



# **REPORT AND FINANCIAL STATEMENTS**

## **Severn Valley Railway (Holdings)**

**Public Limited Company**

(Registered No. 1046274)

**FOR THE YEAR ENDED 31 DECEMBER 1996**



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COMPANIES HOUSE 21/07/97



Severn Valley Railway (Holdings) PLC

## NOTICE OF MEETING

Notice is hereby given that the Twenty-Fifth Annual General Meeting of the above-named Company will be held at the Castle Hall, Bridgnorth, Shropshire on Friday, 25th July 1997, at 8.00 pm to transact the following business:

1. To approve the Minutes of the 1996 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 31st December 1996.
4. To appoint Coopers & Lybrand as Auditors to the Company for the ensuing year and to authorise the Directors to fix their remuneration.

5. To consider and, if thought fit, pass the following as Resolutions as Special Resolutions of the Members of the Company:

"THAT the Memorandum of Association of the Company be altered by renumbering clauses 5 and 6 of the Memorandum as clauses 6 and 7 and by the adoption of the following wording as clause 5 of the Memorandum:

- 5 (a) As and from the 25th day of July 1997 (being the date of alteration of this Memorandum of Association ("the Memorandum") by the adoption of this clause 5) the other provisions of the Memorandum shall be read in conjunction with this clause 5, and if there shall be a conflict between such other provisions of the Memorandum and this clause 5, the provisions of this clause 5 shall operate and take effect.

- (b) Notwithstanding the provisions of any other clause of this Memorandum, the Members of the Company shall not be entitled to participate in the income profits or assets of the Company (otherwise than by the issue of free or complimentary rail travel referred to in clause 4(x) of the Memorandum) and no action shall be taken by the Company or its Members which would have the effect directly or indirectly of a participation by the Members in the income profits or assets of the Company or any successor to the Company. If upon the winding up or dissolution of the Company there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid or distributed amongst the Members of the Company, but shall be given or transferred to some other institution or institutions having objects similar to the objects of this Company and which shall prohibit the distribution of its or their income profit and assets amongst its or their members to an extent at least as great as is imposed on the Company by virtue of this clause 5 and such institution or institutions shall be determined by the Members of the Company at a maximum of three Extraordinary General Meetings of the Company called for this purpose and in default thereof by the Chairman of the Board of Directors of the Company, whose determination shall be final and binding.

- (c) This Memorandum shall not be altered to the extent that the effect of such alteration would be to detract from or diminish the terms and effect of this clause 5 without the written consent of Rubery Owen Holdings Limited and Severn Valley Railway Company Limited (acting in each case by two of its directors or by a director and secretary) and the Severn Valley



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Railway Association (acting by any two of its officers) provided that in each case, they shall be Members of the Company on the date of any such proposed alteration.

That the Articles of Association of the Company be amended by the deletion of the existing wording of Article 136 (Winding Up) and by the incorporation of the following wording in its place:

- 136 (a) As and from the 25th day of July 1997 (being the date of adoption of this Article) all other provisions of these Articles of Association shall be read in conjunction with this Article 136, and if there shall be a conflict between the other provisions of these Articles and this Article 136, the provisions of this Article 136 shall operate and take effect.
- (b) Notwithstanding any other provisions of These Articles, the Members of the Company shall not be entitled to participate in the income profits or assets of the Company (otherwise than by the issue of free or complimentary rail travel referred to in clause 4(x) of the Memorandum of Association) and no action shall be taken by the Company or its Members which would have the effect directly or indirectly of a Member's participation in the income profits or assets of the Company or any successor to the Company. If upon the winding up or dissolution of the Company there remains, after the satisfaction of all its debts and liabilities, any property whatsoever, the same shall not be paid or distributed amongst the Members of the Company, but shall be given or transferred to some other institution or institutions having objects similar to the objects of this Company and which shall prohibit the distribution of its or their income profit and assets amongst its or their members to an extent at least as great as is imposed on the Company by virtue of this Article 136 and such institution or institutions shall be determined by the Members of the Company at a maximum of three Extraordinary General Meetings of the Company called for this purpose and in default thereof by the Chairman of the Board of Directors of the Company, whose determination shall be final and binding.
- (c) These Articles shall not be altered to the extent that the effect of such alteration would be to detract from or diminish the terms and effect of this Article 136 without the written consent of Rubery Owen Holdings Limited and Severn Valley Railway Company Limited (acting in each case by two of its directors or by a director and secretary) and the Severn Valley Railway Association (acting by any two of its officers) provided that in each case, they shall be Members of the Company on the date of any such proposed alteration.

6. To transact any other business which may be properly transacted at an Annual General Meeting.

By Order of the Board  
D G H Myers  
Secretary  
6th May 1997

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.



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## **Annual Report for the year ended 31 December 1996**

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## DIRECTORS, OFFICERS AND ADVISERS

### Directors

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

### Secretary and Registered Office

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

### Stock Brokers

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

### Registrar

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

### Registered Auditors

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

### Bankers

Midland Bank plc  
31 Church Street  
Kidderminster  
Worcestershire DY10 2AY

### Solicitors

Harrison Clark  
5 Deansway  
Worcester WR1 2JG

Anthony Collins  
Pearl Assurance House  
4 Temple Row  
Birmingham B2 5HG

### 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.



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## CHAIRMAN'S STATEMENT

I am delighted to report a profit for 1996 of £146,278 which was achieved without the sale of any of our major assets. This compares with a profit in 1995 of £171,073 but which included a one-off profit of £135,280 on the sale of "Leander" and "Galatea". The 1996 results, as stated in the Notes to the Accounts, include a bequest of £50,000; however, it still reflects a major improvement in our trading performance.

Last year I stated that the reduced fare for "Freedom of the Line" tickets, together with the opening of Country Park Halt, would give us the opportunity to increase our passenger numbers. During 1996 we experienced an increase of all but 10% in our total passenger carryings to 189,000 and I have no doubt that this is a reflection of the improvements in our product and the public perception of it as good value for money. Particularly gratifying were the various special events which took place throughout the year - the Steam Galas, the "Thomas the Tank Engine" weekends, the 40's and War weekends, Vintage Vehicle and Diesel Gala and yet another highly successful Santa operation. A huge amount of effort goes into the planning and execution of such events and their success contributes significantly to the financial performance of the Company.

Our improved profitability has not been artificially produced either. Our revenues have increased but so has our spending - on locomotive maintenance, carriage maintenance and cleaning, on track maintenance, on civil engineering and on publicity. We have carefully balanced our improved income against increased spending on our assets and have still generated a profit of £96,278 when we exclude the £50,000 bequest.

Those shareholders present at last year's Annual General Meeting will recall that it was announced that the Company account at the Bank moved into the black the previous day - the first time since 1990. I can now report that our account remained in credit for the following six months until February 1997, thus enabling our interest charges to drop from £43,853 in 1994 to £16,902 in 1995 to £8,573 in 1996. In addition to the greatly improved position in our cash flow, we have seen a further strengthening of the Balance Sheet where, for the first time in many years, the Company can boast a net current asset position rather than a net current liability position.

A major part of our investment programme in 1996 was the construction of a paint shop within the Carriage Works at Kidderminster and the employment of two specialist carriage painters. This investment has a two-fold purpose - to improve the appearance of our trains to our customers who ride in them, and also to improve the long-term preservation and conservation of our totally unique fleet of rolling stock. The paint shop and staff became fully functional at the turn of the year and we look forward to a rapid improvement in the appearance of our train formations. They are, after all, major factors in our earning potential.

Another significant capital development was completed when over 5,000 tons of spoil were removed from Kidderminster Marshalling Yard and used as infill at Bewdley Station to enable the south side of the site to be extended. This will permit extra sidings to be laid to accommodate coaches and wagons currently spread out all around the station whilst, at Kidderminster, it means a start has now been made on clearing an area destined to become the site of what we hope will be our next major development.

I made mention last year that the Company was preparing an application to the Heritage Lottery Fund for grant aid to provide covered accommodation for our rolling stock on the site of Kidderminster Marshalling Yard. The application was prepared by a small committee under the Chairmanship of Paul Fathers and was submitted to the Heritage Lottery Fund on 30 April 1997. The preparation and compilation of this application entailed a vast amount of work by people both within and outside the Company, and I would like to pay public tribute to all those who have taken part. If we do not succeed in our application for this major project, which has been costed at £7.8m, it will not be for the want of a first-class, thoroughly researched and highly professional presentation. If we are successful, then the partnership funding that we shall have to find will be a significant call on our resources for several years.

You will see in the Notice of Meeting that a Special Resolution will be put to the Annual General Meeting to amend the Memorandum and Articles of Association of the Company. The purpose of the amendments is to ensure that this Company is eligible, in its own right, to make application for aid from the Heritage Lottery Fund. The proposed amendments



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will ensure that all profits made by the Company will be reinvested in the preservation and maintenance of the Railway and its rolling stock, and in the development of our facilities. The Board are of the firm belief that the vast majority of our shareholders invested in the SVR in order to further the aim of preserving the Railway for future generations - not to achieve personal financial gain by way of cash dividends. The proposed amendments will not in any way alter the present arrangement of free travel entitlements for shareholders, they will simply remove the rights of the Company to pay cash dividends to shareholders. The amendments also ensure that, should this Company ever be wound up, any assets remaining after the payment of all debts would be donated to a like-minded organisation (Severn Valley Railway Co.Ltd., for instance) rather than shared between the members. These changes are necessary to enable the Railway to take full advantage of various kinds of grant-aid and I earnestly request that you give them your support.

There are exciting and challenging times ahead of us. If successful, our Heritage Lottery Fund project will be by far the biggest the Railway has ever undertaken. We shall be faced with this challenge as well as all the routine challenges of operating a successful and profitable leisure attraction for our visitors, and a safe and efficient railway. 1997 has started well with a significant increase in visitor numbers so far. We shall do our utmost to ensure that progress is maintained. We are hopeful that the television exposure the Railway enjoyed last summer with the screening of the BBC1 comedy series "Oh, Dr Beeching!" will attract additional visitors to the railway this year and, indeed, another ten part series is currently being filmed at Arley (alias Hatley) for screening in a few months time.

As part of the on-going development of the Company, the Board has recently invited a number of prominent people to become Vice-Presidents of the SVR in order to expand the ambassadorial work from which the Railway has benefited over many years. I am delighted to announce that we now have six such honorary appointments: Bill Broadbent, John Cameron, David Hallam MEP, The Earl of Lindsay, Peter Luff MP and David Morgan.

Those shareholders who qualify for free travel entitlements (minimum holding of 51 shares) will notice this year that in place of an actual train ticket they have received a voucher which is to be exchanged for a ticket on the day of travel. The main purpose of this change is to give us a much more accurate assessment of our visitor totals each year. We currently distribute approximately 20,000 shareholders' tickets each year and have no means of establishing how many of them are ever used. I am aware that many shareholders probably have tickets that they have received in the past but have not yet used, and so it is intended that these will remain valid until the end of 1999. After that, only vouchers will be accepted for free shareholder travel.

Before closing I must make mention of two of my Board colleagues. Firstly, I would like to pay tribute to my Deputy Chairman, Jim Higgs, who is standing down from the Board this year, having reached the age of 70, after serving as a Director for the last nine years. The contribution that Jim has made is immeasurable, particularly in the last four years when his wealth of experience in the world of banking has proved such an asset to us. We wish him well in this, his second retirement! Fortunately we will not be losing Jim altogether as he has kindly agreed to continue as Chairman of the Audit Committee. Secondly, the Company's longest serving Director and SVR founder member, John Garth, is seeking re-election for a one-year term only which will take him up to his 70th birthday, and the Board welcomes the opportunity of retaining John's experience for a further period.

It remains only for me, on behalf of your Board, to thank all shareholders for their continuing support and to pay tribute to the hard work of all the staff, both paid and volunteer, who have contributed to the success of 1996 and who, I am sure, will continue their efforts into 1997.

Michael York  
Chairman

6 May 1997



Severn Valley Railway (Holdings) PLC

## DIRECTORS' REPORT

### Directors' Report for the year ended 31 December 1996

The Directors present their report and the audited financial statements for the year ended 31 December 1996.

### 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 5 and 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.

The Directors do not recommend the payment of a dividend. The profit of £146,278 for the financial year has been added to reserves.

### Directors

The Directors of the Company are listed on page 4.

### Directors' Interests

The interests of the current Directors in the shares of the Company at 31 December 1996, together with their beneficial interests at 1 January 1996, or date of their appointment, were:

	1 January	31 December
A Barker	3,000	3,000
J M S Clark	1,525	1,525
A Davies	500	500
J S Garth	1,555	1,555
J S Garth - Trustee holding for SVR Assoc.	41,805	42,665
J J Higgs	1,601	1,601
R F Hobson (appointed 5 November 1996)	270	270
A Osborne	1,501	1,501
A D Owen	500	500
B D Thomas	1,628	3,900
C W Walton	400	400
D C Williams	2,005	2,005
M R York	350	350

Mr B D Thomas has been a supplier of goods to the Company on an occasional basis, and on normal commercial terms.

Mr B D Thomas was the part owner of locomotive "Raveningham Hall" which was used by the railway under the terms of a rolling stock agreement. On 22 November 1995 Mr B D Thomas, on behalf of the owners, gave 12 months notice, in writing, of his intention to remove the engine, this being in accordance with the provisions of the agreement. The locomotive subsequently left the railway during 1996.





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## **Directors' Report for the year ended 31 December 1996 (Continued...)**

Certain other 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.

### **Substantial Shareholdings**

The following had holdings in excess of 3% of the issued share capital of the Company at 31 December 1996:

	<b>No. of Shares</b>	<b>% of Total</b>
SVR Co. Ltd.	482,367	20.5
Rubery Owen Holdings Ltd	150,000	6.4

### **Fixed Assets**

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

### **Auditors**

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

### **By order of the Board**

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

D G H Myers  
Company Secretary

6 May 1997



Severn Valley Railway (Holdings) PLC

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The Directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

**By order of the Board**

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

D G H Myers  
Company Secretary

6 May 1997



Severn Valley Railway (Holdings) PLC

## **REPORT OF THE AUDITORS**

**to the members of Severn Valley Railway (Holdings) PLC**

We have audited the financial statements on pages 11 to 22.

### **Respective responsibilities of Directors and Auditors**

As described on page 9 the Company's Directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

### **Basis of opinion**

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

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

### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 1996 and of its profit, total recognised gains and losses, and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, likely belonging to a representative of the auditing firm Coopers &amp; Lybrand.

**Coopers & Lybrand**

Chartered Accountants and Registered Auditors  
Birmingham

6 May 1997



Severn Valley Railway (Holdings) PLC

## Profit and Loss Account for the year ended 31 December 1996

	Notes	1996 £	1995 £
<b>Turnover</b>	2	<b>2,870,524</b>	<b>2,629,069</b>
Cost of sales		<b>(2,422,437)</b>	<b>(2,222,747)</b>
<b>Gross profit</b>		<b>448,087</b>	<b>406,322</b>
Administrative expenses		<b>(404,857)</b>	<b>(388,833)</b>
		<b>43,230</b>	<b>17,489</b>
Other operating income	3	<b>109,564</b>	<b>35,206</b>
Profit on disposal of fixed assets	3	<b>1,199</b>	<b>135,280</b>
<b>Operating profit</b>		<b>153,993</b>	<b>187,975</b>
Interest received		<b>1,132</b>	<b>0</b>
Interest payable and similar charges	4	<b>(8,573)</b>	<b>(16,902)</b>
<b>Profit on ordinary activities before taxation</b>	5	<b>146,552</b>	<b>171,073</b>
Tax on ordinary activities	14	<b>(274)</b>	<b>0</b>
<b>Retained profit for the financial year</b>	17	<b>146,278</b>	<b>171,073</b>

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

## Statement of Total Recognised Gains and Losses

	1996 £	1995 £
Profit for the financial year	<b>146,278</b>	<b>171,073</b>
Unrealised surplus on revaluation of properties	<b>0</b>	<b>0</b>
<b>Total recognised gains and losses relating to the year</b>	<b>146,278</b>	<b>171,073</b>

## Note of historical cost profits and losses

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



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## Balance Sheet at 31 December 1996

	Notes	1996 £	1995 £
<b>Fixed Assets</b>			
Tangible Assets	8	<u>3,358,182</u>	<u>3,395,873</u>
<b>Current Assets</b>			
Stocks	9	209,537	231,781
Debtors	10	161,150	175,547
Cash at bank and in hand	11	<u>102,543</u>	<u>34,550</u>
		473,230	441,878
<b>Creditors: Amounts falling due within one year</b>	12	<u>(280,949)</u>	<u>(467,625)</u>
<b>Net Current Assets/(Liabilities)</b>		<u>192,281</u>	<u>(25,747)</u>
<b>Total Assets Less Current Liabilities</b>		3,550,463	3,370,126
<b>Creditors: Amounts falling due after more than one year</b>	13	<u>(90,000)</u>	<u>(100,000)</u>
<b>Net Assets</b>		<u>3,460,463</u>	<u>3,270,126</u>
<b>Capital and Reserves</b>			
Called up share capital	16	2,353,722	2,309,663
Revaluation reserve	17	494,897	494,897
Profit and loss account	17	<u>611,844</u>	<u>465,566</u>
<b>Equity Shareholders' Funds</b>		<u>3,460,463</u>	<u>3,270,126</u>

The financial statements on pages 11 to 22 were approved by the Board of Directors on 6 May 1997 and were signed on its behalf by:

M R York )  
J J Higgs ) Directors



Severn Valley Railway (Holdings) PLC

## Cash Flow Statement for the year ended 31 December 1996

	Notes	1996 £	1995 £
Net cash inflow/(outflow) from continuing operating activities		<u>241,628</u>	<u>(8,204)</u>
<b>Return on investment and servicing of finance</b>			
Interest received		1,132	0
Interest paid		<u>(8,573)</u>	<u>(16,902)</u>
		<u>(7,441)</u>	<u>(16,902)</u>
<b>Investing activities</b>			
Purchase of tangible fixed assets		(40,171)	(89,191)
Sale of tangible fixed assets		<u>1,700</u>	<u>160,000</u>
Net cash inflow/(outflow) from investing activities		<u>(38,471)</u>	<u>70,809</u>
Net cash inflow/(outflow) before financing		<u>195,716</u>	<u>45,703</u>
<b>Financing</b>			
Issue of ordinary shares	18	44,059	155,250
Repayment of loan	18	<u>(10,000)</u>	<u>(60,000)</u>
Net cash inflow from financing		<u>34,059</u>	<u>95,250</u>
Increase in cash and cash equivalents	19	<u>229,775</u>	<u>140,953</u>

### Reconciliation of operating profit to net cash inflow/(outflow) from continuing operating activities

	1996 £	1995 £
Operating profit	153,993	187,975
Depreciation	77,361	97,620
(Profit) on sale of tangible fixed assets	(1,199)	(135,280)
Decrease/(increase) in stocks	22,244	(2,503)
Decrease/(increase) in debtors	14,397	(22,679)
(Decrease) in creditors	<u>(25,168)</u>	<u>(133,337)</u>
Net cash inflow/(outflow) from continuing operating activities	<u>241,628</u>	<u>(8,204)</u>



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## Notes to the Financial Statements for the year ended 31 December 1996

### 1. Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

#### **Basis of accounting**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

#### **Tangible fixed assets**

The cost of acquired fixed assets is their purchase cost, together with any incidental costs of acquisition.

Capital work in progress comprises the cost of capital projects under development, which includes, where appropriate, elements of specifically identifiable and attributable internal labour costs. Capital projects comprise major repair or refurbishment works which give rise to a significant and continuing economic benefit to the railway. Depreciation is provided against the cost of such projects in the period in which they are completed.

Interests in land and buildings are included at a valuation. Subsequent additions are stated at cost.

A full valuation of the land and buildings was made in 1993 by independent professionally qualified valuers. The basis of valuation is explained in note 8.

Depreciation is calculated so as to write off the cost, or valuation, of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings and permanent way	1% - 2% on cost or valuation
Locomotives and rolling stock	5% on cost
Office and computer equipment	25% on cost
Motor vehicles	33% on cost
Giftshops, bar and catering equipment	20% on cost
Major repair/refurbishment works	4% - 33% on cost

Freehold land is not depreciated.

During 1996 the depreciation on bridge repairs was reviewed and the rate for minor refurbishments raised to 2% per annum. This alteration affected the depreciation on Hampton Loade and Highley bridges. The additional charge for 1996 due to this change in policy amounted to £96.

#### **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.



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## Notes to the Financial Statements for the year ended 31 December 1996 (Continued...)

### Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

### Pension costs

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

## 2. Turnover

Turnover, which excludes value added tax, represents the invoiced value of goods and services supplied. In the opinion of the Directors the Company's business is a single entity, that of operating a heritage railway. No further segmental analysis is considered necessary.

## 3. Other operating income

	1996 £	1995 £
Rents received	27,741	23,063
Miscellaneous	81,823	12,143
	<hr/>	<hr/>
	109,564	35,206
Net profit on sale of tangible fixed assets	1,199	135,280
	<hr/>	<hr/>
	110,763	170,486
	<hr/>	<hr/>

The profit on sale of tangible fixed assets in 1995 relates to the sale of locomotives "Leander" and "Galatea".

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

## 4. Interest payable and similar charges

	1996 £	1995 £
On bank loans and overdrafts and other loans:		
Repayable within 5 years, not by instalments	8,573	16,902
Repayable within 5 years, by instalments	0	0
Repayable wholly or partly in more than 5 years	0	0
	<hr/>	<hr/>
	8,573	16,902
	<hr/>	<hr/>





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Notes to the Financial Statements for the year ended 31 December 1996 (Continued...)

**5. Profit on ordinary activities before taxation**

	1996	1995
	£	£
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation on tangible owned fixed assets	77,361	97,620
Net profit on sale of tangible fixed assets	(1,199)	(135,280)
Hire of other assets - operating leases	6,045	6,904
Redundancy payments	6,919	0
Auditors' remuneration for:		
Audit	9,750	9,500
Other services	3,760	13,509
	<hr/>	<hr/>

**6. Directors' emoluments**

No Director, including the Chairman, received any fees, salary payments (including benefits in kind), pension contributions, or other emoluments.

**7. Employee information**

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

	1996	1995
	Number	Number
Full Time	61	57
Part Time	17	14
	<hr/>	<hr/>
	78	71
	<hr/>	<hr/>
	1996	1995
	£	£
<b>Staff costs for the above</b>		
Wages and salaries	813,104	781,500
Social security costs	62,942	56,177
Other pension costs	33,082	20,001
	<hr/>	<hr/>
	909,128	857,678
	<hr/>	<hr/>



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1996 (Continued...)

## 8. Tangible fixed assets

	Total £	Freehold land and buildings £	Locos and rolling stock £	Giftshops bar and catering equipment £	Office equipment & motor vehicles £	Capital work in progress £
<b>Cost or valuation</b>						
At 1 January 1996	3,912,904	3,156,757	540,905	149,760	65,482	0
Additions	40,171	30,966	0	0	8,990	215
Transfers	0	0	0	0	0	0
Disposals	(26,359)	0	0	0	(26,359)	0
<b>At 31 December 1996</b>	<b>3,926,716</b>	<b>3,187,723</b>	<b>540,905</b>	<b>149,760</b>	<b>48,113</b>	<b>215</b>
<b>Depreciation</b>						
At 1 January 1996	517,031	61,300	308,451	82,299	64,981	0
Charge for the year	77,361	31,092	27,046	16,865	2,358	0
Disposals	(25,858)	0	0	0	(25,858)	0
<b>At 31 December 1996</b>	<b>568,534</b>	<b>92,392</b>	<b>335,497</b>	<b>99,164</b>	<b>41,481</b>	<b>0</b>
<b>Net book value</b>						
At 31 December 1996	<b>3,358,182</b>	<b>3,095,331</b>	<b>205,408</b>	<b>50,596</b>	<b>6,632</b>	<b>215</b>
At 31 December 1995	3,395,873	3,095,457	232,454	67,461	501	0

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

In addition to the locomotives and rolling stock owned by the Company, the Company has entered into agreements with various third parties to operate and maintain a range of other locomotives and rolling stock for use on the line. In the opinion of the Directors these arrangements are in the nature of operating leases and the costs of maintenance are charged to the profit and loss account as incurred.



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1996 (Continued...)

**8. Tangible fixed assets (Continued...)**

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

	1996 £	1995 £
Land and Buildings		
Cost	2,994,700	2,963,734
Aggregate depreciation	(410,821)	(380,874)
Net book value	<u>2,583,879</u>	<u>2,582,860</u>

**9. Stocks**

	1996 £	1995 £
Goods for resale	104,587	116,020
Stores	104,950	106,207
Work in Progress	0	9,554
	<u>209,537</u>	<u>231,781</u>

**10. Debtors**

	1996 £	1995 £
Trade debtors	121,391	130,663
Other debtors	2,280	21,218
Prepayments and accrued income	37,479	23,666
	<u>161,150</u>	<u>175,547</u>

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

	1996 £	1995 £
Balance at bank	99,000	31,026
Petty cash and cash floats	3,543	3,524
	<u>102,543</u>	<u>34,550</u>



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1996 (Continued...)

**12. Creditors: Amounts falling due within one year**

	1996	1995
	£	£
Bank overdraft	0	161,782
Other loan	9,382	10,205
Trade creditors	113,773	152,215
Corporation Tax	274	0
Other taxation and social security	34,094	30,427
Other creditors	30,247	18,116
Accruals	93,179	94,880
	<u>280,949</u>	<u>467,625</u>

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

The other loan, which is from Bass Mitchells & Butler, is repayable by annual instalments over ten years from 30 September 1993 at an interest rate of 2% over base rate. These repayment terms are conditional upon achieving specified barrelage targets.

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

	1996	1995
	£	£
Loan - SVR Co. Ltd.	<u>90,000</u>	<u>100,000</u>

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

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

During 1996 £10,000 of the loan was converted into shares with the prior approval of Midland Bank plc.



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1996 (Continued...)

**14. Taxation**

	1996 £	1995 £
United Kingdom Corporation Tax at 24.25% (1995: 25%)	274	0
	<u>274</u>	<u>0</u>

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

At 31 December 1996 there is a contingent liability to taxation deferred because of timing differences arising on depreciation. Although the potential liability is £363,104 (1995: £334,907) the Directors consider the Company's depreciation policy and planned future capital expenditure will ensure that these timing differences will continue in the foreseeable future and consequently no provision is necessary for deferred taxation. No liability is expected to arise in the event of sale of revalued assets at the balance sheet value.

**15. Pension Scheme**

The Company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the Company and in an independently administered fund. The pension cost charge represents contributions payable to the fund and amounted to £33,082 (1995: £20,001).

**16. Called up Share Capital**

	1996 £	1995 £
Authorised ordinary shares of £1 each	3,000,000	3,000,000
Allotted, called up and fully paid ordinary shares of £1 each	<u>2,353,722</u>	<u>2,309,663</u>

The Company allotted 44,059 ordinary shares of £1 each at par during the year ended 31 December 1996.

**17. Reserves**

	Revaluation reserve £	Profit and loss account £
At 1 January 1996	494,897	465,566
Profit for the financial year	0	146,278
At 31 December 1996	<u>494,897</u>	<u>611,844</u>



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1996 (Continued...)

## 18. Analysis of changes in financing during the year

	1996		1995	
	Share Capital £	Loans £	Share Capital £	Loans £
<b>Changes during the year</b>				
At 1 January	2,309,663	110,205	2,154,413	171,174
Shares issued for cash consideration	44,059	0	155,250	0
Repayment of SVR Co. Ltd. loan	0	(10,000)	0	(60,000)
Discharge of Brewery loan	0	(823)	0	(969)
<b>At 31 December</b>	<b>2,353,722</b>	<b>99,382</b>	<b>2,309,663</b>	<b>110,205</b>

## 19. Cash and cash equivalents

	1996 £	1995 £
At 1 January	(127,232)	(268,185)
Net cash inflow	229,775	140,953
<b>At 31 December</b>	<b>102,543</b>	<b>(127,232)</b>

	1996 £	1996 Change in year £	1995 £	1995 Change in year £	1994 £
<b>Analysis of balances:</b>					
Cash at bank and in hand	102,543	67,993	34,550	20,829	13,721
Bank overdraft	0	161,782	(161,782)	120,124	(281,906)
<b>At 31 December</b>	<b>102,543</b>	<b>229,775</b>	<b>(127,232)</b>	<b>140,953</b>	<b>(268,185)</b>



Severn Valley Railway (Holdings) PLC

Notes to the Financial Statements for the year ended 31 December 1996 (Continued...)

**20. Reconciliation of movements in shareholders' funds**

	1996 £	1995 £
Profit for the financial year	146,278	171,073
Issue of share capital	44,059	155,250
Surplus arising on revaluation of land and buildings	0	0
Net addition to shareholders' funds	190,337	326,323
Opening shareholders' funds	3,270,126	2,943,803
Closing shareholders' funds	3,460,463	3,270,126

**21. Capital commitments**

	1996 £	1995 £
Capital expenditure that has been contracted for but has not been provided for in the financial statements	25,000	16,000
Capital expenditure that has been authorised by the Directors but has not yet been contracted for	138,380	79,000



Severn Valley Railway (Holdings) PLC

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

## Turnover

	1996 £	1995 £
Traffic	1,284,870	1,166,669
Giftshops	318,056	341,507
Wholesale	174,579	142,015
Bars	501,274	458,056
Catering	278,733	248,343
Contract engineering	255,817	195,661
Locomotive hire	57,195	76,818
	<u>2,870,524</u>	<u>2,629,069</u>

## Cost of sales relating to traffic includes working expenses of:

	1996 £	1995 £
Operating wages	426,609	416,675
Locomotive maintenance	94,621	75,470
Carriage maintenance and cleaning	56,209	38,504
Coal, oil and water	137,816	105,220
Civil engineering	12,508	6,942
Permanent way maintenance	34,143	24,383
Signals and telecommunications	3,716	6,741
Plant, machinery and electrical repairs	1,265	3,366
Visiting locomotives costs	5,205	18,654
Sundry traffic expenses	27,397	29,309
Depreciation of buildings and equipment	61,507	63,922
Events including Galas, Santa, Filming and Thomas the Tank	104,444	68,429
Publicity	102,602	91,091
Station expenses	95,041	76,996
	<u>1,163,083</u>	<u>1,025,702</u>





Severn Valley Railway (Holdings) PLC

**Administrative expenses:**

	1996 £	1995 £
Wages, salaries, pension and PHI	173,446	153,484
Bank charges	18,908	22,499
Rent, rates and insurance	64,971	77,969
Postage and telephone	25,793	24,752
Printing and stationery	14,763	15,496
Professional fees	28,618	36,079
Registrar's costs	8,535	8,356
Auditors' remuneration	9,750	9,500
General expenses	42,070	7,503
Office repairs	378	1,316
Motor travel and entertaining	4,661	5,692
Depreciation of equipment - office & motor vehicles	0	16,834
Office machinery leasing	6,045	6,904
Redundancy payments	6,919	0
Bad debt provision	0	2,449
	<hr/> 404,857 <hr/>	<hr/> 388,833 <hr/>