company registered in England, representing 26.36% (2010 — 25.80%) of the issued share capital of that company at 31st December, 2011. The aggregate capital and reserves of Severn Valley Railway (Holdings) PLC at 31st December, 2011, was £5,110,401 (2010 — £4,889,842) and its profit for the year then ended £58,605 (2010 — £239,922 loss). 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. The shares are not quoted on any recognised stock exchange and are not widely available, and therefore the directors have valued them at cost, the value being supported by the Severn Valley Railway (Holdings) PLC balance sheet. The directors further consider it would be misleading to include the results of this related company in these financial statements.

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## NOTES TO THE FINANCIAL STATEMENTS — Continued

Year ended 31st December, 2011

<b>6. Debtors – due within one year</b>	<b>2011</b>	<b>2010</b>
	£	£
Trade debtors	6,281	3,365
Amount due from undertakings in which the company has a participating interest	1,956	17,251
Prepayments	63	352
Other debtors	821	130
	<u>£9,121</u>	<u>£21,098</u>
 <b>7. Debtors – due after more than one year</b>	 <b>2011</b>	 <b>2010</b>
	£	£
Loans – undated		
Severn Valley Railway (Holdings) PLC – interest earning	41,240	25,596
Severn Valley Railway (Holdings) PLC – interest free	40,000	65,000
Other loans – interest free	3,381	4,381
	<u>£84,621</u>	<u>£94,977</u>
 <b>8. Stock</b>	 <b>2011</b>	 <b>2010</b>
	£	£
Uniforms (at sale price)	988	651
Models held for recharge (at cost)	19,904	28,313
	<u>£20,892</u>	<u>£28,964</u>
 <b>9. Creditors due within one year</b>	 <b>2011</b>	 <b>2010</b>
	£	£
Trade creditors	19,669	23,259
Other creditors	250	4,120
Payments on account	42,822	54,662
Accruals	1,665	1,601
	<u>£64,406</u>	<u>£83,642</u>
 <b>10. Life membership reserve</b>	 <b>2011</b>	 <b>2010</b>
	£	£
At 1st January, 2011	70,222	66,844
Life subscriptions received in year	4,670	11,047
Transfer to Income and Expenditure Account	(7,618)	(7,669)
At 31st December, 2011	<u>£67,274</u>	<u>£70,222</u>

# SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

## NOTES TO THE FINANCIAL STATEMENTS -- Continued

Year ended 31st December, 2011

<b>11. Special Reserve</b>	<b>2011</b>	<b>2010</b>
	£	£
At 1st January, 2011	68,877	127,896
Transfer from Income and Expenditure Account	—	24,171
Transfer to Income and Expenditure Account	—	(83,190)
	<u>£68,877</u>	<u>£68,877</u>
At 31st December, 2011	<u>£68,877</u>	<u>£68,877</u>
<b>12. Income and expenditure account</b>	<b>2011</b>	<b>2010</b>
	£	£
At 1st January, 2011	1,204,128	1,088,317
Surplus for the year	32,523	56,792
Transfer to Special Reserve	—	(24,171)
Transfer from Special Reserve	—	83,190
	<u>£1,236,651</u>	<u>£1,204,128</u>
At 31st December, 2011	<u>£1,236,651</u>	<u>£1,204,128</u>
<b>13. Related party transactions</b>		
During the year the following transactions were undertaken with Severn Valley Railway (Holdings) PLC ("SVRH"), in which the company holds 26.36% of the shares:		
	<b>2011</b>	<b>2010</b>
Recharges to SVRH	£11,676	£26,524
Recharges from SVRH	£9,944	£11,771
Donations to SVRH	—	£24,470
Balance due from SVRH (Note 6)	£1,956	17,251
A further amount of £40,000 was added during the year to the loan balance of £90,596 due to Severn Valley Railway Company Limited from Severn Valley Railway (Holdings) PLC. Interest of £799 (2010 - £442) was charged on part of the loan at a flat rate of 2%. The balance of the loan outstanding at the end of the year was £81,240, which is included in Loans in Debtors (Note 7)		
<b>14. Reconciliation of operating surplus to net cash inflow from operating activities</b>	<b>2011</b>	<b>2010</b>
	£	£
Operating surplus before taxation	36,402	82,762
Non-cash donations	(3,087)	(1,549)
Net interest receivable	(958)	(738)
Life membership reserve increase/(decrease) (Note 10)	(2,948)	3,378
Decrease/(Increase) in stocks	8,072	(27,799)
Decrease/(Increase) in debtors	11,977	(18,998)
Increase/(Decrease) in creditors	(19,236)	26,368
	<u>£30,222</u>	<u>£63,424</u>
Net cash inflow from operating activities	<u>£30,222</u>	<u>£63,424</u>