

Registered number: 01046274

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 2 JANUARY 2023

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SEVERN VALLEY RAILWAY (HOLDINGS) PLC

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SEVERN VALLEY RAILWAY (HOLDINGS) PLC

COMPANY INFORMATION

DIRECTORS	M E Ball (resigned 31 March 2023) A C Barr MBE A G Bending (deceased 20 February 2023) M Bevon G Bunker-James J A Dunster S Featherstone (appointed 25 April 2023) D E Malyon N C Paul CBE (resigned 20 January 2023) P R P Pearson H L Smith (resigned 3 March 2023) P W Swallow (resigned 27 September 2022) C G Thomas C W Walton M E Whitehouse (appointed 28 February 2023)
COMPANY SECRETARY	L J Whitehouse (resigned 27 April 2023) C W Walton (appointed 27 April 2023)
REGISTERED NUMBER	01046274
REGISTERED OFFICE	Number One Comberton Place Kidderminster DY10 1QR
STATUTORY AUDITOR	Crowe U.K. LLP Black Country House Rounds Green Road Oldbury West Midlands B69 2DG
BANKERS	HSBC Bank plc 31 Church Street Kidderminster Worcestershire DY10 2AY
SOLICITORS	Higgs & Sons 3 Waterfront Business Park Brierley Hill DY5 1LX
REGISTRAR	Neville Registrars Ltd Steelpark Road Halesowen B62 8HD

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 2 JANUARY 2023

The chairman presents his statement for the period.

Dear Shareholders,

The economic challenges have continued throughout 2022 and it is becoming clear that the changes to the market in which we operate are becoming permanent and will fundamentally change the future of the Severn Valley Railway (SVR) and how it operates. Having contended with the ongoing effects of the COVID-19 pandemic, the world-wide cost of living crisis, Brexit, the Russian invasion of Ukraine and industrial unrest in the UK workforce, 2022 has been yet another challenging year for the Railway and the organisation has had to implement major changes in order to survive.

The rising cost and availability of coal was a huge challenge for the Railway in 2022. When Russia invaded the Ukraine, this put pressure on the UK coal market with supplies of suitable coal much more difficult to find and costs continued to rise accordingly peaking at four times their pre-pandemic levels. Whilst SVR committed to running a steam locomotive every operating day, it was decided to run more diesel locomotives in the service to preserve the coal stocks to protect the lucrative Christmas events later in the year.

Event visitor numbers held up very well throughout the first six months of 2022 with record numbers of 8,500 attending the Spring Steam Gala. Ordinary operating days saw the return of fully accessible local train services however traffic numbers were down 20 – 25% from pre-pandemic levels despite offering a three train service on all operating days. Passengers continued to pre-book their visit in much higher numbers than expected with around 50% of visitors pre-booking online. Pre-booking is something to be encouraged in the coming years as it will enable the team to manage traffic planning to best effect.

Turnover in 2022 was £6,345,455, a 27% increase on turnover achieved in 2021. The cash position on 3 January 2023 was £895,060, a 31% drop from 2021.

It is calculated that 134,435 passengers visited in 2022, an increase of 10% from 2021.

1. Safety

The railway's safety performance reporting system shows a recorded a total of 151 accidents or incidents in 2022 compared with 149 in 2021, an increase of 2.

50 of the incidents involved members of staff; and 27 of the incidents involved members of the public. 74 incidents reported did not result in injury.

2022 saw a total of 5 RIDDOR reportable incidents.

The safety momentum continues to grow and remains the primary focus for the railway. The ability for SVR to demonstrate competency and produce accurate maintenance records is central to the safe operation of our line. The 10-year statistics produced by the Heritage Railway Association (HRA) provides a brutal truth. The heritage rail sector accounts for 3% of national track and is responsible for 0.002bn passenger kilometres carried compared with 49.8bn on the national network. However, the heritage rail sector is accountable for 34% of all Office of Rail & Road (ORR) enforcement action in the last 10 years, making up 5% of all Rail Accident Investigation Branch reports. We are working closely with the HRA and ORR to improve all aspects of safety within the railway.

2. CBILS Loan

The repayments for the CBILS loan commenced in October 2021 at the monthly rate of £25,000 plus interest. This is fully reflected in the cash flow forecast for 2023 and the total amount owing at the end of 2022 was £1,125,000. Due to a breach of covenant this liability is disclosed as being due in less than one year and is discussed in more detail in note 2.2 (going concern).

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 2 JANUARY 2023

3. Fundraising

Cultural Recovery Round 3

In October 2021 SVR was successful in applying for a grant from the third round of funding (CRF3). We were delighted to be awarded £1,012,900. This cash was received in January 2022 and only £506,450 was pertinent to the 2022 financial year and the other 50% was included in the 2021 financial year.

Donations received from Severn Valley Railway Charitable Trust (SVRCT) in 2022

Donation	Project
£ 455,000	Bridgnorth Roof & Crane
£ 283,338	ESMP Support
£ 150,000	Bridgnorth Yard Project
£ 104,565	Engine House Support
£ 70,000	LNER 43612
£ 66,594	Heritage Apprenticeships
£ 40,000	Road Railer
£ 14,618	ESMP Flooring
£ 9,500	Hagley Hall
£ 5,200	Bewdley Signal Bracket
£ 5,062	LMS Spares
£ 4,750	Bridgnorth Station Lighting
£ 27,031	Other adhoc projects

The total donations received from the SVRCT were £1,235,658. SVRCT successfully raised funds for the Roof and Crane project at ESMP Bridgnorth and the relay of the Bridgnorth Yard Phase I was successfully completed before the line was reopened in Spring 2023.

4. Funded projects

Engineering Services Motive Power – Bridgnorth

2022 saw the long-awaited return of 4930 Hagley Hall back in steam at the Autumn Gala after her £1.4m overhaul. The engineering teams have worked incredibly hard in difficult circumstances (the Roof and Crane project was happening simultaneously) with the support of the management team and Bob Meanley, Engineering Advisor, who has been pivotal to the changes and improvements that have been made in ESMP Bridgnorth. Our thanks must go to the whole of the engineering and operational staff who made it possible to deliver the service and two major projects all at the same time.

As in previous years we capitalised Hagley Hall overhaul costs of £185,883 incurred in 2022. These costs will be written off over lifetime of the locomotive boiler ticket.

Roof and Crane Project

The Home & Dry Appeal was launched in 2021 to raise £475,000 for the locomotive works at Bridgnorth which suffered from holes in the roof which was leaking badly. The lighting was also poor and there was a desperate need for an overhead crane to improve working conditions. Donations came flooding into the Railway and the project reached the target. The Board is delighted to confirm that the project was delivered on time and within budget and the building was in full operation by the Autumn Steam Gala.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 2 JANUARY 2023

Bridgnorth Yard Relay – Phase I

Linked with the project to repair the roof and install a crane at ESMP Bridgnorth the next priority project was identified as the Bridgnorth yard, the only rail access to the steam locomotive works. The current track was laid in the 1970's using second hand materials and, through extensive care, has lasted 50 years, much longer than expected. However, it has now reached the end of its life.

SVRCT started the campaign to raise funds for this project in the summer of 2022 reaching the first phase target of £150,000 to cover the cost of materials. The delivery is being project managed by volunteer Nick Yarwood, who is a very experienced Civil Engineer. The installation of the new infrastructure is delivered by a combination of the Railway's own Permanent Way team supported by a group of volunteers, working together to deliver this challenging engineering project.

5. Loco Running Figures

2022 saw reduced steaming days due to the availability of coal and steam bans, due to the high fire risk. There were 452 steam days, compared to 557 in the previous year, returning an annual steam mileage on SVR of 26,668 miles including the visiting locos: 2999 'Lady of Legend', 4498 'Sir Nigel Gresley', 4523 'Sherwood Forester', 1873 'Tessie', 9351 and 506. The average SVR mileage per day was 59 miles.

Top mileage loco for 2022 was 1501 with 6,074 miles over 100 steaming days, with 2857 and 7714 closely behind on 4,294 and 4,013 miles respectively.

928 tons of Coal was purchased at a total cost of £189,845. This was a decrease of 123.12 tons of coal from 2021. The cost of Coal has increased steeply throughout 2022 and the cost per mile was £204.57, compared to £183.10 in 2021.

6. Traction and Rolling Stock Engineering Services – Kidderminster, Bewdley and Bridgnorth

Diesel Depot

SVR asked a great deal more of the diesel traction department in 2022 than in any other year in its history. The increased use of diesel locomotives through the main season helped conserve the coal stocks for the Christmas services. On top of that the summer heatwave saw four steam bans implemented due to lineside fire risk. A considerable burden was placed on the diesel loco owning groups and volunteer staff to provide cover for these services and this in turn led to additional maintenance and cost pressures on the groups. The board would like to thank all who helped manage this substantially increased workload.

Carriages

The carriage teams at Kidderminster and Bridgnorth were able to carry out routine maintenance, repair and cleaning of the carriages needed for SVR services. As part of the strategy work to improve safety, four members of staff completed the IOSH Managing Safely qualification.

At Bewdley the decision was taken to mothball GWR dining kitchen 9615 and switch efforts to LNER 43612 a 64 seat open carriage which requires extensive bodywork repairs. Good progress has been made on 43612 with considerable volunteer input. At Kidderminster Paint shop during 2022 1667 (Kitchen car) was repainted and equipment refitted, 25493 (BR corridor compartment 2nd class) had bodywork repairs including door pillar replacements and repairs to the end corners and work commenced on bodywork repairs to LMS 24617. Exploratory work on 'red carded' buffet car 1855 was started at the end of 2022.

Work was completed or is in progress on bogies, brakes, heating on 80969 (obbo) 1855 (buffet) 4509 (BR open), 43612 bogie overhaul (LNER open being worked on at BY), gangway repairs on 27218 & 7960 (following a shunting incident) and 9220 (BR open brake) which has had the tyres turned.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 2 JANUARY 2023

Operations

In 2022 the operations department took the lead on managing the Diesel contracts, the increased use of diesel traction saw additional locos hired, strengthening SVR's relationships with suppliers, and where possible hiring smaller, lighter weight and more economical locomotives such as Class 20's. The operations team supported the delivery of train services throughout the season filling in where required.

The operations team have had to continue to be versatile in their approach to train timetables and event planning as services and visitor patterns changed throughout 2022 post Covid. With a small fleet of steam locomotives and a reduced fleet of available carriages to previous years the service has been delivered using the most efficient sets and locos, with smaller and retiring locos such as 1501 used most.

7. External Contracts

The railway continued to develop relationships with commercial partners to supplement our revenue streams. During 2022 we were able to provide facilities for Bayer to commission and test their new Smart Weedkilling Train for Network Rail and deliver a number of testing contracts for LSL. The total income received from these and other activities achieved £212K. The Board are fully supportive and are convinced that this type of revenue stream is exactly what we should be doing during our quieter periods to bring in additional income. The Board would like to pass on their thanks to the operations teams who worked long hours into the night to bring this much needed income to the railway.

Contract Works delivered in 2022:

- Delivery of Bayer UK Smartweed Trains 2&3 Testing Programme
- Delivery of Locomotive Services Stabling Contract at Kidderminster
- Delivery of filming job at Hampton Loade for 'Can you hear me?' production
- Delivery of the testing programme for LSL's 70000 'Britannia'
- Delivery of the testing programme for LSL / SNG Trust's 4498 'Sir Nigel Gresley'
- Delivery of one incoming LSL Steam Railtour Operation (Relaunch of 70000 'Britannia')
- Delivery of one outgoing LSL Steam Railtour Operation over 3 days, originating at Bridgnorth, and running to York and return
- Delivery of a UK Railtours / DB Cargo Operation to SVR Steam Gala, with access to Kidderminster SVR for Stabling & Servicing
- Provision of Crew familiarisation of Class 55 'Deltic' Locomotives for LSL
- Delivery of the Running in / Crew Familiarisation of LSL's 61306 'Mayflower'

8. Infrastructure

2022 has been another busy year for the Infrastructure department who have been key to the successful completion of the Roof & Crane project on time and in budget. They have also delivered the lightweight fill project at Stems on time and budget which saw the replacement of the track bed with a lightweight material to stabilize the ground. The Country Park Halt shelter has also been repaired after the 2020 arson attack. A company called Geobear Ltd have generously supported SVR in 2022 with the use of the Alveley Woods slip site as a UK trial site for their geopolymer injection system for land stabilization. The replacement of Kidderminster No.42 points was successfully delivered in order to allow Christmas dining trains to operate from No.2 Dock.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 2 JANUARY 2023

9. Commercial Activity

2022 saw the return of a hop on-hop off style operation to the railway from opening. With a successful Open House weekend performing better than budgeted and then the following successful 2022 Spring Steam Gala performing over budget, the year looked promising.

From the start, non-event passenger numbers were down so increased focus was taken on special events or smaller, low key activities that would bring in extra revenue. Taking advice from the HRA the decision was taken to cancel the Step back to the 1940s events in June and July, losing £160k in sales over the year. This was recovered in part by a successful programme of events and activities celebrating Her Majesty The Queen's Platinum Jubilee, with a significant lift in retail products thanks to engagement in this event.

The return of On Train Dining was a key moment for 2022 with services starting earnestly in August 2022. Challenges in Food and Beverage continued in supply chains and staffing. Cost increase have impacted gross profit across most departments; whereas GP would sit around 67% pre-covid, figures are now around 57% in order to continue to remain affordable to passengers and customers throughout their visit.

Engagement with other attractions within the region has been key. Major attractions who are part of large parent organisations are reporting a similar collapse in visitor numbers and in turn secondary spend.?

Christmas Events

Following 2022 Christmas ticket sales, a review of the Christmas Events for 2023 took place. Budgeted figures were not reached for Steam in Lights or Carol Services. Santa Specials did also not achieve budget but matched 2021 figures. Enchanted Express did also not reach budget but performed better than 2021 thanks to increased capacity and event popularity.

Christmas ticket sales are a significant revenue stream to SVR, with over half of ticket revenue coming in under the Christmas programme of events. The significance of the events is further highlighted by the fact that all this revenue is delivered in under 20 operating days, the investment and time contribution is significant but huge pressures are put onto these events to perform.

Moving into 2023, budgets for Christmas will be more reserved and delivery will be better targeted. Budgeted events will be in line with 2022 ticket sales. A review has also taken place on the number of events that we do, following feedback from customers and from the Marketing and Communications team that it often felt like SVR was competing with itself when it came to selling events.

The Directors wish to express their grateful thanks once again to all our event organisers and teams who through their experience and skills provide such important and enjoyable events for our passengers.

Visitor Derived Income

Food and Beverage income across the railway was £1,549,072 with a profit of £50,603 compared to 2021 £988,505 with a loss of £41,368.

Giftware achieved an income of £473,324 with a profit of £126,330 compared to 2021 £358,958 with a profit of £103,386.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

CHAIRMAN'S STATEMENT FOR THE PERIOD ENDED 2 JANUARY 2023

Capital Expenditure

Capital expenditure in 2022 totalled £1,001,507. This included:

- £185,883 for the completion of Hagley Hall;
- £477,018 for the work conducted on the Bridgnorth Roof & Crane project which was funded by our supporters following a very successful appeal;
- £74,316 for the Fallings Sands Delivery and Interpretation work; and
- £66,355 for the purchase of a Megarailer which was funded by donations from both SVRCT and SVR Guarantee Company Share Offer monies;
- £197,935 was funded by operating cashflow supporting a number of projects, the most significant of which were the Sterns Lightweight Fill (costing £81,209) and the replacement of Kidderminster Points 42 (costing £22,591).

£31,624 was spent on the continued improvements to Bridgnorth Station building including repairs to sash windowsills, minor roof works and professional fees in relation to the refurbishment works.

VisitEngland National Award

In June 2022 SVR was presented VisitEngland's bronze award for Resilience and Innovation, rising above the competition from hundreds of visitor attractions across England. Widely considered to be the most coveted accolades in English tourism, the VisitEngland Awards for Excellence champion the very best of the country's tourism industry, celebrating quality, innovation and best practice. To have received this recognition at a national level is a significant achievement and the Board wishes to pass on its congratulations to our teams across the railway without whom this would not have been possible.

10. Key Staff

Helen Smith, Managing Director, resigned with effect from 3 March 2023. Jonathan Dunster was appointed acting Managing Director, with effect from 4 March 2023.

Michael Dunn, Head of Visitor Experience, resigned with effect from 30 April 2023.

Louise Whitehouse, Head of Finance & Company Secretary, resigned with effect from 12 May 2023.

11. Economic Impacts of a Post Pandemic World & the future

The most significant risk to SVR at the time of writing this report is the unprecedented rise in the costs of running the railway. This is impacting everything, cost of supplies, staff, food, retail products coal, oil and diesel. To give one example the utility costs are predicted to rise to £403,000 this year from a pre-pandemic expenditure of £177,000. This situation on top of the reduction in visitor footfall has meant that the Board have supported the management team in making savings in excess of £850,000 in staff costs over the last two years and significant reduction in the number of services the railway is able to deliver in 2023. The support of our volunteers has never been more needed as we adapt the way we deliver our services and manage our costs.

It's now crystal clear that to survive the coming year SVRH needs a significant cash injection and this is why we have launched a Survival Fund appeal led by SVRCT, with the support of SVRG.

However, if we are to stand a chance of getting the Railway properly back on its feet and fit for the future, we need to look at the way in which SVR is structured, across the three separate companies to see if there is a better way to manage our collective assets, finances and resources. If we could achieve a structure that has charitable status at its heart, we could unlock new income streams (such as Gift Aid on ticket sales) and other financial benefits (such as zero business rates and decreased administrative overheads) which would help secure the Railway's future. We could create a close-knit, flexible and efficient business structure, that would cost less to run and be fit for purpose in the new economic environment which we all face.

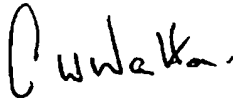
SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**CHAIRMAN'S STATEMENT
FOR THE PERIOD ENDED 2 JANUARY 2023**

However big or small your contribution in making this organisation work both now and in the future, it is definitely needed, and much appreciated. The Boards wish to thank all shareholders, the SVRCT Trustees, SVRG Directors and Rolling Stock Owners and Supporters for their continued excellent support in 2023 which is essential to the Railway's future protection and growth.

Your board and I are looking forward to meeting with you at the AGM which is to be held at St Georges Hall, Load Street, Bewdley at 2.30pm on Saturday 10th June 2023.

Full details will be posted to all shareholders in due course and will be available on www.svrive.co.uk/agm 2023.



Name C W Walton
Chairman

Date 22 May 2023

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

DIRECTORS' REPORT FOR THE PERIOD ENDED 2 JANUARY 2023

The Directors present their report and the financial statements for the period ended 2 January 2023.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 period.

In preparing these financial statements, the Directors are required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They 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.

RESULTS AND DIVIDENDS

The loss for the period, after taxation, amounted to £452,362 (2022 - loss £407,453).

In accordance with the special resolutions passed at the Extraordinary General Meeting of the Company on 19 December 1997, the Memorandum and Articles of Association of the Company does not permit either the payment of dividends or the participation of members in the distribution of any residual property or assets upon the winding up or dissolution of the Company.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

DIRECTORS' REPORT (CONTINUED) FOR THE PERIOD ENDED 2 JANUARY 2023

DIRECTORS

The Directors who served during the period and their interests in the Company's issued share capital were:

	Ordinary shares of £1 each	
	2/1/23	3/1/22
M E Ball (resigned 31 March 2023)	3,000	3,000
A C Barr MBE	3,800	3,800
A G Bending (deceased 20 February 2023)	6,100	6,100
M Bevon	1,600	1,200
G Bunker-James	250	250
J A Dunster	750	750
D E Malyon	987	987
N C Paul CBE (resigned 20 January 2023)	7,451	7,451
P R P Pearson	3,130	3,130
H L Smith (resigned 3 March 2023)	250	250
P W Swallow (resigned 27 September 2022)	-	437,524
C G Thomas	11,822	11,822
C W Walton	3,748	3,748

FUTURE DEVELOPMENTS

In order to get the Railway properly back on its feet and fit for the future, we are looking at the way in which SVR is structured, across the three separate companies to see if there is a better way to manage our collective assets, finances and resources. We will look to achieve a structure that has charitable status at its heart, to unlock new income streams (such as Gift Aid on ticket sales) and other financial benefits (such as zero business rates and achieve decreased administrative overheads).

This approach has already been taken by other heritage railways. We will of course continue to reduce operating costs and increase revenue, wherever possible.

The Directors believe that there are events and conditions which indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. A summary of their assessment is in note 2.2, but they have considered that despite the impact of unprecedented rises in the costs of running the railway, along with the reduction in visitor footfall, the Company is still a Going Concern.

For details of future developments please refer to the Chairman's Statement.

QUALIFYING THIRD PARTY INDEMNITY PROVISIONS

During the year, an indemnity from the Company was available to the directors against liabilities that might be incurred by them in defending proceedings against them in respect of the affairs of the Company. The indemnity is subject to the provisions of the Companies Act and is set out in the Articles of Association.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**DIRECTORS' REPORT (CONTINUED)
FOR THE PERIOD ENDED 2 JANUARY 2023**

DISCLOSURE OF INFORMATION TO AUDITOR

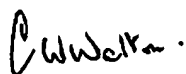
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

AUDITOR

The auditor, Crowe U.K. LLP, will be proposed for reappointment in accordance with section 489 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



C W Walton
Director

Date: 22 May 2023

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

STRATEGIC REPORT FOR THE PERIOD ENDED 2 JANUARY 2023

INTRODUCTION

The principal activity of the Company is to operate the Severn Valley Railway between Bridgnorth in Shropshire and Kidderminster in Worcestershire and the financial statements are drawn up to the accounting reference period 2 January 2023 (prior period - 3 January 2022) to correspond with the end of the Company's 'festive season' running schedule.

BUSINESS REVIEW

The Directors report a loss for the year of £(452,362) compared to £(407,453) loss in 2021. A comparison of 2021 to 2022 accounts shows that turnover has increased by £1,350,471.

It is estimated that 134,435 people visited the railway in 2022, compared to 122,001 in 2021. This estimate is based on the recorded number of passengers purchasing tickets to travel.

The Company has a net current liability position at 2 January 2023 of £1,107,455; compared to a net current asset position at 3 January 2022 of £854,256. The current year net liability has arisen as a result of the CBILS loan of £1,125,000 being disclosed as a current liability. The cash position decreased by £403,896 as a result of increased costs and decreased passenger numbers.

PRINCIPAL RISKS AND UNCERTAINTIES

The Directors consider the following issues to be the Company's main risks and uncertainties:

- The impact of living in a post pandemic world and uncertainty of the conflict in Ukraine cause uncertainty around the availability and cost of key resources, such as coal, fuels, materials and staff.
- Continue to operate within the company's safety management system
- The cost of living crisis does not seem to be abating which may impact passenger revenue.
- Weather and its impact on the number of passengers and on the infrastructure
- Availability and cost of coal, oil and other necessary resources
- Age of working volunteers and their continuing support of the Railway
- Risk of not finding funding for ongoing repairs, improvements and future projects
- Availability and recruitment of skilled staff (both volunteer and paid)
- Ongoing changes to legislation
- Environmental issues
- Compliance with Health & Safety
- Third party relationships
- Availability of cash
- Key management team remaining in post

In order to mitigate these risks and uncertainties, the Directors approve detailed business plans and monitor progress against these.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**STRATEGIC REPORT (CONTINUED)
FOR THE PERIOD ENDED 2 JANUARY 2023**

FINANCIAL KEY PERFORMANCE INDICATORS

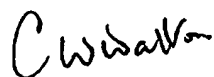
The following are some of the most significant key performance indicators identified by the Directors:

- Cashflow
- Turnover
- Expenditure
- Passenger numbers and yield per passenger
- Operating profit
- Performance compared to the Strategic Plan

The Board monitors the Company's performance against strategic objectives and the financial performance on a regular basis. Performance is assessed against the budgets using financial and non-financial measures.

The performance against these key performance indicators are described in detail in the Chairman's statement along with other non-financial key performance indicators.

This report was approved by the board and signed on its behalf.



C W Walton
Director

Date: 22 May 2023

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN VALLEY RAILWAY (HOLDINGS) PLC

OPINION

We have audited the financial statements of Severn Valley Railway (Holdings) plc (the 'Company') for the period ended 2 January 2023, which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Cash Flows, the Statement of Changes in Equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 2 January 2023 and of its loss for the period 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.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN VALLEY RAILWAY (HOLDINGS) PLC (CONTINUED)

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.2 in the financial statements. The company has been affected by changes in the financial climate caused by the COVID-19 pandemic, the war in Ukraine, post-Brexit supply chain issues and the cost-of-living crisis. This has meant that management forecasts for 2023 and 2024 show an ongoing cash outflow, and an overdrawn cash position. However, there are a number of potential sources of funding that the company has excluded from forecasts as discussions are ongoing and there are no binding agreements in place. Should any combination of these sources of funding come to fruition over the following 12 months, the future outlook for the company would be much stronger. Further to this, following the breach of the covenant in 2022 in relation to the CBILS loan, the loan is due for repayment in one year resulting in a current net liability position at 3 January 2023. As at the date of this report the Bank hasn't indicated any early repayment will be enforced.

As stated in note 2.2, these events and conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included

- Obtaining managements forecasts covering the period from 1 January 2023 to 30 June 2024. We have assessed how these forecasts have been prepared, including assessing the appropriateness of management's forecasts and sensitivities to the underlying assumptions;
- Challenging the key assumptions used in the model, including ticket sales, other sources of funding, staff costs and energy costs;
- Assessed reasonableness and likelihood of potential sources of funding;
- Reviewing the disclosures made in the financial statements relating to going concern and agreeing it is consistent with management's assessment; and
- Performed sensitivity analysis on management's reasonable downside scenarios to determine the reduction in revenue (ticket sales, donations and other income) that would lead to elimination of the headroom in their original cash flow forecasts;

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN VALLEY RAILWAY (HOLDINGS) PLC (CONTINUED)

OTHER INFORMATION

The other information comprises the information included in the Annual Report other than the financial statements and our Auditor's Report thereon. The Directors are responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

OPINION ON OTHER MATTERS PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

RESPONSIBILITIES OF DIRECTORS

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN VALLEY RAILWAY (HOLDINGS) PLC (CONTINUED)

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006. We assessed the required compliance with these laws and regulations as part of our audit procedures on the related financial statement items.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which might be fundamental to the Company's ability to operate or to avoid a material penalty. We also considered the opportunities and incentives that may exist within the Company for fraud. The laws and regulations we considered in this context for the UK operations were General Data Protection Regulation (GDPR), Anti-fraud, bribery and corruption legislation, environmental protection legislation, Health and safety legislation, Taxation legislation and Employment legislation.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be in the following areas: timing of recognition of income; the override of controls by management, including posting of unusual journals; inappropriate treatment of non-routine transactions and areas of estimation uncertainty; and manipulating the Company's key performance indicators to meet management targets.

Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, review and discussion of non-routine transactions, sample testing on the posting of journals and income transactions and review of accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

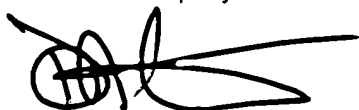
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our Auditor's Report.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SEVERN VALLEY RAILWAY (HOLDINGS)
PLC (CONTINUED)**

USE OF OUR REPORT

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 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 Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



Dave Darlaston (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
Black Country House
Rounds Green Road
Oldbury
West Midlands
B69 2DG

Date: 24/5/23.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 2 JANUARY 2023**

	Note	2023 £	2022 £
Turnover	4	6,345,455	4,994,984
Cost of sales		<u>(7,193,346)</u>	<u>(5,598,558)</u>
Gross loss		(847,891)	(603,574)
Administrative expenses		(1,461,772)	(1,276,561)
Other operating income	5	<u>1,889,392</u>	<u>1,552,184</u>
Operating loss	6	(420,271)	(327,951)
Interest receivable and similar income		2,017	154
Interest payable and similar expenses	10	<u>(34,108)</u>	<u>(79,656)</u>
Loss before tax		(452,362)	(407,453)
Tax on loss	11	<u>-</u>	<u>-</u>
Loss for the financial period		<u>(452,362)</u>	<u>(407,453)</u>

There was no other comprehensive income for 2023 (2022:£NIL).


The notes on pages 25 to 44 form part of these financial statements.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC
REGISTERED NUMBER: 01046274

BALANCE SHEET
AS AT 2 JANUARY 2023

	Note	2 January 2023 £	3 January 2022 £
Fixed assets			
Intangible assets	12	33,338	32,357
Tangible assets	13	16,391,392	16,213,367
		<u>16,424,730</u>	<u>16,245,724</u>
Current assets			
Stocks	14	493,708	462,522
Debtors: amounts falling due within one year	15	345,429	1,121,964
Cash at bank and in hand	16	895,060	1,298,956
		<u>1,734,197</u>	<u>2,883,442</u>
Current liabilities			
Creditors: amounts falling due within one year	17	(2,841,652)	(2,029,186)
		<u>(1,107,455)</u>	<u>854,256</u>
Net current (liabilities)/assets			
		<u>15,317,275</u>	<u>17,099,980</u>
Total assets less current liabilities			
Creditors: amounts falling due after more than one year	18	(3,994,693)	(5,343,498)
Provisions for liabilities			
Other provisions	21	(204,412)	(238,085)
		<u>(204,412)</u>	<u>(238,085)</u>
Net assets		<u>11,118,170</u>	<u>11,518,397</u>
Capital and reserves			
Called up share capital	23	10,789,587	10,737,452
Profit and loss account	22	328,583	780,945
		<u>11,118,170</u>	<u>11,518,397</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



C W Walton
Director



J A Dunster
Director

Date: 22 May 2023

The notes on pages 25 to 44 form part of these financial statements.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 2 JANUARY 2023**

	Called up share capital	Profit and loss account	Total equity
	£	£	£
At 4 January 2021	10,448,148	1,188,398	11,636,546
Loss for the year	-	(407,453)	(407,453)
Shares issued during the year	289,304	-	289,304
At 3 January 2022	10,737,452	780,945	11,518,397
Loss for the period	-	(452,362)	(452,362)
Shares issued during the period	52,135	-	52,135
At 2 January 2023	10,789,587	328,583	11,118,170

The notes on pages 25 to 44 form part of these financial statements.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 2 JANUARY 2023**

	2 January 2023 £	3 January 2022 £
Cash flows from operating activities		
Loss for the financial period	(452,362)	(407,453)
Adjustments for:		
Amortisation of intangible assets	7,570	5,852
Depreciation of tangible assets	831,288	728,718
Loss on disposal of tangible assets	12,612	-
Interest paid	34,108	79,656
Interest received	(2,017)	(154)
(Increase)/decrease in stocks	(31,186)	1,484
Decrease/(increase) in debtors	776,535	(700,787)
Decrease in creditors	(199,879)	(117,547)
(Decrease)/increase in provisions	(33,673)	17,356
Net cash generated from operating activities	<u>942,996</u>	<u>(392,875)</u>
Cash flows from investing activities		
Purchase of intangible fixed assets	(8,551)	-
Purchase of tangible fixed assets	(1,039,425)	(527,480)
Sale of tangible fixed assets	17,500	-
Interest received	2,017	154
Net cash from investing activities	<u>(1,028,459)</u>	<u>(527,326)</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE PERIOD ENDED 2 JANUARY 2023

	2 January 2023 £	3 January 2022 £
Cash flows from financing activities		
Issue of ordinary shares	52,135	289,304
Repayment of loans	(332,726)	(103,506)
Repayment of other loans	(3,734)	-
Interest paid	(34,108)	(79,656)
Net cash used in financing activities	(318,433)	106,142
Net (decrease) in cash and cash equivalents	(403,896)	(814,059)
Cash and cash equivalents at beginning of period	1,298,956	2,113,015
Cash and cash equivalents at the end of period	895,060	1,298,956
Cash and cash equivalents at the end of period comprise:		
Cash at bank and in hand	895,060	1,298,956
	895,060	1,298,956

The notes on pages 25 to 44 form part of these financial statements.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**ANALYSIS OF NET DEBT
FOR THE PERIOD ENDED 2 JANUARY 2023**

	At 4 January 2022 £	Cash flows £	Other non- cash changes £	At 2 January 2023 £
Cash at bank and in hand	1,298,956	(403,896)	-	895,060
Debt due after 1 year	(1,481,358)	-	1,162,596	(318,762)
Debt due within 1 year	(342,973)	336,460	(1,162,596)	(1,169,109)
	<u>(525,375)</u>	<u>(67,436)</u>	<u>-</u>	<u>(592,811)</u>

The notes on pages 25 to 44 form part of these financial statements.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 JANUARY 2023

1. GENERAL INFORMATION

Severn Valley Railway (Holdings) plc (the Company) operates a heritage railway between Bridgnorth in Shropshire and Kidderminster in Worcestershire.

The Company is an unlisted public limited company (registered number 01046274), which is incorporated in England and Wales. The address of the registered office and principal place of business is Number One, Comberton Place, Kidderminster, DY10 1QR.

2. ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The Financial Statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of Financial Statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3).

The following principal accounting policies have been applied:

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 JANUARY 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.2 GOING CONCERN

The Directors have assessed the potential impact of various uncertainties and the current economic climate.

Over the last three years the Severn Valley Railway has been badly impacted by escalating costs. The impact of the COVID-19 pandemic, Brexit, and the war in Ukraine have all combined to create supply chain difficulties, and this has resulted in spiralling costs across the board, including utilities, coal, diesel, oil, steel, copper, catering supplies and interest rates. In addition to this, the current cost-of-living crisis has resulted in a reluctance from people to visit.

In order to mitigate the impact of these external factors the Directors have to date:

- Implemented cost saving measures. These include compulsory redundancies; recruitment freezes to reduce payroll and staff costs; and a continuous review of supplier contracts in order to take advantage of discounts and savings where possible.
- Revised the timetable with the aim of saving on operating costs by running fewer services on fewer days during quieter periods. The Board believe that an attractive programme of events has been produced, and we are adding value to tickets sold by including a free return visit.
- Reduced the number of steam services to mitigate the exposure to the extremely high cost of coal;
- Fine-tuned and enhanced the marketing strategy to encourage the maximum number of visitors, which will be an ongoing process to ensure that events and services are marketed at appropriate times and on appropriate platforms.

The financial statements presented for 2022 result in a breach of the Coronavirus Business Interruption Loan covenants. This means that the loan could be recalled by the bank immediately, and as a result, the remaining liability is disclosed in the financial statements as being due for repayment. A current net liability position is therefore reported at 3 January 2023. However, there has been no default on the loan repayments in the year, and repayments continue to be met post year end. The Directors are satisfied that there will be no interruption to these repayments. The lender has verbally stated that they are not taking any action to recall the loan under the terms of the agreement.

Looking to the mid-term, the Directors continue to look to build relationships with our existing business partners to explore additional opportunities in the provision of storage, modification and testing services. This will ultimately help to maximise revenue by further diversification. The Directors are in discussions with a number of other organisations and funding providers to secure additional cash resource and they are confident that additional initiatives and contingencies in place, will have a positive outcome on the company's resources. Whilst it is unlikely that all of the initiatives or sources of funding will come to fruition, there is confidence that a combination will be met which will help to secure the mid-term future of the railway.

We continue to work with SVR Charitable Trust and Company Ltd, who are committed in their support and together we launched the survival appeal at end of April, with the aim of raising £1.5m, which to date has raised £230k.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 JANUARY 2023

2. ACCOUNTING POLICIES (CONTINUED)

The events and conditions indicated above indicate that a material uncertainty exists that may cast doubt on the Company's ability to continue as a going concern. The company may be unable to realise its assets and discharge its liabilities in the normal course of business.

However, whilst the Directors recognise the challenges and uncertainties that the railway faces, the Directors believe that with continued support from the bank, the initiatives detailed above, and accurate and timely financial planning the company will continue as a going concern for the foreseeable future, being at least twelve months from the date of approval of these financial statements and therefore have prepared the financial statements on a going concern basis.

In addition to the measures taken above, and to secure the long-term future of the railway, a review is underway to establish a structure with SVR Company Limited and SVR Charitable Trust Limited. The Directors continue to recognise the importance of working coherently with SVR Company Ltd and the Charitable Trust as one railway, and a revised structure will help to unlock new income streams and make the operation of the railway more efficient.

2.3 REVENUE

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria is used to determine when revenue is recognised:

Giftware, Bars, Catering and Other

Revenue is recognised when the significant risks and rewards of ownership have transferred to the customer. This is usually at the point when the goods or service are received by the customer.

Traffic

Revenue is recognised when the significant risks and rewards of ownership have transferred to the customer. This is usually at the time when travel takes place. Where travel tickets are purchased in advance of the date that travel takes place, the income is recognised at the date of the transaction as tickets are sold on a non-refundable basis.

Contract Engineering

Revenue is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied: the amount of revenue can be measured reliably; it is probable that the Company will receive the consideration due under the contract; the stage of completion of the contract at the end of the reporting period can be measured reliably, and; the costs incurred and the costs to complete the contract can be measured reliably.

Donations and legacies

Donations are recognised when receivable. Donations received for specific items of expenditure which are included in cost of sales are recognised within turnover. All other general donations are recognised in other operating income. Legacies are recognised when the company is entitled to the income and the amount can be quantified with reasonable accuracy. Entitlement is the earlier of the company being notified of an impending distribution or the legacy being received.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 JANUARY 2023

2. ACCOUNTING POLICIES (CONTINUED)

Grants (including government grants)

Grants, including government grants, are accounted under the accruals model as permitted by FRS 102. Grants relating to expenditure on tangible fixed assets are credited to the Income Statement at the same rate as the depreciation on the assets to which the grant relates. The deferred element of grants is included in creditors as deferred income. Grants, including government grants, of a revenue nature are recognised in the Income Statement in the same period as the related expenditure. Revenue grants made to give immediate financial support or to reimburse costs already incurred are recognised in the profit and loss account in the period in which they become receivable.

Interest income

Interest income is recognised in the Income Statement using the effective interest method.

2.4 INTANGIBLE ASSETS

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

Amortisation is provided on the following bases:

Software	-	10 % on cost
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2.5 TANGIBLE FIXED ASSETS

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is provided on the following basis:

Freehold buildings and permanent way	-	2% - 20% on cost
Locomotives and rolling stock	-	5% - 10% on cost
Office and computer equipment	-	10% - 25% on cost
Motor vehicles	-	20% - 25% on cost
Commercial fixtures, fittings and equipment	-	4% - 20% on cost

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 JANUARY 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.6 STOCKS

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.7 FINANCIAL INSTRUMENTS

The Company only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and rolling stock provisions.

DEBTORS

Short term debtors are measured at cost, less any impairment.

CASH

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

In the Statement of Cash Flows, cash is shown net of bank overdrafts that are repayable on demand and form an integral part of the Company's cash management.

CREDITORS

Short-term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.8 PROVISIONS FOR LIABILITIES

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Income Statement in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

Where the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using an appropriate pre tax discount rate. The unwinding of the discount is recognised as a finance charge in the Income Statement in the period it arises.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 JANUARY 2023

2. ACCOUNTING POLICIES (CONTINUED)

2.9 LOCOMOTIVES AND ROLLING STOCK

In addition to 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 repairs and maintenance over and above those in the terms of the agreement are charged to the Income Statement as incurred.

3. JUDGEMENTS IN APPLYING ACCOUNTING POLICIES AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Preparation of the financial statements may require management to make significant judgements and estimates. There are no items in the financial statements where significant judgements and estimates have been made.

4. TURNOVER

	2022 £	2021 £
Traffic	3,472,165	2,694,094
Catering	722,413	415,732
Bars	826,659	572,772
Giftware	473,234	358,958
Contract Engineering	348,197	384,967
Other (including specific purpose donations)	212,117	291,740
Release of grants	290,670	276,721
	<u>6,345,455</u>	<u>4,994,984</u>

All turnover arose within the United Kingdom.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023

5. OTHER OPERATING INCOME

	2022 £	2021 £
Other operating income	21,127	15,449
Government grants receivable	506,450	1,295,753
Donations received	1,254,963	197,201
Sundry income	106,852	43,781
	<u>1,889,392</u>	<u>1,552,184</u>

Included in government grants receivable is £506,450 (2021 - £959,450) of Cultural Recovery Fund; £nil (2021 - £155,131) of Coronavirus Job Retention Scheme income; £nil (2021 - £111,000) from the Wyre Forest District Council, and £nil (2021 - £46,013) for notional interest applied to the CBILS Loan.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023

6. OPERATING LOSS

The operating loss is stated after charging:

	2022 £	2021 £
Depreciation of tangible fixed assets	831,288	728,718
Amortisation of intangible fixed assets	7,570	5,852
Other operating lease rentals	14,391	11,503
	<u>853,249</u>	<u>746,073</u>

7. AUDITOR'S REMUNERATION

During the period, the Company obtained the following services from the Company's auditor and its associates:

	2022 £	2021 £
Fees payable to the Company's auditor and its associates for the audit of the Company's financial statements	18,300	16,950

8. EMPLOYEES

Staff costs, including Directors' remuneration, were as follows:

	2022 £	2021 £
Wages and salaries	2,829,032	2,507,147
Social security costs	220,314	179,575
Cost of defined contribution scheme	91,293	107,206
	<u>3,140,639</u>	<u>2,793,928</u>

The average monthly number of employees during the period was as follows:

	2022 No.	2021 No.
Full time	85	87
Part time	24	21
Casual	48	22
	<u>157</u>	<u>130</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023

9. DIRECTORS' REMUNERATION

	2022 £	2021 £
Directors' emoluments	87,172	89,397
Company contributions to defined contribution pension schemes	11,352	4,460
	<u>98,524</u>	<u>93,857</u>

10. INTEREST PAYABLE AND SIMILAR EXPENSES

	2022 £	2021 £
Bank interest payable	83,781	78,300
Finance charge	(49,673)	1,356
	<u>34,108</u>	<u>79,656</u>

11. TAXATION

	2022 £	2021 £
TOTAL CURRENT TAX	-	-
DEFERRED TAX		
TOTAL DEFERRED TAX	-	-
TAXATION ON PROFIT ON ORDINARY ACTIVITIES	-	-

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
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11. TAXATION (CONTINUED)

FACTORS AFFECTING TAX CHARGE FOR THE PERIOD/YEAR

The tax assessed for the period/year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Loss on ordinary activities before tax	(452,362)	(407,453)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(85,949)	(77,416)
EFFECTS OF:		
Short-term timing difference leading to an increase (decrease) in taxation	70,112	62,660
Non-taxable income	(94,050)	(90,700)
Other differences leading to an increase (decrease) in the tax charge	109,887	105,456
TOTAL TAX CHARGE FOR THE PERIOD/YEAR	-	-

FACTORS THAT MAY AFFECT FUTURE TAX CHARGES

The Company has a potential deferred tax asset of £1,534,344 (2021 - £1,396,557) relating to tax losses carried forward and a potential deferred tax asset of £377,768 (2021 - £492,019) relating to fixed asset timing differences. These assets assume future tax rates of 25%.

The potential deferred tax assets have not been provided for, as the Directors cannot be sure that there will be sufficient taxable profits against which these assets can reverse in the foreseeable future.

The standard rate of corporation tax has increased from 19% to 25% from April 2023.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023

12. INTANGIBLE ASSETS

	Software £
COST	
At 4 January 2022	62,674
Additions	8,551
At 2 January 2023	<u>71,225</u>
AMORTISATION	
At 4 January 2022	30,317
Charge for the period on owned assets	7,570
At 2 January 2023	<u>37,887</u>
NET BOOK VALUE	
At 2 January 2023	<u>33,338</u>
At 3 January 2022	<u>32,357</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023

13. TANGIBLE FIXED ASSETS

	Freehold land and buildings £	Locos and rolling stock £	Office equipment & motor vehicles £	Commercial fixtures, fittings & equipment £	Capital work in progress £	Total £
COST OR VALUATION						
At 4 January 2022	21,187,675	1,102,102	282,726	2,599,055	1,249,696	26,421,254
Additions	654,613	193,303	2,176	147,365	41,988	1,039,425
Disposals	-	-	-	(46,470)	-	(46,470)
Transfers between classes	62,311	1,136,999	-	-	(1,199,310)	-
At 2 January 2023	21,904,599	2,432,404	284,902	2,699,950	92,354	27,414,209
DEPRECIATION						
At 4 January 2022	7,802,543	803,150	251,558	1,350,636	-	10,207,887
Charge for the period on owned assets	620,587	79,015	14,128	117,558	-	831,288
Disposals	-	-	-	(16,358)	-	(16,358)
At 2 January 2023	8,423,130	882,165	265,686	1,451,836	-	11,022,817
NET BOOK VALUE						
At 2 January 2023	<u>13,481,469</u>	<u>1,550,239</u>	<u>19,216</u>	<u>1,248,114</u>	<u>92,354</u>	<u>16,391,392</u>
At 3 January 2022	<u>13,385,132</u>	<u>298,952</u>	<u>31,168</u>	<u>1,248,419</u>	<u>1,249,696</u>	<u>16,213,367</u>

All tangible fixed assets are held as security for the bank loans detailed in Note 19.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023

14. STOCKS

	2 January 2023 £	3 January 2022 £
Work in progress (goods to be sold)	249,311	283,087
Finished goods and goods for resale	244,397	179,435
	<u>493,708</u>	<u>462,522</u>

The carrying value of stocks are stated net of impairment losses totalling £114,295 (2022 - £105,264) . Impairment losses totalling £9,031 (2022 - £7,093) were recognised in profit and loss.

15. DEBTORS

	2 January 2023 £	3 January 2022 £
Trade debtors	50,432	175,028
Other debtors	78,536	106,253
Prepayments and accrued income	216,461	840,683
	<u>345,429</u>	<u>1,121,964</u>

An impairment loss of £1,309 (2022 - £12,408) was recognised as an expense against debtors during the year.

Decrease in prepayments & accrued income is due to no accrued income being due from Cultural Recovery Fund (2022 - £504,450).

16. CASH AND CASH EQUIVALENTS

	2 January 2023 £	3 January 2022 £
Bank current accounts	886,341	1,292,300
Cash balances	8,719	6,656
	<u>895,060</u>	<u>1,298,956</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023**

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2 January 2023 £	3 January 2022 £
Bank loans (note 19)	1,158,012	328,142
Other loans	11,097	14,831
Trade creditors	778,104	754,276
Other taxation and social security	52,549	50,826
Other creditors	411,948	468,837
Accruals and deferred income	429,942	412,274
	<u>2,841,652</u>	<u>2,029,186</u>

Other creditors includes deposits totalling £383,437 (2022 - £445,898) held for events which were postponed due to the pandemic.

Deferred income includes grants and public donations received towards Kidderminster carriage shed, Kidderminster station building improvements, Highley Engine House and Bridgnorth locomotive shed roof refurbishment.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2 January 2023 £	3 January 2022 £
Bank loans	318,762	1,481,358
Accruals and deferred income	3,675,931	3,862,140
	<u>3,994,693</u>	<u>5,343,498</u>

Deferred income includes grants and public donations received towards Kidderminster carriage shed, Kidderminster station building improvements, Highley Engine House and Bridgnorth locomotive shed roof refurbishment.

Included in deferred income is £2,275,000 (2022: £2,555,000) of deferred grant income which is to be recognised in profit and loss after more than 5 years.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023

19. LOANS

Analysis of the maturity of loans is given below:

	2 January 2023 £	3 January 2022 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Bank loans	1,158,012	328,142
Other loans	11,097	14,831
	<u>1,169,109</u>	<u>342,973</u>
AMOUNTS FALLING DUE 2-5 YEARS		
Bank loans	157,144	1,247,294
	<u>157,144</u>	<u>1,247,294</u>
AMOUNTS FALLING DUE AFTER MORE THAN 5 YEARS		
Bank loans	161,618	234,064
	<u>161,618</u>	<u>234,064</u>
	<u>1,487,871</u>	<u>1,824,331</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023

19. (CONTINUED)

Loan 1 - Land Adjacent to Bridgnorth Station

The loan limit is capped at £172,500 and is repayable over a term of fifteen years. The total amount drawn down was £172,500 and repayment commenced on 26 October 2015 in monthly installments of £1,229 (including interest). At 3 January 2023 £10,664 is repayable within one year, £50,651 is repayable in 2 to 5 years and £45,716 is repayable in over 5 years.

Interest is charged at 2.95% over the Bank of England base rate.

Loan 2 - Diesel Depot

The full loan amount of £372,000 was drawn down in October 2015 using a temporary, interest only, loan repayable on demand. This was converted to a fixed term loan on 11 March 2016. The loan limit is capped at £372,000 and is repayable over a term of fifteen years. Monthly repayment commenced on 11 April 2016 at a rate of £2,651 (including interest). At 3 January 2023 £22,368 is repayable within one year, £106,493 is repayable in 2 to 5 years and £115,902 is repayable in over 5 years.

Interest is charged at 2.95% per annum over the Bank of England base rate.

All bank borrowings are secured by means of a fixed charge over all book debts and freehold properties and a floating charge over certain assets, goodwill, undertakings and uncalled capital, both present and future.

Loan 3 - Coronavirus Business Loan

The loan limit is capped at £1,500,000 and is repayable over a term of six years, with an initial 12 month period where no repayments were made. Monthly repayment commenced in October 2021 at a rate of £25,000 plus interest. At 3 January 2022 £300,000 is repayable within one year and £825,000 is repayable in 2 to 5 years. However, the full liability is disclosed as due within one year as a result of a breach of covenant meaning that it is repayable on demand from the bank.

Interest is charged at 3.99% over HSBC base rate.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023**

20. FINANCIAL INSTRUMENTS

	2 January 2023 £	3 January 2022 £
FINANCIAL ASSETS		
Financial assets measured at amortised cost	<u>895,060</u>	<u>229,826</u>
FINANCIAL LIABILITIES		
Other financial liabilities measured at amortised cost	<u>(2,677,945)</u>	<u>(3,047,444)</u>

Financial assets measured at amortised cost comprise trade debtors, other debtors and accrued income.

Financial liabilities measured at amortised cost comprise bank loans, other loans, trade creditors and other creditors.

21. PROVISIONS

	Locomotive and rolling stock provision £
At 4 January 2022	238,085
Charged to profit or loss	(33,673)
AT 2 JANUARY 2023	<u>204,412</u>

Provisions relate to contractual repairs and maintenance costs and are calculated in accordance with the locomotive and rolling stock agreements. The timing of the outflow is dependent on the repairs and maintenance needs of the individual locomotive to which it relates. The gross provision before discounting is £280,000 (2022 - £264,000).

22. RESERVES

Profit & loss account

Profit and loss account - includes all current and prior period retained profits and losses.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023**

23. SHARE CAPITAL

	2 January 2023 £	3 January 2022 £
AUTHORISED		
14,000,000 (2022 - 14,000,000) Ordinary shares of £1.00 each	<u>14,000,000</u>	<u>14,000,000</u>
ALLOTTED, CALLED UP AND FULLY PAID		
11,000,784 (2021 - 10,948,649) Ordinary shares of £1.00 each	<u>10,789,587</u>	<u>10,737,452</u>

During the period the Company issued 52,135 (2022 - 289,304) Ordinary shares at par. The consideration received was £52,135 (2022 - £289,304).

Share capital is shown net of direct share offer costs as follows:

	2 January 2023 £	3 January 2022 £
2012 share offer costs	89,950	89,950
2016 share offer costs	<u>121,247</u>	<u>121,247</u>
	<u>211,197</u>	<u>211,197</u>

24. CAPITAL COMMITMENTS

At 2 January 2023 the Company had capital commitments as follows:

	2 January 2023 £	3 January 2022 £
Contracted for but not provided in these financial statements	<u>133,546</u>	<u>133,690</u>
	<u>133,546</u>	<u>133,690</u>

25. PENSION COMMITMENTS

The Company operates a defined benefit contribution scheme. The assets of the scheme are held in the name of employees in an independently administered fund. Contributions totalling £19,344 (2022: £18,074) were payable to the fund at the balance sheet date and are included in creditors.

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 2 JANUARY 2023

26. COMMITMENTS UNDER OPERATING LEASES

At 2 January 2023 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2 January 2023 £	3 January 2022 £
Not later than 1 year	130,167	84,176
Later than 1 year and not later than 5 years	172,237	101,702
	<u>302,404</u>	<u>185,878</u>

SEVERN VALLEY RAILWAY (HOLDINGS) PLC

NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 2 JANUARY 2023

27. RELATED PARTY TRANSACTIONS

Severn Valley Railway Company Limited

Severn Valley Railway Company Limited is a company limited by guarantee, supported by its membership, which provides the volunteer workforce without which the operation of the Railway would not be possible. During the period, the following transactions were undertaken with Severn Valley Railway Company Limited who own 1,972,467 (2021 - 1,883,182) (18%) of the Company's shares.

	2022 £	2021 £
Recharges to SVR Co Limited	<u>53,377</u>	<u>62,670</u>

Severn Valley Railway Charitable Trust Limited

Severn Valley Railway Charitable Trust is a registered charity with the following objectives:

- (1) to advance education for the benefit of the public by the acquisition, restoration, preservation and operation of heritage railway locomotives, carriages, wagons, station buildings, track and other associated infrastructure;
- (2) establishing buildings to house and preserve the Charity's rolling stock collection;
- (3) the provision of educational and interpretive displays for the travelling public; and
- (4) the provision of education and skills training used in the restoration, repair and operation of historic railways to ensure their long term survival.

Donations were received from Severn Valley Railway Charitable Trust Limited in the period amounting to £1,235,658 (2021 - £199,318). £917,308 (2021 - £859,454) is held in deferred income in relation to future projects.

Key Management Personnel Compensation

All directors and certain employees who have authority and responsibility for planning, directing and controlling the activities of the Company are considered to be key management personnel. As disclosed in note 8, 1 Director directly received salary payments (including benefits in kind), and pension contributions. Total remuneration in respect of the other individuals was met by Severn Valley Railway (Holdings) plc and totalled £581,526 (2021 - £491,504).