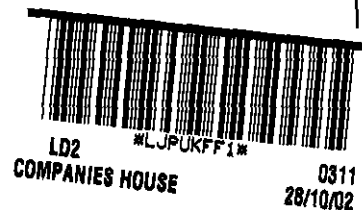


Severn Valley Railway Company Limited

Company Number 906842



ANNUAL REPORT
and
FINANCIAL STATEMENTS
for the year ended
31st December, 2001





ILLUSTRATIONS

Front cover: Arley, 24.5.01 - LMS 2-8-0 48773 arrives with an Up train

[Raymond Jones]

Inside front cover: Gala super power - LMS Pacific "Duchess of Sutherland" leaving Kidderminster 22.9.01

[Raymond Jones]

Page 13: Steam crane and working party, Hampton Loade

[Stephen Kay]

Back cover: Top - The new Kidderminster carriage shed

[Raymond Jones]

Bottom - Wagon department handiwork: GWR ballast wagon at Bewdley

[Steve Peplow]

SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

CONTENTS

| | |
|---|-------|
| Directors and Officers..... | 2 |
| Notice of Meeting..... | 3 |
| Chairman's Report..... | 4 |
| Directors' Report..... | 5 |
| Statement of Directors' Responsibilities..... | 6 |
| Report of the Auditors..... | 7 |
| Income and Expenditure Account..... | 8 |
| Balance Sheet..... | 9 |
| Cash Flow Statement..... | 10 |
| Notes to the Financial Statements..... | 11-13 |

SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

DIRECTORS AND OFFICERS

Directors:

D. C. Williams, *Chairman*
A. G. Bending
M. J. Broadhurst
P. V. Eddins
N. J. Farress
R. F. Hobson
I. R. Latimer
D. E. Malyon
R. K. Power

Secretary:

D. L. Mellor, F.C.A.

General Manager:

J. A. Rees

Auditors:

Folkes Worton, Stourbridge, West Midlands

Bankers:

HSBC Bank P.L.C., 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 Thirty-fourth Annual General Meeting of the Company will be held at the Railway Museum, Kidderminster, Worcestershire, at 7.30 p.m., on Saturday, 27th July, 2002, for the following purposes:—

1. To receive apologies for absence.
2. To approve the Minutes of the Thirty-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, 2001.
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 on 1st January 2003, as follows: Adult £13.00 (£12.00), Junior (14 to 16 years) £5.00 (£5.00), Student (17 to 18 years and older members in full-time education) £8.00 (£8.00), Senior Citizen £9.00 (£8.00), Husband and Wife £17.00 (£15.00), Husband and Wife (Senior Citizen) £11.00 (£10.00), Family £20.00 (£18.00), Life Membership £240.00 (£200.00), Joint Life Membership £300.00 (£270.00). (*Current rates in italics.*)
7. To receive the General Manager's Report.
8. To transact any other business proper to an Annual General Meeting.

The Railway Station,
Bewdley, Worcestershire.
21st June, 2002.

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

I am pleased to start by recording an all-round improvement in train operation and timekeeping in 2001, achieved with a record number of over 230,000 passengers carried. Happily, no real problems, such as boiler failures and embankment slips, occurred in the year, but the national livestock disease caused some early-year anxiety.

The highlight of the year was undoubtedly the Autumn Steam Gala, with visiting Stanier Pacific "Duchess of Sutherland" heading a star-studded cast, and continuous running for three days; it was arguably the best steam gala ever staged in Britain, and attracted over 7,500 visitors. The year's other events - Thomas, Santa, Diesel, Forties, Heavy Horse and Vintage Vehicle - also pushed up the figures nicely.

Last year, my report referred to locomotive difficulties, and the recent commissioning of water treatment plants at both ends of the line, together with careful boiler water monitoring, has considerably improved the position, fingers crossed! Problems are now more often mechanical ones, and some of these are impossible to anticipate, for we are using mostly 40 to 80 year old locomotives for *daily service*, which are well beyond their normal economical scrapping dates; even the B.R. standard engines would now be retired from ordinary service. The cost of repairing so many one-off locomotives is very high, and it worries us that many of our useful-sized locomotives are currently out of traffic.

Locomotive crews and maintenance staff have benefited considerably by the provision of new maintenance pits at Bridgnorth and Bewdley. These improved facilities are long overdue, and make locomotive disposal a relatively pleasurable experience! A £30,000 investment from this Company funded the Bewdley installation.

The external appearance of our coaching stock has been causing some concern, but a determined campaign to reduce the number of poor-looking coaches, and to marginalise the worst for very occasional use, is bearing fruit. Unfortunately, no-one ever mentions that *internally* most of our coaches are fine - which is what our passengers see more closely, and furthermore the running gear is well maintained at our very efficient Kidderminster carriage workshop. But mud sticks, or rather flaking paint remains in the memory for a long time!

The new carriage storage shed at Kidderminster has a positive effect on carriage condition, but throws up problems in daily train formation and shunting. The matching of train formations to changing daily requirements - party travel, specials, etc. - is as time-consuming for staff as timetabled passenger train journeys. A shortage of guards and shunters to carry out this huge amount of work is becoming very apparent, despite successful recruitment drives. (133 guards' turns require filling this month.)

Staff levels on this very busy railway have generally been good, with the large requirement for loco crews and signallers mostly fulfilled. Station staffing has been OK, but Kidderminster has been unattended by concourse/platform staff more than we would have liked. It is not acceptable for Kidderminster to be a large unstaffed halt, either from a safety or a hospitality point of view; we *must* do better.

The year has not brought any specific civil engineering or track problems, and we are pleased that we continue to receive the results of equipment testing and manpower training exercises performed by major railway civil engineering companies. Our own infrastructure has received this Company's financial assistance at Hampton Loade - the gents' toilet and plumbing refurbishment. We are "girding our loins" for financing a new Volunteer Liaison Office at Bewdley, reinstatement of the shower block at Arley, more toilet work at Bridgnorth, and possibly a platform staff cabin/office at Kidderminster. So, the surplus that our members provide is being used to the Railway's benefit in a very positive way!

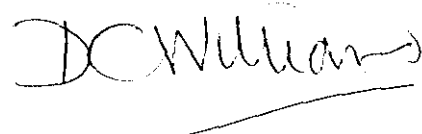
The recent Members' Days have been well supported, the Railway becoming quite full of supporters at a quiet time of the year. Thanks are due to Pauline Stribblehill and Kate Kirk for fronting the events, providing a showcase for their year-round admin and membership work. Peter Edkins and Barry Moreton put great effort into volunteer liaison, and Deputy Chairman Tony Bending provides a constant invaluable link between this Company's volunteer matters and mid-week office administration.

It remains for me to thank all members for their support for the Railway in 2001; it is needed, now, more than ever. And a special thanks to those who operate this great Railway of ours without payment. This contribution is enormous and, indeed, quite baffles many people in this materialistic age, a goodly few of whom wouldn't get out of bed unless they were paid (very) well to do so!

Please make sure that you visit the Railway soon, and tell your friends about a travel experience that never tires our most regular visitors and our most prolific train staff alike!

David C. Williams,
Chairman.

21st June, 2002



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, 2001.

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) P.L.C.

Membership of the company fell during 2001 from 13,349 to 13,233.

20,297 ordinary shares of £1 each in Severn Valley Railway (Holdings) P.L.C. were donated to the company during the year.

Donations were made out of the surplus for the year to Severn Valley Railway (Holdings) P.L.C. to fund renovation of Hampton Loade station toilets and other smaller projects. A subvention was again made to the Severn Valley Railway Junior Club.

Results

The surplus for the year after tax amounted to £45,561. In accordance with the Memorandum of Association, no dividend is payable.

Post Balance Sheet events

30,000 Severn Valley Railway (Holdings) P.L.C. ordinary shares of £1 each have been purchased at par, and £80,000 has been loaned to Severn Valley Railway (Holdings) P.L.C. for a six month period.

Directors

The members of the Board are D. C. Williams (Chairman), A. G. Bending, M. J. Broadhurst, P. V. Edkins, N. J. Farress, R. F. Hobson, I. R. Latimer, D. E. Malyon and R. K. Power. All held office throughout the year, except Messrs. Edkins and Farress, who were elected on 28th July, 2001. Messrs. J. Phillips and A. F. Williams retired on 28th July, 2001.

Messrs. Hobson and Williams are the nominees of the company on the Board of Severn Valley Railway (Holdings) P.L.C.

Messrs. Bending, Latimer and Williams 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.

21st June, 2002.

Registered Office: The Railway Station, Bewdley, Worcestershire.

By Order of the Board,
D. L. MELLOR,
Secretary.

D. L. Mellor

SEVERN VALLEY RAILWAY COMPANY LIMITED


(Limited by Guarantee)

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 profit or loss 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.
21st June, 2002.

SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

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

We have audited the financial statements on pages 8 to 13 which have been prepared under the historical cost convention and the accounting policies set out on page 11.

Respective responsibilities of directors and auditors

As described on page 6, the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

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

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material 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 of the state of the company's affairs at 31st December 2001 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Folkes Worton

Folkes Worton,
Registered Auditor,
Chartered Accountants.
15 & 17 Church Street,
Stourbridge,
West Midlands,
DY8 1LU.
21st June, 2002.

SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

INCOME AND EXPENDITURE ACCOUNT

Year ended 31st December, 2001

| | Notes | £ | £ | 2000 £ |
|--|-------|--------|----------------|----------------|
| Subscriptions | | | | |
| Annual | 1b | | 84,183 | 87,182 |
| Life | 1c, 7 | | 7,115 | 6,989 |
| | | | <u>91,298</u> | <u>94,171</u> |
| Administrative Expenses | | | | |
| Severn Valley Railway News | | 60,802 | | 42,563 |
| Membership department expenses | 2 | 8,074 | | 9,503 |
| General administrative expenses | | 6,496 | | 6,179 |
| Auditors' remuneration | | 770 | | 675 |
| Bank charges | | 2,884 | | 3,566 |
| Staff uniform scheme | | 1,555 | | 1,207 |
| | | | <u>80,581</u> | <u>63,693</u> |
| | | | 10,717 | 30,478 |
| Other Operating Income and Interest Receivable | | | | |
| Donations | | 35,849 | | 16,239 |
| Bequests | 1d | — | | — |
| Bank interest | | 4,656 | | 3,940 |
| | | | <u>40,505</u> | <u>20,179</u> |
| Surplus on ordinary activities before taxation | | | 51,222 | 50,657 |
| Taxation | 3 | | 300 | — |
| Surplus on ordinary activities after taxation | | | 50,922 | 50,657 |
| Donations to other bodies connected with the Severn Valley Railway | | | 5,361 | 18,274 |
| Surplus for the year | 9 | | <u>£45,561</u> | <u>£32,383</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, 2001

| | Notes | £ | £ | 2000 £ |
|--|-------|---------|----------|-----------|
| Fixed Assets —unlisted investment | 1e, 4 | | | |
| Cost—At 1st January, 2001 | | | 584,782 | |
| Additions | | | 20,297 | |
| At 31st December, 2001 | | | 605,079 | 584,782 |
| Current Assets | | | | |
| Debtors due within one year | 5 | 1,718 | | 2,147 |
| Cash at bank | | 133,791 | | 115,634 |
| | | 135,509 | | 117,781 |
| Creditors Due Within One Year | 6 | 20,358 | | 31,499 |
| Net Current Assets | | | 115,151 | 86,282 |
| Total Assets less Current Liabilities | | | £720,230 | £671,064 |
| Capital and Reserves | | | | |
| Capital reserve | | | 8,372 | 8,372 |
| Life membership reserve | 1c, 7 | | 63,430 | 59,825 |
| Special Reserve | 1d, 8 | | 83,820 | 83,820 |
| Income and expenditure account | 9 | | 564,608 | 519,047 |
| | | | £720,230 | £671,064 |

The financial statements on pages 8 to 13 were approved by the Board of Directors on 21st June, 2002.

D. C. WILLIAMS
A. G. BENDING *Directors.*

D Williams

A G Bending

SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

CASH FLOW STATEMENT

Year ended 31st December, 2001

| | Notes | £ | £ | 2000 £ |
|--|-------|---------|---------|-----------|
| Net cash inflow from operating activities | 10 | | 18,862 | 61,396 |
| Returns on investments and servicing of finance | | | | |
| Interest received | | 4,656 | | 3,940 |
| Net cash inflow | | | 4,656 | 3,940 |
| Taxation paid — corporation tax | | | — | (97) |
| Financing | | | | |
| Shares in Severn Valley Railway (Holdings) PLC | | — | | (90,000) |
| Loans to Severn Valley Railway (Holdings) PLC | | — | | 90,000 |
| Loan to LNER(SVR) Coach Fund | | — | | 3,000 |
| Donations to other bodies connected with the Severn Valley Railway | | (5,361) | | (18,274) |
| Net cash outflow | | | (5,361) | (15,274) |
| Increase in cash at bank | | | £18,157 | £49,965 |

SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31st December, 2001

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) 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 2001 was 17 years (2000-17 years).
- (d) Bequests are credited to Income and Expenditure Account and then transferred to Special Reserve.
- (e) Donated shares in Severn Valley Railway (Holdings) P.L.C. 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 (2000—1) of Severn Valley Railway (Holdings) P.L.C., 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. Taxation

The company has mutual trading status and corporation tax has been provided only on net income from non-members at the rate of 20%. (No tax charge arose in 2000, when there were unrelieved bank charges carried forward of £416.)

4. Fixed Asset Investment

The company holds 609,705 (2000 — 589,408) ordinary shares of £1 each in Severn Valley Railway (Holdings) P.L.C., a company registered in England, representing 20.52% (2000 — 20.27%) of the issued share capital of that company at 31st December, 2001. The aggregate capital and reserves of Severn Valley Railway (Holdings) P.L.C. at 31st December, 2001, was £4,742,889 (2000 — £4,709,382) and its loss for the year then ended was £30,703 (2000 — £5,184 profit). 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) P.L.C. Therefore the directors 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, 2001

5. Debtors due within one year

| | 2000 £ | 2001 £ |
|---------------|---------------|---------------|
| Trade debtors | 1,283 | 1,830 |
| Prepayments | 346 | 317 |
| Other debtors | 89 | — |
| | <u>£1,718</u> | <u>£2,147</u> |

6. Creditors due within one year

| | 2000 £ | 2001 £ |
|---|----------------|----------------|
| Trade creditors | 2,474 | 474 |
| Amount owed to undertakings in which the company has a participating interest | 772 | 14,357 |
| Taxation | 300 | — |
| Other creditors | 717 | 1,329 |
| Accruals | 16,095 | 15,339 |
| | <u>£20,358</u> | <u>£31,499</u> |

7. Life membership reserve

| | 2000 £ | 2001 £ |
|--|----------------|----------------|
| At 1st January, 2001 | 59,825 | 58,491 |
| Life subscriptions received in year | 10,720 | 8,323 |
| Transfer to Income and Expenditure Account | (7,115) | (6,989) |
| At 31st December, 2001 | <u>£63,430</u> | <u>£59,825</u> |

8. Special Reserve

| | 2000 £ | 2001 £ |
|--|----------------|----------------|
| At 1st January, 2001 | 83,820 | 83,820 |
| Transfer from Income and Expenditure Account | — | — |
| At 31st December, 2001 | <u>£83,820</u> | <u>£83,820</u> |

9. Income and expenditure account

| | 2000 £ | 2001 £ |
|-----------------------------|-----------------|-----------------|
| At 1st January, 2001 | 519,047 | 486,664 |
| Surplus for the year | 45,561 | 32,383 |
| Transfer to Special Reserve | — | — |
| At 31st December, 2001 | <u>£564,608</u> | <u>£519,047</u> |

SEVERN VALLEY RAILWAY COMPANY LIMITED

(Limited by Guarantee)

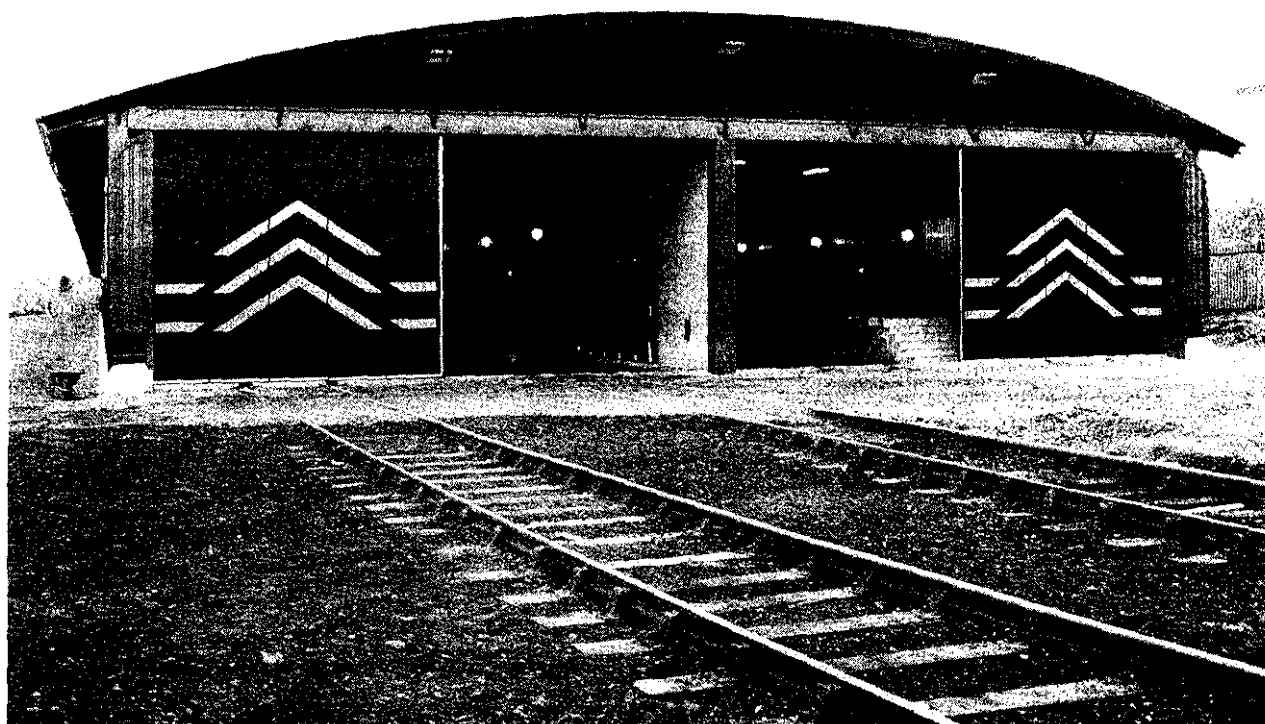
NOTES TO THE FINANCIAL STATEMENTS — Continued

Year ended 31st December, 2001

10. Reconciliation of operating surplus to net cash inflow from operating activities

| | 2001 | 2000 |
|---|----------------|----------------|
| | £ | £ |
| Operating surplus before taxation | 51,222 | 50,657 |
| Non-cash donations | (20,297) | (1,296) |
| Net interest receivable | (4,656) | (3,940) |
| Life membership reserve increase (Note 7) | 3,605 | 1,334 |
| Decrease/(Increase) in debtors | 429 | (980) |
| Increase/(Decrease) in creditors | (11,441) | 15,621 |
| Net cash inflow from operating activities | <u>£18,862</u> | <u>£61,396</u> |





W. J. Ray/Spectrum Group, Leamore Lane, Walsall WS2 7DQ, Tel: 01922 428267